KOFOLA ČESKOSLOVENSKO A.S.
CONSOLIDATED ANNUAL REPORT

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RAJEC
kofola

1. KOFOLA AT A GLANCE

KOFOLA GROUP

a leading producer of branded non-alcoholic beverages in Central and Eastern Europe

CZK 7.0 BN Y17 REVENUES

7 PRODUCTION PLANTS

2 182 EMPLOYEES

LISTED ON PRAGUE STOCK EXCHANGE

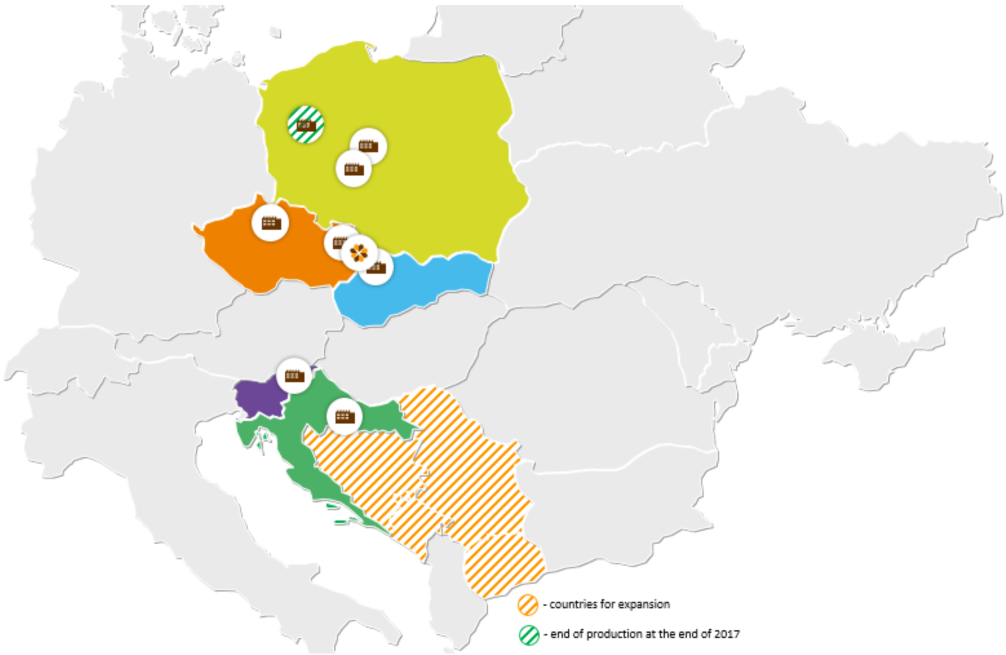
- no. 2 player in the soft drinks market

- no. 2 syrup brand
- no. 3 cola brand
- one of leading private label soft drinks producers

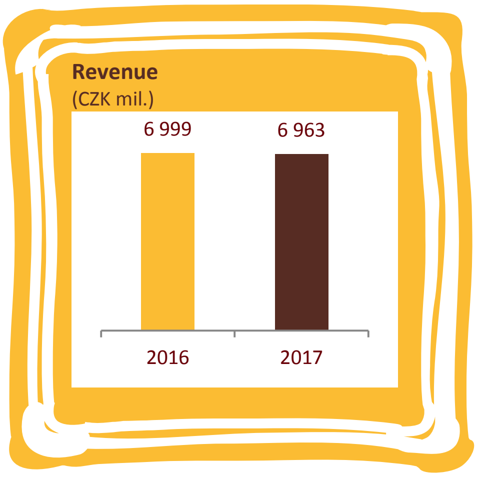
- no. 1 player in the soft drinks market in both Retail & HoReCa

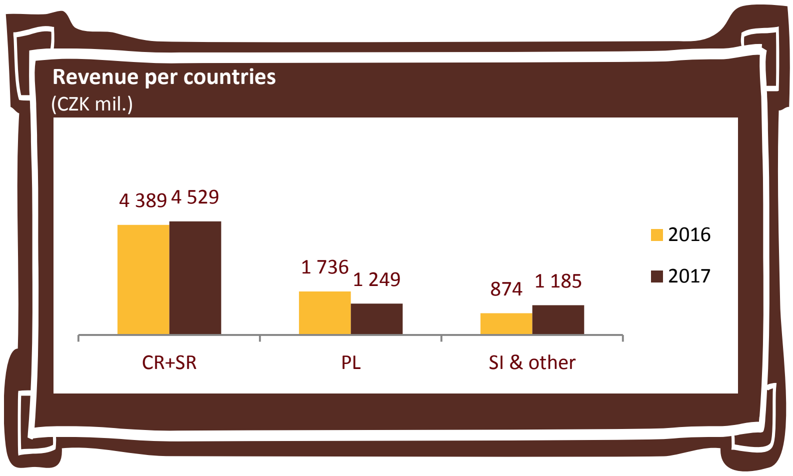
- no. 1 player in the soft drinks market in Slovenia
- no. 1 water brand in both Retail & HoReCa

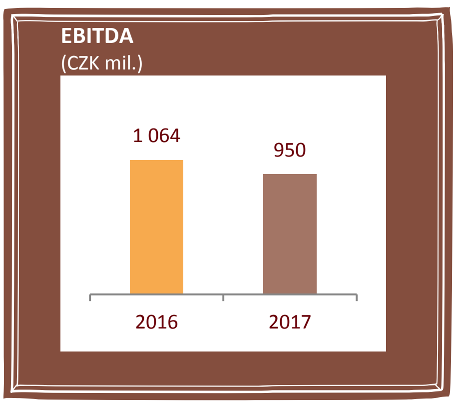
- production and distribution of PepsiCo products
- no. 2 water brand
- no. 2 syrup brand

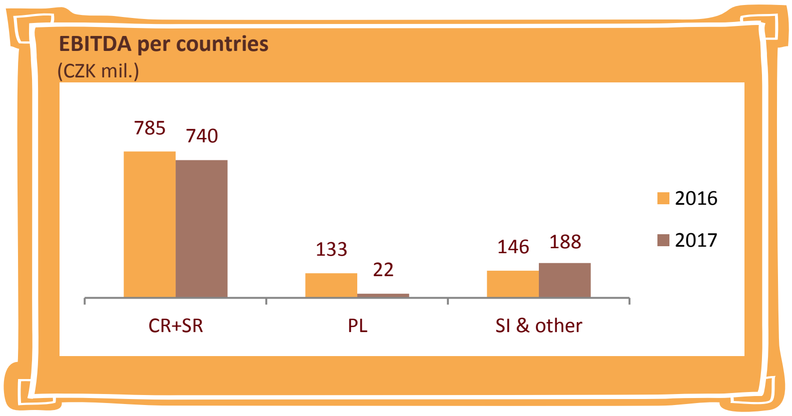


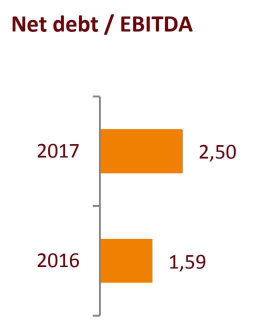
FOR THE 12M PERIOD

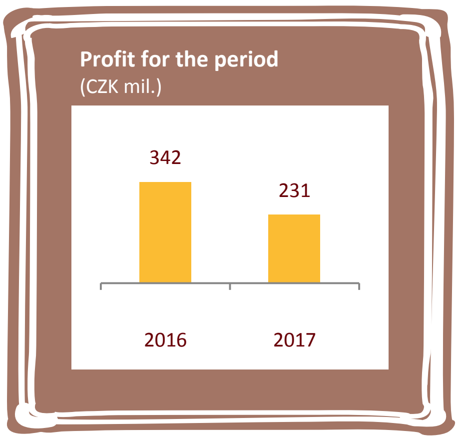






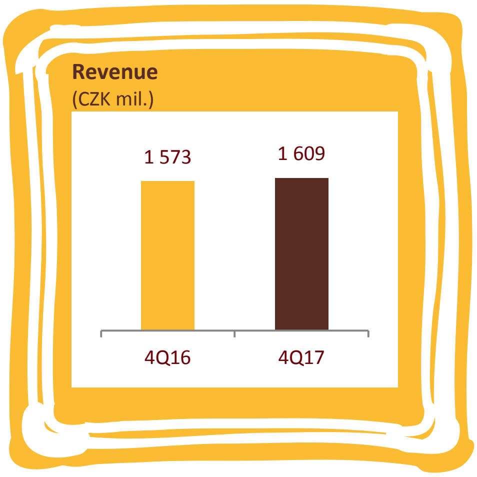


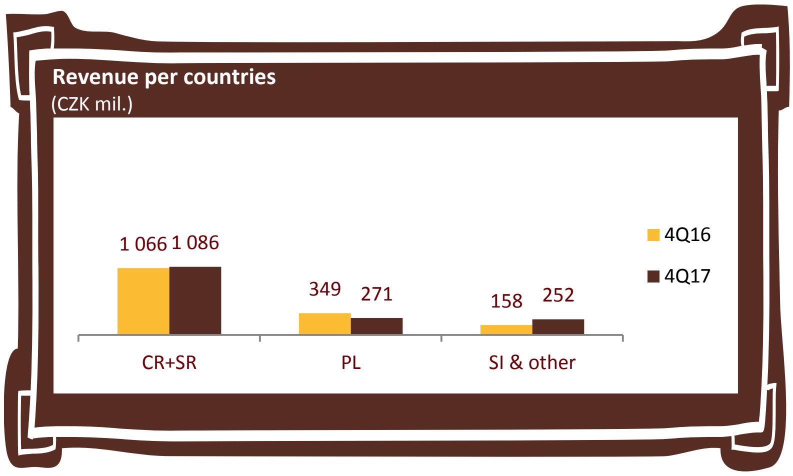


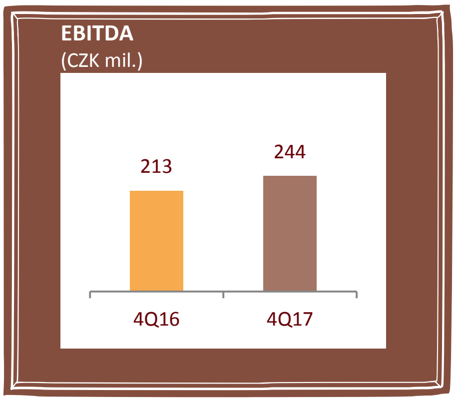


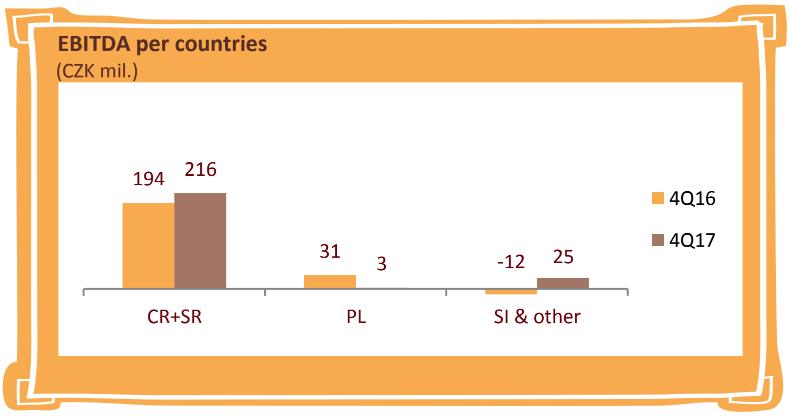
The results and ratios above are based on adjusted results. For details on financial performance and reconciliation of reported and adjusted results refer to section 4.1.

FOR THE 4Q PERIOD









MAIN ISSUES IN 4Q17:

- GROUP´S EBITDA WITHOUT POLAND INCREASED BY CZK 59 501 THOUSAND (32.7 %).
- GROUP´S REVENUE WITHOUT POLAND INCREASED BY CZK 114 005 THOUSAND (9.3 %).
- RESTRUCTURING IN POLAND – ANOTHER PLANT CLOSED (GRODZISK)
- POSITIVE EFFECT OF THE END OF SUGAR IMPORT QUOTAS

The results and ratios above are based on adjusted results. For details on financial performance and reconciliation of reported and adjusted results refer to section 4.1.

Dear shareholders,

it is my fundamental duty to present you the results of the Kofola Group. I do business in non-alcoholic beverages for already more than twenty years and trust me, each year brings many surprises. Both positive, and those that are less pleasant. We try to properly understand where the market is heading towards, respond to its changing conditions and participate in its development.

We went this way in year 2017 and we will leave the appraisal of our success up to you. Company's consolidated revenues reached CZK 6,963.3 million, which represents a stagnation (-0.5%). As a significant success we perceive an ongoing growth of brand revenues (+6%) and coordinated decline in the revenues from sales of private brands. This trend is in line with our strategic goals, which tend to the gradual reduction of private brands' production (currently these sales represent 12% of total sales against 26% in 2014).

Unfortunately, we did not succeed in our effort to meet the performance from year 2016 and EBITDA reached only CZK 950.2 million, which represented decrease by 10.7%. Profitability level together with our financial stability allow us to fully continue in our development strategy and we assume a return to revenues growth and exceeding of CZK 7 billion sales line in 2018. Our unambiguous success of the current year is an increase in cash flow from operating activities (+9.8%) to which also contributes a significant decline in the impact of one-off events. We brought some significant innovation to the market. The most successful was a unique edition of Royal Crown cola, which is a world curiosity, and a collection of flavored waters Radenska.

I am very satisfied that we can report a net profit in the amount of CZK 231.3 million to our shareholders. Despite the fact that this amount is lower by 32.4% compared to prior year, it still confirms Kofola's strong financial position. It allows us to pay out dividends which will be in line with dividends paid in previous year. On behalf of the company and its shareholders I would like to thank to our employees for their considerable effort and patience in demanding year 2017.

Region of Central and Southeast Europe, where our company operates, continues in positive macroeconomic development which is in line with dramatic drop in unemployment rate. It is already a good habit of our industry that consumption of non-alcoholic beverages is not that much sensitive to changes in the economy. The market grew in value expression but stagnated in its volume, which applies not only to retail but also to HoReCa, the gastronomic segment. Its development in our domestic Czech market was influenced by a few quick consecutive legislative changes (smoking restriction, slot machines limitation and electronic revenue evidence). From the long-term point of view, we welcome these changes and also believe that they will contribute to a modern market development. The fastest-growing part of the non-alcoholic beverages market is during these days represented by selling of so called impulse formats, primarily on gas stations. Consumers travel more, they are in motion, and we can say that in this area, we grow faster than market and we expect its further growth.

The complicated situation for the non-alcoholic beverages producers still continues. Absurdly high promotional activities and price pressure give space for development only to strong diversified producers. Only they will be able to balance this retailers' nonsense pressure, through innovations and strong marketing. Kofola definitely belongs and will belong to these companies.

Markets' and producers' unification continue in the region. Kofola is one of the leading players in this process and it also actively participated in several acquisitions in year 2017. We were successful in three main cases – in the beginning of 2017, we took over traditional Croatian mineral water Studenac. Acquisition of Polish start-up of Premium Rosa followed up, its main domain is high quality natural products such as syrups, juices and jams. Entrance to the market of premium natural products brings new opportunities supporting healthy life style trends. Last addition to our portfolio was acquisition of salad division Titbit, which catapulted UGO into leading position in retail market of fresh salads.

Total consolidated sales of the Kofola Group stabilized at 2016 level, however comparable sales without Polish market grew up by 8.6% from year to year. In the main market, Czechoslovakian, sales grew up by CZK 139.2 million which represents increase by 3.2%. Higher sales were recorded in case of brands Kofola, Rajec and Vinea. For the year 2017, it was a key necessary step to raise prices (3.3%). This process was demanding and caused drop in a part of sales volume and stagnation in our market position.

Sales in Adriatic region increased by almost 30% and namely Radenska, our most successful acquisition of recent years, still continues in riding a ride. Takeover of Studenac was much more demanding in many ways such as marketing, business and logistics. Sales in Croatia got to expected level up to the last quarter. Our team did a perfect job.

UGO sales grew up by 39.2% and reached amount of CZK 409 million. UGO is now the biggest concept of healthy catering in the Central Europe and operates 84 fresh and salad bars. Profitability of the project however stood behind the expectation and it still is in a start-up position. The elementary problem is a shortage of permanent employees and dramatic increase in labor costs. We ended the phase of expansion and now we will focus on reaching the projected economic efficiency.

In Poland there is still a drop of sales, in current year by 28% which is mainly in a private brands segment. Polish team made a number of essential restructuring measures. We consolidated the production in one manufacturing plant in Kutno. Drop in sales of private brands is faster than restart in own products performance. We therefore did not succeed in our effort to reverse the decreasing trend. Our brands are not sufficient for building a strong position on demanding Polish market. We necessarily need to fill in our portfolio. This is why we concluded a contract of distribution of ice teas with Nestea and we actively search for acquisition opportunities in the Polish market or consider other strategic options.

As I stated above, operating performance indicator EBITDA reached amount of CZK 950.2 million. Without the Poland part EBITDA is almost in line with prior year’s result. The decline reflects the following essential causes. First of them is extremely high sugar price growth. This crucial growth caused a need for an increase in selling prices and lower sales growth in Czechoslovakia. The second impact is a continuous restructuring of our Polish business model. More difficult acquisition integration in Croatia and lower performance of UGO project are the remaining. On the contrary, long term investments in modern technologies and production and business procedures seem to bring their results. Gross margin level records slow growth and reaches 40.6%.

Company’s financial position is very stable and total net debt reached the amount of CZK 2,376 million, which represents level of indebtedness Net Debt / EBITDA of 2.5. The reason for increase in debt is successful 5% buyout of own shares, acquisitions and higher dividends payout.

We cannot look into year 2018 otherwise than with optimism. Positive macroeconomic development will be a sign of a moderate market growth. Basic raw material prices are relatively stable and sugar will get significantly cheaper. From a cost perspective we will face considerable increase in labor costs and respectively increase in costs related to labor. Our business model, innovation and marketing strategies are prepared very well for another growth in our market position. We will develop our fully integrated Croatia acquisition. We will stabilize UGO fresh and salad bars performance. We will integrate and introduce a full performance synergy of two of our acquisitions – Titbit and Premium Rosa. We will finish project focused on a change in our Polish business model. We will continue in a proactive search for new acquisition opportunities in the region while we will be ready to flexibly extend our strategy for another regions and areas which are closely related to business of non-alcoholic beverages.

Dear shareholders and coworkers, we will not celebrate year 2017 with champagne. This year will write in the history of our company as a “contradictory” year. We succeed in many ways, we worked more than in previous years, and we fulfill prior years’ long term strategic goals. We learnt from mistakes and we are ready for upcoming year 2018. Let me thank to shareholder for their patience, to all coworkers for their effort and I am looking forward to our return to growth.

Jannis Samaras
Chairman of the Board of Directors
Kofola ČeskoSlovensko a.s.

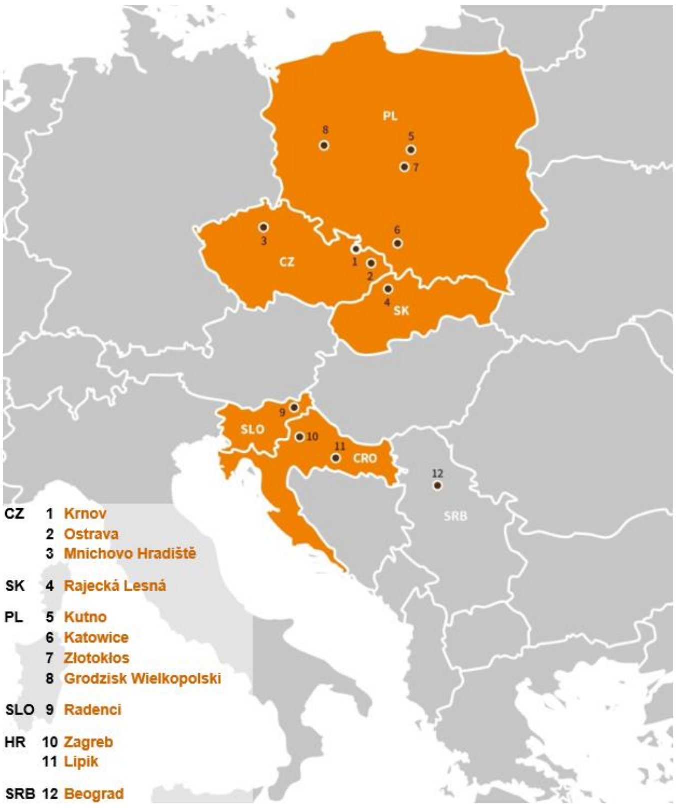
3. KOFOLA GROUP

3.1. KOFOLA ČESKOSLOVENSKO

Kofola ČeskoSlovensko a.s. ("the Company") is a joint-stock company registered on 12 September 2012. Its registered office is Nad Porubkou 2278/31a, Ostrava, 708 00, Czech Republic and the identification number is 24261980. The Company is recorded in the Commercial Register kept by the Regional Court in Ostrava, section B, Insert No. 10735. The Company´s websites are http://www.firma.kofola.cz and the phone number is +420 595 601 030. LEI: 3157005DO9L5OWHBQ359.

3.2. KOFOLA GROUP

BASIC INFORMATION



Kofola ČeskoSlovensko a.s. is part of the Kofola Group, one of the leading producers and distributors of non-alcoholic beverages in Central and Eastern Europe. The Group has a leading market position on the CzechoSlovak market and is targeting to replicate its success in other CEE markets. The Group has limited activities in Russia.

The Group produces its products with care and love in seven main production plants located in the Czech Republic (two plants), Slovakia (one plant), Poland (two plants), Slovenia (one plant) and Croatia (one plant).

The Group distributes its products using a wide variety of packaging, including kegs that are used in the HoReCa channel to serve our widely popular drink „Kofola Draught" and keep its high-quality standard. The Group distributes its products through Retail HoReCa and Impulse channels. We have successfully implemented a direct distribution concept in the Czech Republic and Slovakia.

KEY BRANDS

Key own brands include carbonated beverages Kofola, Vinea and Hoop Cola, waters Radenska, Studenac and Rajec, syrups Jupí and Paola, beverages for children Jupík, energy drinks Semtex and UGO fresh juices and salad bars. In selected markets, the Group distributes among others Rauch, Evian, Badoit or Vincentka products and under the licence produces RC Cola, Orangina, Rauch or Pepsi. The Group also produces and distributes water, carbonated and non-carbonated beverages and syrups under private labels for third parties, mostly big retail chains.

Despite the fact that the Group's portfolio includes more than 30, mostly well-established and recognisable brands with a wide market, the Group's key brand is Kofola.

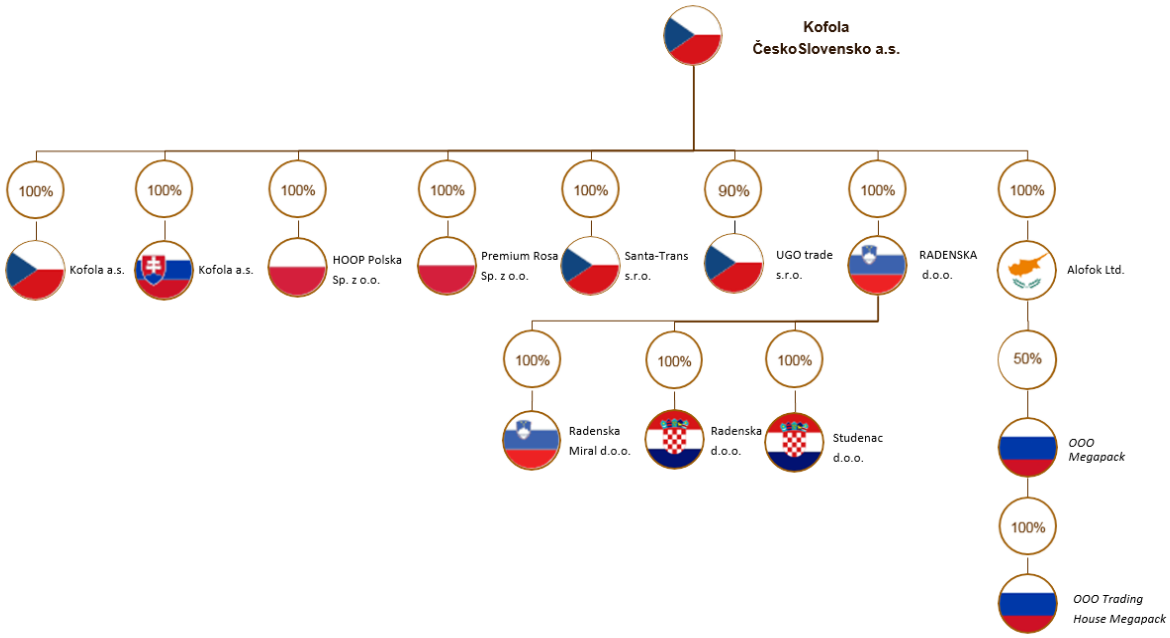
3. KOFOLA GROUP

Main brands by main markets are shown in the visualisation below:

3. KOFOLA GROUP

3.3. GROUP STRUCTURE

GROUP STRUCTURE CHART AS AT 31 DECEMBER 2017



DESCRIPTION OF THE GROUP COMPANIES

Name of entity	Place of business	Principal activities	Ownership interest and voting rights 31.12.2017	31.12.2016
Holding companies				
Kofola ČeskoSlovensko a.s.	Czech Republic	top holding company		
Alofok Ltd.	Cyprus	holding	100.00%	100.00%
Production and trading				
Kofola a.s.	Czech Republic	production and distribution of non-alcoholic beverages	100.00%	100.00%
Kofola a.s.	Slovakia	production and distribution of non-alcoholic beverages	100.00%	100.00%
Hoop Polska Sp. z o.o.	Poland	production and distribution of non-alcoholic beverages	100.00%	100.00%
UGO trade s.r.o.	Czech Republic	operation of fresh bars chain	90.00%	90.00%
RADENSKA d.o.o.	Slovenia	production and distribution of non-alcoholic beverages	100.00%	100.00%
Studenac d.o.o.	Croatia	production and distribution of non-alcoholic beverages	100.00%	100.00%
Radenska d.o.o.	Croatia	sales support and administration	100.00%	100.00%
Radenska d.o.o.	Serbia	closed	n/a	100.00%
Radenska Miral d.o.o.	Slovenia	trademark licensing	100.00%	100.00%
Premium Rosa Sp. z o.o.	Poland	production and distribution of syrups and jams	100.00%	n/a
Sicheldorfer GmbH	Austria	closed	n/a	100.00%
Transportation				
SANTA-TRANS s.r.o.	Czech Republic	road cargo transport	100.00%	100.00%
Associated companies				
OOO Megapack	Russia	production of non-alcoholic and low-alcoholic beverages	50.00%	50.00%
OOO Trading House Megapack	Russia	sale and distribution of non-alcoholic and low-alcoholic beverages	50.00%	50.00%

3. KOFOLA GROUP

3.4. SUCCESSES AND AWARDS IN 2017

Czech TOP 100 – Kofola ČeskoSlovensko a.s. the fifth most admired company in the Czech Republic in 2017. Repeatedly in top 5 since 2007.

Flavored Radenska awarded **„Product of the year"** in category of flavored mineral waters in Slovenia.

Radenska classic awarded **„Trusted brand"** in category of bottled water in Slovenia.

Popai awards 2017 – Kofola awarded Popai Awards for the POS presentation Rajec kojenecký.

Agra 2017 – Radenska awarded 3 medals in an international quality assasement of fruit juices, soft drinks and bottled waters Agra.

Paola won **"Hit Handlu"** - important award on the polish market in FMCG area. The winners in each category are bestsellers, which according to retailers are particularly outstanding, attracting customers and generating sales and profits.

RADENSKA d.o.o. awarded as a **best employer** in Pomurje region.

Hoop Polska Sp.z o.o. took first place in the ranking of **"Equal Business".**

Arctic and Fizzy awarded **„The Best Product - The Choice of Consumers"** in Poland.

4. BOARD OF DIRECTORS REPORT

4.1. BUSINESS OVERVIEW

OVERALL PERFORMANCE IN 2017

Kofola Group managed to increase sales in its core markets in the CzechoSlovakia and Adriatic region – when total consolidated revenue in these countries grew siginficantly by 7.3 %.

The Group´s revenue on CzechoSlovak market increased by 3.2 %. The increase was coming from the Horeca and Impuls channels. The good performance of key brands was further supported by healthy and fresh UGO products, which are gaining on their importance in the Group.

Adriatic region (Slovenia+Croatia) showed strong revenues growth by 29.8 %, this was also influenced by the Studenac acquisition (acquired before the 2016 year-end). We continue in building our presence in Adriatic countries outside of Slovenia through own sales and a distribution organisation where we extend the brand support. CzechoSlovak and Adriatic markets have significantly growing share on overall Group revenue (80.3 % in 12M17, 74.4 % in 12M16) and adjusted EBITDA (97.7 % in 12M17, 87.7 % in 12M16).

The Group´s revenue when comapared to last year is flat (-0.5 %) which is caused by decreased revenues in Poland.

In June 2017, Kofola took over from Titbit the production and distribution of salads. Technically, it was a purchase of assets - production technologies and know-how. The division produces several thousand salads a day and is a Czech market leader in packed salads. Total revenues in 2017 are of CZK 46 million.

To strengthen our competitiveness in the Polish market, we further continue with the consolidation of production capacities started last year and invest in new product development to support strategic focus on own brands. We informed about the decision to discontinue the production in Grodzisk Wielkopolski and concentrate the whole production in Poland in one plant in Kutno which was expanded and modernized in recent years. This will help to maintain high quality of products and improve the competitive edge on the Polish market. The termination of production in Grodzisk Wielkopolski will not have any negative impact on the delivery of products to existing customers. This production restructuring in HOOP Polska took place in the period from August to December 2017. The downsizing will affect 135 employees of HOOP Polska in various occupational groups, representing about 36 % of the total number of its employees.

An important part of the Group's current strategy in Poland is the acquisition of Premium Rosa. Premium Rosa is a forward-looking company that records double-digit sales growth and its products have its customers not only in Poland but around the world. With its acquisition, the Kofola Group has expanded its portfolio of healthy food products such as syrups, juices, jams, and other products made from medicinal plants from certified farms.

To reverse the situation on the Polish market, in addition to continuing branding and innovation to healthier drinks, HOOP Polska has concluded an agreement with Nestea ice tea owner, Nestle S.A. From 2018, HOOP Polska will distribute these beverages for the Polish market.

IMPORTANT MATTERS AFTER 31 DECEMBER 2017

ACQUISITION OF SUBSIDIARY LEROS

On March 13, 2018, the Company entered into an agreement to purchase a 100% stake in LEROS, s.r.o., producer of high quality products from medicinal plants and quality natural teas.

DIVIDEND PAYMENT FROM FY2016

The general meeting of the Company, held on 21 June 2017, agreed to pay out the Company´s after tax profit for the year 2016 in the amount of CZK 245 706 thousand recognised in the ordinary financial statements of the Company as at December 31, 2016 together with a part of undistributed profits of previous years in the amount of CZK 211 342 thousand, i.e. in total the amount of CZK 457 048 thousand to the Company´s shareholders.

The final amount paid out to the shareholders was reduced by the advanced dividend in the amount of CZK 156 065 thousand paid on the grounds of the decision of the Board of Directors of the Company dated November 7, 2016, and thus, the amount to be paid out to the shareholders shall be CZK 300 983 thousand, i.e. 13.50 CZK per Company´s share, before tax.

The relevant date for exercising the right to dividend was June 14, 2017.

The dividend is payable from July 21, 2017 to July 21, 2020.

ADJUSTMENTS OF REPORTED PERFORMANCE AND POSITION

Presented below is a description of the financial performance and financial position of Kofola Group in 2017. It should be read along with the financial statements and with other financial information contained in the attached consolidated financial statements and separate financial statements. The Board of Directors is presenting and commenting on the consolidated financial results adjusted for one-off events in the following sections of part A.

4.1.1 ADJUSTED CONSOLIDATED FINANCIAL RESULTS

Adjusted consolidated financial results 2017	2017	One-off adjustments	2017 adjusted
	CZK´000	CZK´000	CZK´000
Revenue	6 963 278	-	6 963 278
Cost of sales	(4 134 081)	-	(4 134 081)
Gross profit	**2 829 197**	**-**	**2 829 197**
Selling, marketing and distribution costs	(2 094 727)	1 735	(2 092 992)
Administrative costs	(395 783)	22 081	(373 702)
Other operating income, net	(46 965)	69 409	22 444
Operating profit	**291 722**	**93 225**	**384 947**
Depreciation and amortisation	565 228	-	565 228
EBITDA	**856 950***	**93 225**	**950 175****
Finance costs, net	(24 838)	-	(24 838)
Income tax	(114 689)	(14 115)	(128 804)
Profit for the period	**152 195**	**79 110**	**231 305**
- attributable to owners of Kofola ČeskoSlovensko a.s.	158 775	79 110	237 885

* EBITDA refers to operating profit plus depreciation and amortisation.
** Adjusted EBITDA refers to EBITDA adjusted for the effects of events and transactions that are non-recurring, extraordinary or unusual in nature (mostly non-monetary), including in particular results from the sale of fixed assets and financial assets, costs not arising from ordinary operations, such as those associated with the impairment of fixed assets, financial assets, goodwill and intangible assets, relocation costs and the costs of group layoffs.

The operating profit of the Kofola Group for the 12-month period ended 31 December 2017 was affected by the following one-off items:

- Net other operating income from the sale of warehouse of CZK 2 896 thousand, tax 19 % applies (in Slovenian segment).
- Costs connected with SAP implementation of CZK 6 319 thousand, tax 19 % applies (in Slovenian segment).
- Group costs connected with the liquidation of an inactive subsidiary in Sicheldorfer of CZK 1 832 thousand, tax 19% applies.
- Net other operating income from the sale of building of CZK 11 618 thousand, tax 19 % applies (in Slovenian segment).
- Net other operating income from the sale of production lines in Poland of CZK 37 816 thousand, tax 19 % applies.
- Costs connected with maintenance of Bielsk Podlaski plant and release of provision of CZK 3 869 thousand (in Polish segment), tax 19 % applies.
- Costs connected with the closure of Grodzisk of CZK 43 801 thousand (in Polish segment), tax 19 % applies.
- Revenues from compensation and release of provision of CZK 41 588 thousand connected with prior years qualitative product complaints (in Polish segment), tax 19 % applies.
- Impairment costs of CZK 112 386 thousand in Polish segment, tax 19 % applies.
- Acquisition costs – Czech operation incurred costs of CZK 14 527 thousand.
- Costs of CZK 4 409 thousand connected with closing “Na grilu” operation in Ugo.

Adjusted consolidated financial results 2016	2016	One-off adjustments	2016 adjusted
	CZK´000	CZK´000	CZK´000
Revenue	6 998 960	-	6 998 960
Cost of sales	(4 210 496)	(1 097)	(4 211 593)
Gross profit	**2 788 464**	**(1 097)**	**2 787 367**
Selling, marketing and distribution costs	(1 910 997)	34 143	(1 876 854)
Administrative costs	(444 957)	41 898	(403 059)
Other operating income, net	(168 613)	202 516	33 903
Operating profit	**263 897**	**277 460**	**541 357**
Depreciation and amortisation	523 003	-	523 003
EBITDA	**786 900***	**277 460**	**1 064 360****
Finance costs, net	(93 497)	-	(93 497)
Income tax	(87 000)	(18 769)	(105 769)
Profit for the period	**83 400**	**258 691**	**342 091**
- attributable to owners of Kofola ČeskoSlovensko a.s.	86 373	258 691	345 064

* EBITDA refers to operating profit plus depreciation and amortisation.
** Adjusted EBITDA refers to EBITDA adjusted for the effects of events and transactions that are non-recurring, extraordinary or unusual in nature (mostly non-monetary), including in particular results from the sale of fixed assets and financial assets, costs not arising from ordinary operations, such as those associated with the impairment of fixed assets, financial assets, goodwill and intangible assets, relocation costs and the costs of group layoffs.

The operating profit of the Kofola Group for the 12-month period ended 31 December 2016 was affected by the following one-off items:

- Loss on sale of financial receivable – Czech operation incurred net costs of CZK 20 315 thousand relating to the sold financial receivable from an e-shop project.
- Merger costs - Czech operation incurred costs of CZK 7 451 thousand relating to the cross-border merger advisory.
- Acquisition costs – Slovenian operation incurred costs of CZK 16 029 thousand relating to the acquisition advisory and costs of CZK 9 363 thousand related to building of new sales team in Croatia, with tax effect of CZK 3 857 thousand.
- Due diligence costs – Polish operation incurred costs of CZK 2 186 thousand.
- Closure of Bielsk operation and reorganization costs – Polish operation incurred total costs of CZK 35 524 thousand. 19% tax applies.
- Net other operating income in Polish operation from insurance income associated with the qualitative product complaints of 11 684 thousand, 19% tax applies.
- Release of provision – Slovenian operation released the provision for legal case of CZK 17 571, tax 17% applies.
- Czech operation incurred costs of CZK 19 010 thousand, out of it CZK 2 511 connected with ongoing process of delisting from WSE, CZK 4 062 thousand connected with an impairment of financial asset, remaining part is connected with one-off acquisition services and court litigation legal services.
- Impairment costs – in Polish operation of CZK 70 368 thousand (tax 19% applies) and CZK 126 469 thousand connected with an investment in Russian associate.

4.1.2 FINANCIAL PERFORMANCE

Adjusted consolidated financial results	2017	2016	Change	Change
	CZK´000	CZK´000	CZK´000	%
Revenue	6 963 278	6 998 960	(35 682)	(0.5%)
Cost of sales	(4 134 081)	(4 211 593)	77 512	(1.8%)
Gross profit	**2 829 197**	**2 787 367**	**41 830**	**1.5%**
Selling, marketing and distribution costs	(2 092 992)	(1 876 854)	(216 138)	11.5%
Administrative costs	(373 702)	(403 059)	29 357	(7.3%)
Other operating income, net	22 444	33 903	(11 459)	(33.8%)
Operating profit	**384 947**	**541 357**	**(156 410)**	**(28.9%)**
EBITDA	**950 175**	**1 064 360**	**(114 185)**	**(10.7%)**
Finance costs, net	(24 838)	(93 497)	68 659	(73.4%)
Income tax	(128 804)	(105 769)	(23 035)	21.8%
Profit for the period	**231 305**	**342 091**	**(110 786)**	**(32.4%)**
- attributable to owners of Kofola ČeskoSlovensko a.s.	237 885	345 064	(107 179)	(31.1%)

REVENUE

In 12M17, the Group´s revenue amounted to CZK 6 963 278 thousand and decreased by CZK 35 682 thousand or 0.5 % from CZK 6 998 960 thousand in 12M16.

The decrease was caused by lower sales in Poland that were almost offset by the increase in CzechoSlovakia that came from Rajec, Rauch, Semtex and mainly Vinea, increased sales in Ugo and increased sales in Slovenia and Croatia.

In 12M17, the Group's revenue from sales of finished products and services amounted to CZK 6 409 682 thousand and decreased by CZK 96 719 thousand or 1.5 % from CZK 6 506 401 thousand in 12M16.

In 12M17, the Group's revenue from sales of goods and materials amounted to CZK 553 596 thousand and increased by CZK 61 037 thousand (12.4 %) from CZK 492 559 thousand in 12M16. The increase in revenue from sale of goods and materials was attributable mostly to sales of Rauch products.

In June 2017, the Group achieved record sales for its own brands.

The following table sets forth revenues from sales split by category of products for 2017 and 2016.

Product lines	2017		2016	
	Revenue	Share	Revenue	Share
	CZK´000	%	CZK´000	%
Carbonated beverages	2 946 263	42.31%	3 274 473	46.79%
Non-carbonated beverages	619 508	8.90%	544 145	7.77%
Waters	2 067 777	29.70%	1 873 846	26.77%
Syrups	671 305	9.65%	725 663	10.37%
Other	658 425	9.44%	580 833	8.30%
Total	**6 963 278**	**100.00%**	**6 998 960**	**100.00%**

The activities of the Group concentrate on the production of beverages in four market categories: carbonated beverages (including cola beverages), non-carbonated beverages, types of bottled water and syrups. Together these categories accounted for 90.55 % of the Group’s sales revenue in 12M17. In comparison with 12M16, the structure of sales by products changed mainly due to lower revenues from carbonated beverages in Poland.

The following table sets forth revenue from sales split by countries for 2017 and 2016. The allocation of revenue to a particular country segment is based on the geographical location of customers.

Geographical segments	2017		2016	
	Revenue	Share	Revenue	Share
	CZK´000	%	CZK´000	%
Czech Republic	2 899 306	41.64%	2 807 961	40.12%
Slovakia	1 629 287	23.40%	1 581 430	22.60%
Poland	1 248 838	17.93%	1 736 417	24.81%
Slovenia	735 107	10.56%	673 230	9.62%
Other*	450 740	6.47%	199 922	2.85%
Total	**6 963 278**	**100.00%**	**6 998 960**	**100.00%**

*** *including Croatia (2017: 324 978, 2016: 143 518)***

Kofola increased its sales in CzechoSlovakia and Adriatic region. In total, the sales in these regions increased by 7.3 % in comparison with 12M16.

In CzechoSlovakia, the UGO´s revenue grew by CZK 115 314 thousand to CZK 409 430 thousand (39.2 %) and are becoming more important part of the Group´s revenues. UGO operated 84 fresh bars and salad bars as at 31 December 2017.

In Adriatic region, Kofola continues in its acquisition strategy. In 1Q16, we acquired Nara, Inka and Voćko, Croatian brands with a high growth potential for the Group. At the same time, the Group concluded a production and distribution contract with Pepsi in the Croatian market. At the end of the last year, we acquired Studenac in Croatia, its revenues are consolidated from 1Q17.

In comparison with 12M16, there was a decrease in revenue from sales in Poland driven by lower sales of private labels and lower sales in the traditional channel.

Total Group´s consolidated revenues without Polish segment grew by 8.6 % (CZK 451 897 thousand) in comparison with 12M16.

COST OF SALES

In 12M17, the Group's cost of sales amounted to CZK 4 134 081 thousand and decreased by CZK 77 512 thousand or 1.8 % from adjusted CZK 4 211 593 thousand in 12M16.

In 12M17, the Group's cost of products and services sold amounted to CZK 3 648 402 thousand and decreased by CZK 145 058 thousand or 3.8 % from adjusted CZK 3 793 460 thousand in 12M16. The decrease of cost of sales exceeds the decrease of revenue from the sale of products.

In 12M17, the Group's cost of goods and materials sold amounted to CZK 485 679 thousand and increased by CZK 67 546 thousand or 16.2 % from CZK 418 133 thousand in 12M16. The increase in the cost of goods and materials sold was attributable mostly to the sale of Rauch products.

GROSS PROFIT

In 12M17, the Group's adjusted gross profit amounted to CZK 2 829 197 thousand and increased by CZK 41 830 thousand or 1.5 % from CZK 2 787 367 thousand in 12M16, this was influenced by decreased gross profit mainly in Poland, which was compensated by increased gross profit in Ugo and gross profit from the new subsidiary Studenac. Gross profit margin increased by 0.80 p.p. from 39.83 % in 12M16 to 40.63 % achieved in 12M17.

SELLING, MARKETING AND DISTRIBUTION COSTS

In 12M17, the Group's selling, marketing and distribution costs amounted to CZK 2 092 992 thousand and increased by CZK 216 138 thousand or 11.5 % from CZK 1 876 854 thousand in 12M16. The increase is influenced by increased costs of cca CZK 93 000 thousand in UGO (further expansion – increased number of larger bars, increased marketing costs – first TV campaign, increased salaries due to increased number of bars), also due to acquired Studenac and Premium Rosa subsidiaries – effect of CZK 109 000 thousand, the remaining part was driven by increased costs in CzechoSlovakia (increased logistic and marketing costs – increased salaries and brand costs connected with new brands – Vočko, Nara, Inka, Radenska Kraljevi Vrelec) which were partly compensated by lower selling, marketing and distribution costs in Poland.

ADMINISTRATIVE COSTS

In 12M17, the Group's adjusted administrative costs amounted to CZK 373 702 thousand and decreased by CZK 29 357 thousand or 7.3 % from CZK 403 059 thousand in 12M16, the net decrease is driven by decreased administrative costs in CzechoSlovakia (thanks to lower bonuses and post-merger savings).

EBITDA

The following table sets forth information regarding EBITDA for 2017 and 2016.

Adjusted EBITDA	**2017** CZK´000 / %	**2016** CZK´000 / %
EBITDA*	950 175	1 064 360
EBITDA margin**	13.7%	15.2%

** EBITDA refers to operating profit plus depreciation and amortisation*
*** Calculated as (EBITDA/Revenue) *100%*

The following table sets forth information regarding EBITDA split by countries for 2017 and 2016.

Adjusted EBITDA by countries	2017 EBITDA	2017 EBITDA margin	2016 EBITDA	2016 EBITDA margin
	CZK´000	%	CZK´000	%
Czech Republic	389 986	13.45%	397 388	14.15%
Slovakia	350 291	21.50%	388 169	24.55%
Poland	22 349	1.79%	133 254	7.67%
Slovenia	192 544	26.19%	148 564	22.07%
Other	(4 995)	(1.11%)	(3 015)	(1.51%)
Total	**950 175**	**13.65%**	**1 064 360**	**15.21%**

The net decrease of EBITDA is caused by decreased performance in all segments except Slovenia, mainly in Poland where EBITDA decreased by 83.2 %.

The EBITDA achieved by the Group in Poland decreased as a result of decreased sales mainly of private labels. The EBITDA in the CzechoSlovakia decreased due to lower sales of Kofola and increased selling and marketing expenses.

The Group's EBITDA margins achieved in the CzechoSlovak and Adriatic markets in 12M17 are higher than in Poland. In CzechoSlovakia, this is because of our strong presence in the HoReCa distribution channel, where non-alcoholic beverages can be sold with higher margins to loyal customers (both restaurants and end consumers). Significant part of revenues in Poland comes from private labels. Nevertheless, in Poland, the gross profit margin from own brands is increasing.

The Group´s adjusted EBITDA without Poland decreased by CZK 3 280 thousand (0.4 %) in comparison with 12M16.

OPERATING PROFIT

Due to the reasons described above, in 12M17, the Group's adjusted operating profit amounted to CZK 384 947 thousand as compared to an operating profit of CZK 541 357 thousand in 12M16.

FINANCE COSTS, NET

In 12M17, the Group's net Finance costs amounted to CZK 24 838 thousand and decreased by CZK 68 659 thousand as compared to net finance costs of CZK 93 497 thousand in 12M16. Increased financial result is mainly influenced by increased foreign exchange gains of cca CZK 39 209 thousand, positive effect of revaluation derivatives of cca CZK 22 067 thousand when compared with 12M16 and lower interests. Net Finance costs include also the share in the profit of associate that in 12M17 amounted to CZK 11 846 thousand compared to loss of CZK (915) thousand in 12M16.

NET PROFIT FOR THE PERIOD

Due to the reasons described above, in 12M17, the Group's profit for the period amounted to CZK 231 305 thousand as compared to CZK 342 091 thousand in 12M16.

4.1.3 FINANCIAL PERFORMANCE IN 4Q

Adjusted consolidated financial results	4Q17 CZK´000	4Q16 CZK´000	Change CZK´000	Change %
Revenue	1 609 202	1 573 176	36 026	2.3%
Cost of sales	(988 533)	(973 889)	(14 644)	1.5%
Gross profit	**620 669**	**599 287**	**21 382**	**3.6%**
Selling, marketing and distribution costs	(468 901)	(433 536)	(35 365)	8.2%
Administrative costs	(88 102)	(88 940)	838	(0.9%)
Other operating income, net	16 612	2 514	14 098	560.8%
Operating profit	**80 278**	**79 325**	**953**	**1.2%**
EBITDA	**244 437**	**213 159**	**31 278**	**14.7%**
Finance costs, net	(15 453)	(23 237)	7 784	(33.5%)
Income tax	(49 376)	(43 400)	(5 976)	13.8%
Profit for the period	**15 449**	**12 688**	**2 761**	**21.8%**
- attributable to owners of Kofola ČeskoSlovensko a.s.	17 976	13 989	3 987	28.5%

In 4Q17, the Group´s revenue increased by 2.3 % compared to 4Q16, this was a net effect of decreased revenue in Poland in amount of CZK 77 979 thousand (22.3 %) and increased revenue in the rest of the Group. The Group´s revenue without Poland increased by CZK 114 005 thousand (9.3 %).

Selling, marketing and distribution costs increased by 8.2 %, when compared with 4Q16, this is mainly influenced by the new subsidiary Studenac and increased costs in Ugo.

Administrative costs decreased by 0.9 % compared to 4Q16, mainly in the Czech segment.

Net finance costs decreased by CZK 7 784 thousand, which was caused mainly by foreign exchange gains when compared with 4Q16.

In 4Q17, the Group´s EBITDA without Poland increased by CZK 59 501 thousand (32.7 %).

4.1.4 FINANCIAL POSITION

Consolidated statement of financial position	31.12.2017 CZK´000	31.12.2016 CZK´000	Change CZK´000	Change %
Total assets	**6 578 868**	**8 019 883**	**(1 441 015)**	**(18.0%)**
Non-current assets, out of which:	**4 786 195**	**4 915 863**	**(129 668)**	**(2.6%)**
Property, plant and equipment	*3 384 892*	*3 442 624*	*(57 732)*	(1.7%)
Intangible assets	*1 090 190*	*1 164 092*	*(73 902)*	(6.3%)
Goodwill	*86 302*	*86 302*	-	-
Investment in associates	*70 260*	*67 782*	*2 478*	3.7%
Deferred tax assets	*81 531*	*101 481*	*(19 950)*	(19.7%)
Other	*73 020*	*53 582*	*19 438*	36.3%
Current assets, out of which:	**1 792 673**	**3 104 020**	**(1 311 347)**	**(42.2%)**
Inventories	*494 508*	*485 440*	*9 068*	1.9%
Trade and other receivables	*994 155*	*1 081 680*	*(87 525)*	(8.1%)
Cash and cash equivalents	*289 594*	*1 421 014*	*(1 131 420)*	(79.6%)
Assets held for sale	-	*111 715*	*(111 715)*	(100.0%)
Other	*14 416*	*4 171*	*10 245*	245.6%
Total equity and liabilities	**6 578 868**	**8 019 883**	**(1 441 015)**	**(18.0%)**
Equity	1 973 986	2 739 468	(765 482)	(27.9%)
Non-current liabilities	1 855 652	1 580 357	275 295	17.4%
Current liabilities	2 749 230	3 700 058	(950 828)	(25.7%)

ASSETS

At 31 December 2017, the Group’s Property, plant and equipment amounted to CZK 3 384 892 thousand and decreased by CZK 57 732 thousand from CZK 3 442 624 thousand at the end of 2016. This change was mainly caused by additions and finance lease additions totalling CZK 421 254 thousand, reclassification of assets held for sale to property, plant and equipment (the planned sale of Bielsk production plant has not been finalized within a year) and on the other hand the depreciation charge of CZK 517 138 thousand, significant effect has exchange difference (CZK 51 927 thousand). The additions comprise mainly an addition to a production line in Slovenia, acquisition of Titbit property and sales support equipment in CzechoSlovakia.

As at 31 December 2017, Intangible assets were of CZK 1 090 190 thousand and decreased by CZK 73 902 thousand or 6.3 % in comparison with 31 December 2016 mainly because of additions connected with the acquisition of Titbit intangible assets, amortization of CZK 48 090 thousand and exchange differences.

The Group’s current assets as at 31 December 2017 amounted to CZK 1 792 673 thousand, of which 55 % is represented by Trade and other receivables, 16 % is represented by Cash and cash equivalents and 28 % is formed by Inventories. The net decrese of CZK 1 311 347 thousand or 42.2 % is mainly attributable to decreased cash. Decrease of cash is influenced by CAPEX (CZK 498 916 thousand), net repayment of loans (CZK 414 444 thousand), dividend payment (CZK 311 857 thousand) and purchase of own shares (CZK 490 650 thousand).

Deferred tax asset decreased by CZK 19 950 thousand to CZK 81 531 thousand, of which CZK 66 630 thousand is a deferred tax asset of RADENSKA d.o.o., resulting mainly from tax losses that are expected to be utilised in future.

LIABILITIES

As at 31 December 2017, the Group’s current and non-current liabilities amounted to CZK 4 604 882 thousand, which constitutes an 12.8 % (CZK 675 533 thousand) decrease compared to CZK 5 280 415 thousand at the end of December 2016. The new Facility loan agreement (which refinanced current loans and a loan for financing RADENSKA d.o.o. acquisition) with carrying amount of CZK 1 644 571 thousand as at 31 December 2017 is a main component of Group´s liabilities. The reason for the execution of the Facility loan agreement was a consolidation of group financing to ensure strategic development, taking advantage of the favourable conditions of financial market and reduction of total financial cost.

The Group’s consolidated net debt (calculated as total non-current and current liabilities relating to credits, loans, bonds, leases and other debt instruments less cash and cash equivalents) amounted to CZK 2 375 872 thousand as at 31 December 2017, which represents an increase of CZK 687 207 thousand or 40.7 % compared to CZK 1 688 665 thousand as at 31 December 2016. This increase is also influenced by decreased cash from payment of CAPEX, purchase of own shares and dividends (see above).

The Group´s consolidated net debt / Adjusted EBITDA as at 31 December 2017 was of 2.50 compared to 1.59 at the end of 2016.

The Group´s provisions decreased by CZK 57 934 thousand from CZK 184 237 thousand to CZK 126 303 thousand, which is mainly influenced by release of provisions for bonuses.

4.1.5 CASHFLOWS

NET CASH FLOW FROM OPERATING ACTIVITIES

In 12M17, the Group's net cash flow from operating activities amounted to CZK 719 995 thousand and increased by CZK 64 665 thousand or 9.9 % from CZK 655 330 thousand in 12M16. Increased operating cash flow in 12M17 is caused by a net effect of positive changes in working capital vs. YE values (decreased receivables 2017/2016 vs. increased receivables 2016/2015) which exceeded lower cash profit and higher income tax paid (in Slovakia).

NET CASH FLOW FROM INVESTING ACTIVITIES

In 12M17, the Group's net cash outflow from investing activities amounted to CZK (468 963) thousand and decreased by CZK 279 704 thousand from CZK (748 667) thousand in 12M16. The outflow decrease is a net effect of higher cash outflow in 2016 due to purchase of Studenac subsidiary, increased cash inflow from sale of fixed assets (sale of building in Slovenia) and lower CAPEX.

NET CASH FLOW FROM FINANCING ACTIVITIES

In 12M17, the Group's net cash outflow from financing activities amounted to CZK (1 352 846) thousand and increased by CZK 932 428 thousand from CZK (420 418) thousand in 12M16. The higher outflow was mainly a result of higher purchase of own shares (by CZK 486 907 thousand), higher net outflow from loans (by CZK 300 756 thousand) and higher dividend paid to the shareholders of the Company (by CZK 155 806 thousand).

4.1.6 EXPECTED DEVELOPMENT IN SUBSEQUENT 6 MONTHS

Kofola Group will continue to deliver its products across Central and Eastern Europe, improve the efficiency of direct distribution in the Czech Republic and extend sales support in the Adriatic region.

2017 was our first season with Studenac portolio. Based on this experience, we are preparing portfolio changes which should significantly improve our position in 2018. Generally, in next 6 months, Adriatic region will face certain uncertainty related to Agrokor Group prebankruptcy procedure. However, the economical situation is improving in Croatia. We will enlarge distribution index of current products in Croatia and benefit from new planned 2018 launches. Practically almost all Croatian product portfolio will be redesigned. Our key goal is to significantly increase Studenac market share in Croatia.

Polish segment will carry on its business activities with focus on branded products that will be supported by increased marketing and trade marketing activities. Product portfolio will be further extended and key product lines will be redesigned to meet consumers´ demand and current trends. Premium Rosa will introduce innovative products and penetrate the market further using synergies of cooperation with HOOP Polska sales team. HOOP Polska will benefit from centralized production in its plant in Kutno through increased production and logistic efficiency. Premium Rosa will invest in its production capacity and further integrate its operations with the Group. Neverthless, our brands are not sufficient for building a strong position on demanding Polish market. We necessarily need to fill in our portfolio. This is why we concluded a contract of distribution of ice teas with Nestea and we actively search for acquisition opportunities in the Polish market.

In Czechia, we will integrate our last acquisition in LEROS.

4.1.7 ALTERNATIVE PERFORMANCE INDICATORS

Even though ESMA (European Securities and Markets Authority) does not require a reconciliation of Alternative Performance Indicators (APM) to financial statements if the APM can be defined from the financial statements, we add such a reconciliation for better understanding of our calculation of EBITDA and Net Debt.

Definition and reconciliation of APM to the financial statements (FS)		FS	Line in FS
Revenue	A	Statement of Profit or Loss	Revenue
Cost of sales	(B)	Statement of Profit or Loss	Cost of sales
Gross profit	A+B=C	Statement of Profit or Loss	Gross profit
Selling, marketing and distribution costs	(D)	Statement of Profit or Loss	Selling, marketing and distribution costs
Administrative costs	(E)	Statement of Profit or Loss	Administrative costs
Other operating income, net	F	Statement of Profit or Loss	Other operating income + Other operating expenses
Operating profit	C+D+E+F=G	Statement of Profit or Loss	Operating profit
Depreciation and amortisation	H	Statement of Cash Flows	Depreciation and amortization
EBITDA	G+H=I	-	-
Bank credits and loans	J	Statement of Financial Position	Bank credits and loans*
Bonds issued	K	Statement of Financial Position	Bonds issued
Finance lease liabilities	L	Statement of Financial Position	Finance lease liabilities*
Cash and cash equivalents	M	Statement of Financial Position	Cash and cash equivalents
Net debt	J+K+L-M=N	-	-
Net debt/ EBITDA	N/I	-	-

** in both current and non-current liabilities*

PURPOSE OF APM:

A. EBITDA

The Company uses EBITDA because it is an important economic indicator showing a business's operating efficiency comparable to other companies, as it is unrelated to the Company's depreciation and amortization policy, capital structure and tax treatment. EBITDA indicator is also treated as a good approximation for operating cash flow. Additionally, it is one of the fundamental indicators used by companies worldwide to set their key financial and strategic objectives.

The Company uses EBITDA indicator also in budgeting process, benchmarking with its peers and as a basis for remuneration for key management staff. Such indicator is also used by stock exchange and bank analysts.

B. NET DEBT

The Company uses Net debt indicator because it shows the real level of a Company's financial debt, i.e. the nominal amount of debt net of cash, cash equivalents, and highly liquid financial assets held by the Company. The indicator allows assessing the overall indebtedness of the Company.

C. NET DEBT/EBITDA

The Company uses Net debt / EBITDA indicator because it indicates a Company's capability to pay back its debt as well as its ability to take on additional debt to grow its business. Additionally, the Company uses this indicator to assess the adequacy of its capital structure and stability of its expected cash flows. Such indicator is also used by stock exchange and bank analysts.

4.1.8 NEW DIVIDEND POLICY

On General Meeting held on 21 June 2017, the Company announced the change in the dividend policy with the aim of distributing of a dividend to the shareholders of Kofola of at least 60% of its consolidated net profit achieved in each financial year from 2017 until 2020, subject to sufficient distributable profits.

4.2. AUDITORS REMUNERATION

The Group is audited by PricewaterhouseCoopers. The following amounts were charged by auditors in 2017:

Auditors remuneration	Charged to the Company CZK´000	Charged to other Group entities CZK´000
Audit	491	2 295
Tax services	1 634	846
Total	**2 125**	**3 141**

Tax services include mainly advisory relating to preparation of corporate income tax returns, personal income tax for expats and various consultations in complex tax areas.

4.3. INTELLECTUAL PROPERTY AND LICENCES

INTELLECTUAL PROPERTY AND LICENSES

The Group relies on the strength of its brands which are registered trademarks protected by local legislation in its countries of operation. The Group has also registered a number of industrial designs (drink bottles and other beverage packaging).

Kofola ČeskoSlovensko a.s. owns the most licenses, trademarks for branded beverages and similar copyrights, for the use of which the other Group Companies pay royalties. An exception is the Vinea trademark which is owned by Kofola a.s. (SK) that collects royalties for the use of that mark. Hoop Polska Sp. z o.o. owns trademarks for its products, manufactures them by itself and sells on the Polish market. Hoop Polska Sp. z o.o. does not provide these trademarks to other Group companies. Slovenian brands Radenska and Ora are owned by Radenska Miral d.o.o. and are also not provided to other Group companies.

Some of the key trademarks and industrial designs are also protected at international level as (i) Community Trade Marks (CTMs) (e.g. the Kofola, Rajec, Vinea trademarks, Hoop Cola, Paola and Arctic) or Registered Community Designs (RCDs), which are registered through OHIM and protected in the EU as a whole, or (ii) international trademarks (IRTs) (e.g. the Jupik, Vinea trademarks, Hoop Cola, Paola and Arctic), which are registered through WIPO and protected in a number of other specific export countries (e.g. Norway, Ukraine, Russia, Switzerland).

The Group uses a number of registered Internet domains, including "kofola.cz", "kofola.pl", "jupik.com", "rajec.com", "ugo.cz", "radenska.si", "paola.pl", "hoopcola.pl" and "hoop.pl".

The Group entered into the following main licensor and distribution agreements:

- distribution agreements under which the Group has the exclusive right to distribute Rauch's products in the territory of the Czech Republic and Slovakia,
- distribution agreement under which the Group has the exclusive right to distribute Evian and Badoit products (water) in the territory of the Czech Republic and Slovakia,
- distribution agreement under which the Group has the exclusive right to distribute Vincentka (natural mineral water) in the territory of the Czech Republic,
- licensor agreement under which the Group has the exclusive right to purchase beverage concentrates to manufacture, bottle and sell carbonated beverage RC Cola,
- licensor agreement under which the Group has the exclusive right to purchase beverage concentrates to manufacture, bottle and sell carbonated beverage Orangina,
- licensor and distribution agreement under which the Group has the exclusive right to produce and distribute the PepsiCo portfolio products in the Slovenian market and since January 2016 also in the Croatian market.
- HOOP Polska has concluded an agreement with Nestea ice tea owner, Nestle S.A. From 2018, HOOP Polska will distribute these beverages for the Polish market.

The Group also entered into production agreement with a strategic partner in Poland based on which the Group produces and sells to this strategic partner various private label products.

In the Company´s opinion, there are no other patents or licences, industrial, commercial or financial contracts or new manufacturing processes which would be material to the Company´s or the Group's business or profitability and which are not included in the annual report.

4.4. RESEARCH AND DEVELOPMENT AND OTHER INFORMATION

In 2017, the Group carried out research and development activities and incurred costs of CZK 5 367 thousand (2016: CZK 6 696 thousand).

The Company does not operate an organisational unit abroad.

4.5. TECHNOLOGY AND PRODUCTION

The Group manufactures its products in 7 main production plants located in the Czech Republic (two plants - Mnichovo Hradiste and Krnov), Slovakia (one plant - Rajecka Lesna), Poland (two plants - Kutno and Zlotoklos), Slovenia (one plant - Radenci) and Croatia (one plant - Lipik).

The Group uses state-of-the-art, modern production equipment. Total CAPEX excluding acquisition of Slovenian and Croatian brands in the last 3 years amounts to CZK 1 253 million. The Group has also invested substantial amounts in equipment used in the HoReCa distribution channel, supporting further growth in this channel (kegs, fridges etc.). As a consequence, the Group's manufacturing facilities do not need major investments in the next few years. In addition, the Group has spare production capacities that allow, if necessary, quickly increase its production. Production lines are constructed by renowned producers such as Sidel, KHS and Kronnes. The Group has implemented modern management methodologies: WCM (World Class Management), SPC (Statistics Process Control) and TPM (Total Productive Maintenance).

In addition, the Group's production plants are used as main logistics centres for distribution. Distribution is realised partly by external logistic providers, but also by its own logistics company SANTA-TRANS s.r.o., which operates more than 100 trucks and vans.

The Group's material assets are primarily production, distribution and storage facilities. Accordingly, the Group's material assets consist primarily of buildings, warehouses and other constructions, as well as real estate properties (plots of land) on which these constructions are located and machinery and equipment in these constructions (e.g. production lines).

4.6. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLES

The Group finances its operations by cash flows from its operating activity, long- and short-term loans and finance leases.

Additions of property, plant, equipment and intangible assets	**2017** CZK´000	**2016** CZK´000
Land	1 099	1 083
Buildings and costructions	24 962	50 110
Plant and equipment	224 611	169 384
Vehicles	19 995	87 706
Other fixed assets	80 911	83 875
Fixed assets under construction	69 676	89 348
Licences	103	-
Software	7 645	11 449
Trademarks	34 162	19 003
Intangibles under development	5 626	15 999
Total	**468 790**	**527 957**

Allocation of property, plant, equipment and intangible assets additions	**2017** CZK´000	**2016** CZK´000
Czech Republic	246 818	313 789
Slovakia	31 017	62 298
Poland	53 921	63 716
Slovenia	103 846	80 910
Other	33 188	7 244
Total	**468 790**	**527 957**

4.7. SUBSEQUENT EVENTS

ACQUISITION OF SUBSIDIARY LEROS

On March 13, 2018, the Company entered into an agreement to purchase a 100% stake in LEROS, s.r.o., producer of high quality products from medicinal plants and quality natural teas.

No other events have occurred after the end of the reporting period that would require disclosures in the Board of directors’ report.

5. RISK MANAGEMENT

5.1. PRINCIPAL RISKS FACED BY THE GROUP

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

Key risks are monitored. The Board is ultimately responsible for the effective risk management and internal control system. For these risks, preventive actions are taken to reduce their vulnerability and reduce their potential impact on the Group.

CHANGES IN END CONSUMER PREFERENCES MAY HAVE A NEGATIVE IMPACT ON THE GROUP'S SALES

End consumer preferences, tastes and behaviours are evolving over time. If the Group does not successfully anticipate these changing end consumer preferences or fails to address them by swiftly developing new products or product extensions through innovation, the Group's sales, share of sales and volume growth could be negatively affected.

Key mitigations:

The Group offers a broad range of products across a range of flavours which offer choice to the end consumer. The Group closely monitor consumer trends in order to anticipate changes in preferences and match our offerings to these trends across our diversified portfolio and markets. The Group regularly develop current products and aim to offer innovative new products to create new sub-categories and generate consumer needs.

THE GROUP OPERATES ON MATURE MARKETS IN A HIGHLY COMPETITIVE INDUSTRY

The Group operates in the non-alcoholic beverages industry, mainly in the Czech Republic, Slovakia, Poland, Slovenia and Croatia, which, apart from certain exceptions, are markets where the non-alcoholic beverages industry has been stagnant and where both multinational and local producers compete against each other by offering a wide range of products. This pose risk of downward pressure on selling prices and/or the possibility of losing market share in the individual product categories or in the overall soft drinks market and may in future lead to a decrease in the Group's sales and could have an adverse effect on the Group's business, financial condition and the results of operations.

Key mitigations:

The Group protects against this type of risk primarily by building an emotional brand and loyalty of the consumers to the brands in its portfolio and by introducing new products on the market. The Group tries to minimise this risk by increasing the percentage share of the restaurant sector (that is less prone to promotions), as well as by promoting impulse products (with higher margins) or introducing new products, for which no aggressive pricing promotions have to be used (in the absence of competitor’s products).

CHANGES IN THE SHOPPING HABITS OF END CUSTOMERS MAY HAVE A NEGATIVE IMPACT ON THE GROUP'S SALES

In recent years, there have been changes in the shopping habits of end consumers making retail discounters a more attractive place to shop. This has redirected trading volumes to the fast-developing discount chains, which diminishes the significance of independent convenience stores. In addition, large retail chains tend to put pressure on prices and to resist price increases. This means that it will be difficult to transfer increases in (among other things) prices of raw materials to end consumers.

Key mitigations:

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

THE GROUP IS DEPENDENT ON THE CONTINUED PURCHASE OF RAW MATERIALS AND UNFAVOURABLE CHANGES IN THE PRICES OF RAW MATERIALS MAY HAVE AN ADVERSE EFFECT ON THE GROUP'S FINANCIAL RESULTS

Sudden changes in the prices of raw materials may have a significant effect on the costs of raw materials purchased by the Group and, as a consequence, on the margins earned on the sale of beverages. In addition, the costs of production and the delivery of the Group's products depend to a certain extent on the prices of commodities such as fuel and electricity. This may have a material adverse effect on the Group's business, financial condition and the results of operations.

Key mitigations:

Wherever possible, Group's central purchasing department tries to sign mid-term contracts with the key suppliers, which guarantee purchase prices throughout the contracts' validity. However, in the case of several raw materials based on the so-called commodities, agreeing a purchase price is only possible on a relatively short-term basis. Multiple sources of supply are maintained wherever possible with robust suppliers' strategy, selection, monitoring and management processes. Group closely monitors and analyse the trends and prices of the key raw materials to understand better the cost drivers.

THE GROUP MAY BE EXPOSED TO PRODUCT LIABILITY CLAIMS OR PRODUCT RECALLS

Intentional or unintentional product contamination or defectiveness may result in a loss of reputation of a brand or manufacturer which, in consequence, may adversely impact the sales of that brand or even all products manufactured by that manufacturer in the particular market in the long-term and lead to the necessity to recall the products from the market and reduce their use over the short term. In extreme cases product contamination or defectiveness could lead to such damage to the brand being contaminated or defective that the Group may be forced to completely withdraw such product from the market. Moreover, product contamination or defectiveness may lead to personal injuries of end consumers and, as a consequence, liability claims against the Group. In addition, product liability claims could result in negative publicity that could materially adversely affect the Group's sales.

Key mitigations:

The Group protects against this type of risk by performing detailed controls of incoming products, supplier assurance and management processes and regular controls of the production process by company laboratories. Product recall procedures are tested regularly.

THE GROUP'S OPERATIONS ARE SUBJECT TO VARIOUS REGULATIONS IN THE COUNTRIES OF THE GROUP'S PRESENCE AND UNFAVOURABLE CHANGES THERETO MAY HAVE A NEGATIVE IMPACT ON THE GROUP'S BUSINESS

Unfavourable changes to the applicable laws and regulations may affect various aspects of the Group's operations and results and may cause an increase in the personnel costs of the Group. As compliance with applicable laws and regulations is burdensome and expensive, any future changes thereto may cause the Group to incur substantial and unanticipated compliance costs or otherwise negatively affect its operations.

Key mitigations:

The Group tries to minimise this risk by monitoring the changes in legal regulations and adapting to them in advance. Group works closely with our external advisors and trade associations regarding current and future legislation which would impact upon the business.

FAILURE OF IT SYSTEMS COULD MATERIALLY AFFECT THE GROUP'S BUSINESS

The Group relies on IT systems for a variety of functions. Despite the implementation of security and back-up measures, the IT systems used by the Group may be vulnerable to physical or electronic intrusions, computer viruses, hacker attacks and/or other disruptions.

Key mitigations:

The Group protects against this type of risk by establishing back data centre, daily backups, disks in mirroring and continued articulation and implementation of information security policies. Disaster recovery plans are tested on regular basis. Central IT governance and decision-making process exists for system changes. IT security standards are closely monitored to protect systems and information.

CONTINUED GROWTH OF THE GROUP DEPENDS, IN PART, ON ITS ABILITY TO IDENTIFY, ACQUIRE AND INTEGRATE BUSINESSES, BRANDS AND/OR PRODUCTS

If the Group is unable to identify and acquire businesses, brands or products to support its growth in accordance with its strategy, or if the Group is unable to successfully integrate acquisitions, or if a failure by the acquired company to comply with the law or to administer good business practice and policies prior to an acquisition has a material adverse effect on the value of such an acquired company, the Group may not be able to obtain the advantages that the acquisitions were intended to create.

Key mitigations:

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

THE GROUP MAY BE UNABLE TO ATTRACT, RETAIN AND MOTIVATE QUALIFIED PERSONNEL

The Group's future success will also depend on its continued ability to attract, retain and motivate highly qualified sales, production, technical, customer support, financial and accounting, marketing, promotional and managerial personnel. Although the Group attempts to structure compensation packages in a manner consistent with or above the standards of the particular market, the Group may be unable to retain or attract the necessary personnel.

Key mitigations:

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

THE GROUP IS EXPOSED TO THE RISK OF CURRENCY EXCHANGE FLUCTUATIONS AND INTEREST RATE RISK

More than half of the raw materials (mostly sugar) used by the Group for production are purchased in EUR or in local currencies but with the pricing derived from EUR. As significant share of the countries where the Group operates are not in the Euro zone, most of the Group's income is denominated in local currencies other than EUR. Therefore, the results of the Group are subject to fluctuations in the foreign exchange rates of EUR against the local currencies. Despite the applied hedging policy, the Group might not be able to hedge all the currency risks, in particular over longer periods. Additionally, the Group uses external financing facilities to finance its long-term assets and working capital needs. Most of those facilities are at variable interest rates. As a consequence, the Group is exposed to the risk of negative interest rate fluctuations.

Key mitigations:

The Group’s management of foreign exchange risk consists of covering known risks by acquiring derivative financial instruments using mostly short-term forward contracts to minimise the risk associated with changes in foreign exchange rates. Our underlying objective is to secure budgeted exchange rates thus reducing the volatility on our cost of goods.

To limit the exposure to adverse movements in interest rates the Group concluded interest rate swaps for selected bank debts with longest maturity.

ONGOING LEGAL PROCEEDINGS REGARDING THE DENATIONALISATION OF RADENSKA

There are pending denationalisation proceedings with respect to denationalisation claims of the legal successors of the former owners of Radenska. The legal outcome of these proceedings remains highly unclear and uncertain. If the denationalisation beneficiaries were to eventually succeed with their claims on an in-kind return, Radenska's enterprise would need to be returned to the beneficiaries together with significant compensation payments.

Key mitigations:

The denationalization claim was finally rejected by the Administrative court and a process audit was rejected also by the Supreme Court. Radenska expects the applicants will contest such decision before the Constitutional Court, however, for now Radenska has no information whether a constitutional court was lodged and accepted.

5.2. APPROACH TO MARKET TRENDS AND DEVELOPMENT

The following part summarizes the main market trends identified by the Group and the steps the Group takes as a response to these trends.

HEALTHY FOOD AND BEVERAGES

- gradual conversion of products to preservative-free, healthy innovations,
- promotion of healthy life style (www.vsehosmirou.cz; www.vsetkosmierou.sk),
- more healthy beverages (water, children's beverages) with lower sugar content compared to other competitors and beverages with herbs and tree extracts (UGO juices, Rajec flavoured, fresh drinks),
- first drinks with stevia (natural sweetener - without calories) - Kofola bez cukru (Sugar free), Jupik with stevia,
- hot filling and aseptic line allowing the new products without preservatives (syrups, aloe vera drinks, ice tea, beverages for children)
- high pressure technology (pascalisation) used thanks to which all nutritional values of fruit and vegetables in our 100% juices are retained.

INCREASING AMOUNT OF OUTDOOR ACTIVITIES

- focus on impulse products (portfolio enhancement),
- development of the impulse channels,
- development of cooperation with hotels, restaurants and catering (HoReCa),
- entrance to the impulse market (kiosks, vending machines, gyms, schools, work places etc.),
- increasing share of small formats in the product portfolio (most of the new formats are up to 0.5 litre),
- increasing number of supplied restaurants (direct distribution in Slovakia since 2009, in the Czech Republic since 2014),
- dedicated sales team for HoReCa clients in the Czech Republic.

CONSOLIDATION OF RETAIL AND DRIFT OF VOLUME TO RETAIL TRADE CHANNEL

- strengthening brands to be more important for retailers,
- focus on terms and conditions with retailers,
- proper pack/channel tactics,
- operational excelence.

CONSOLIDATION OF FOOD AND BEVERAGE PRODUCERS

- ambition to be a market consolidator,
- constant search for leads of unexplored brands (companies)
- healthy drinks with lower sugar content,
- long-term track record of successful development of acquired brands
- acquisition of Vinea, Citro Cola, Semtex, UGO, Mangaloo, Radenska, Voćko, Nara, Inka, Studenac, Studena, Lero and Premium Rosa in the last 9 years.

GLOBALISATION AND GROWING INDIVIDUALISM

- rollout of successful brands to other markets where the Group Companies operate,
- building and/or creation of brands with functional/emotional features,
- using production/distribution licenses, introduction of global brands (Rauch, Orangina, RC Cola, Evian, Badoit, Nestea),
- engaging the customers in the promotion of positive emotions related to the Group's brands.

CORPORATE SOCIAL RESPONSIBILITY

INTRODUCTION

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

Our CSR and sustainable activities are not a matter of last few years. They are dated back to times long before these became a fashionable thing. We are proud to support local communities, through which we could become successful.

The importance of the producer and brand will grow. According to the trends the company brand will have the same importance as the brands in our portfolio, from the point of transparency, honesty, attitude to environment and key values. There will be a significant growth in preference of healthy, good quality products and products with transparent background. As a responsible company we deeply follow these trends and seek the opportunities to be at least one step ahead to be well prepared for these new conditions.

KEY VALUES

Our goal is to be the most preferred drinks manufacturer. Our key values, that we always bear in mind, are:

- We produce what we drink ourselves.
- Nature is the best teacher for us.
- We are opened and friendly.
- We do not waste resources and protect the environment.
- We feel responsible for the people around us.
- We are a bearer of good mood.
- We constantly learn new things and inspire others.
- We seek talent in everyone and try to develop it.
- When the company is successful, employees and our surroundings have to be doing well as well.
- Love is what changes the world for the better.

In the year 2014 we have become a member of the Association of CSR. In the following years we continued many CSR projects started in previous years and at the same time, we were trying to implement the idea of sustainable development in all possible areas. In our operations we pay special attention to having employees who are ambassadors of our values.

Our sustainability report is prepared for the Czechoslovakian part of the Group as it is the Company´s origin. This will be extended comprehensively for the whole Group in 2018.

Our sustainable development policy consists of five MOST RELEVANT TOPICS for our business:

- Respected manufacturer
- EKOfola
- Healthy lifestyle
- Building on our employees
- Acting locally

RESPECTED MANUFACTURER

In 2016 we undertook a customer corporate survey, where Kofola was stated as the most known producer of non-alcoholic beverages with 99 % knowledge (compared to 91 % in 2010). Our key perceived values according to this survey are transparency, traditional recipes, innovations and positive energy. We were declared as a company, that inspires others. These are the pillars that we want to build on in our future corporate communication.

Kofola ČeskoSlovensko is among the most admired companies in the Czech Republic according to the Czech Top 100 Awards, but also in terms of media image. Out of all soft drinks producerers we are by far the winner in the number of placements. In 2017 there were only 2.1 % of negative media placements, out of which the most were generally about the amount of sugar in drinks taking some of our brands as example and a small amount was about the noise of our production plant in Mnichovo Hradiště, that we have commited to reduce by 30 June 2018. We proceed responsibly according to the agreed schedule.

EKOFOLA

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

Because we cherish our planet, we started to track our CO_2 footprint. For the time being we have the numbers for our Czechoslovakian production plants, offices and transportation. In this year we would like to finalize the CO_2 footprint report for the whole Group and come with a plan for C02 reduction.

In 2016 the ratio of CO_2 emissions was 19.5 % Scope 1 (emissions from sources that are owned or controlled by the organization), 29.5 % Scope 2 (emissions from the consumption of purchased electricity, steam, or other sources of energy (e.g. chilled water) generated upstream from the organization) and 51 % Scope 3 (emissions that are a consequence of the operations of an organization but are not directly owned or controlled by the organization). Total CO_2 in Czechoslovakia is 3.1 Kg CO_2e per 1.000 CZK turnover.

We also limit contamination caused by fumes generated by our vehicles. We currently have one of the most advanced vehicle fleets, which meets Europe's strictest norms. Our transportation company Santa Trans has the largest fleet of CNG run lorries in central Europe.

We are fully aware of the fact, that we are one of the biggest producers of PET bottles which represent a serious amount of waste. By using the "Green Point" trademark on our products we publicly declare, that we care about the environment and contribute to its protection. We participate on the programs that ensure consumers to have good conditions for separating waste and teach how to sort waste properly. Not only we focus on the waste, but we already start in the packaging process. It is our goal to decrease weight of the majority of PET bottles, thanks to which we can lower usage of granules and thus decrease negative environmental impact. We have also increased usage of granules from recycling.

Our employees feel responsibility for environmental issues. According to a survey, that we undertook at the beginning of 2018 in our operations, 97 % of our employees take current environmental problems seriously and 90 % feel, that every individual can be the change for the better. Our employees want Kofola to be an environmental friendly company and that is an obligation for the Group Board for our next steps.

As a responsible company we would like to declare our mission to head towards zero waste operations in terms of general waste. For the year 2018 we will focus on our office buildings and in 2019 our focus will be on our production plants and other premisses.

As our business is very dependent on water resources we take this issue very seriously. In our production plants we monitor the use of water per one litre of produced drink and we are proud to say, that this number is constantly decreasing. Our goal is to protect the water resources on maximum and prevent the dessication of nature. In the following years we would like to contribute to keeping water in the nature by finding a relevant project, that we could actively support.

HEALTHY LIFESTYLE

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

We strongly focus on improving the healthy properties of our products. Whenever we prepare an innovation, we always try to bring a better or healthier product to the consumer.

Our aim is to have all products without preservatives by 2020, except for products, where it is due to technological reasons impossible. In the Czech Republic we operate PET line with "Hot Filling" technology. For our flavoured waters we use aseptic lines. We use high pressure technology (pascalisation) thanks to which all nutritional values of fruit and vegetables in our 100% juices are retained. We are the biggest operator of fresh bars in central Europe and in 2017 thanks to Titbit acquisition we massively extended the offer of fresh salads and soups.

According to a recent survey, the sweetener used in drinks is important for more than a fifth of respondents. For the sake of interest, the traditional recipes and the naturalness of the beverage were named in the first place of importance in the purchase decisionmaking.
We do our best to make our beverages in the healthiest form and to follow the latest trends in used raw materials. Our key products, however, are traditional Czechoslovak beverages, which have kept the same recipe for decades and for obvious reasons we cannot change that. As we are constantly looking for new ways, we are preparing limited editions of our traditional products that allow us to use less sugar to alter the original recipe.

In other products where it makes sense, and it is not a defect in the taste profile of the beverage, we adjust the amount of sugar. For example, reducing sugars in children's drinks. We first came up with water-based children drinks that have 50 % less sugar than traditional fruit drinks for children. We have even reduced the caloric value of fruit kids drinks by 40 % due to the use of stevia. From this year onwards, we reduced the amount of sugar in our flavoured waters Rajec by 20 %.
Nevertheless, we believe, that sugar can also be part of a healthy lifestyle, if it is consumed moderately and its consumption is accompanied by adequate physical activity.
According to the the European soft drinks industry (UNESDA) soft drinks represent less than 3 % of calories in the average European diet. Nevertheless, UNESDA and its members have announced they will reduce added sugars in their products by 10 % by 2020. This initiative responds to changing consumer preferences regarding sugar. The sector will innovate, reformulate, increase the availability of smaller pack sizes to allow portion control and moderation and encourage consumer choice towards low and no calorie drinks to achieve its ambitious target.
Eventhough we are not directly an official member of the UNESDA organisation, we feel solidarity for this commitment. We are proud to state, that since 2015 we have reduced the amount of total sugar in our own brands placed to the market by 7 % (converted to litres) and we feel very confident to meet the UNESDA target in 2020.

As for the increased availability of smaller pack size that naturally comes from our focus on our impulse portfolio. Year by year the ratio of sold small pack sized drinks (less that 1l) rises by at least 1 % at the expense of larger packaging.

Responsible consumption means taking an active part in various organisations, such as Food Chambers and Soft Drink Producers´associations, where our employees hold leading positions. Our key principal is to develop various initiatives relating to healthy living, as well as educate consumers with regard to proper consumption of beverages and leading healthy lifestyle. Within our professional soft-beverages producers´ associations in the Czech Republic and Slovakia we were the co-founders of initiatives supporting responsible consumption and public education about healthy lifestyle (www.vsehosmirou.cz; www.vsetkosmierou.sk).

We were a proud partner of many running events where we tried to persuade people to abandon their couch and take part in the running contests. If we want to inspire, we have to set an example ourselves. Because of our intensive internal campaign in 2017 we doubled the number of our employees taking part in supported running/cycling contests in comparison to 2016 and in total we overran 3400 km altogether which by far exceeds the achieved numbers in previous years.

BUILDING ON OUR EMPLOYEES

We strongly believe that Kofola is where it is because of our employees. We are very proud that according to an internal survey we took in 2015 over 90 % of our employees like their job and 85 % see their future in our company. These are the pillars we built on.

The long-term goal of Kofola is a healthy and motivating environment for the professional and personal development and training of our employees. We consider important behaving as a responsible company that treats its employees fairly and equitably. We support the diversity and healthy self-confidence of our employees. We are building an open multicultural environment that does not limit or discriminate individuals by gender, age, race, or any handicap. Access to diversity support does not differ with the level of management; non-discriminatory access is a natural part of our corporate culture.

Since 2017 we have started a new project KofoMami, that is targeted on our employees on parental leave and which is integrating them more deeply into the course of the Company.

We do not act against discrimination because we do not discriminate. It is naturally built in our DNA.

We take care of the individual's life and personal situation and the needs of our employees. We seek for talents in our employees and push them forward. We are developing people individually through programs and activities. We support blended learning, and in 2018 we implement LMS. We have opened Kofola Leadership, Kofola Management, Team Development Program for Manufacturing and Warehouse Managers Programmes in 2018.

We create an open and flexible working environment and motivating working conditions. We have a proper system of internal communication through internal magazines, notice boards, intranet, regular meetings for everyone with the board members and many more. More than 70 % of our employees feel that they have enough information about life in our company and we target on increase this number in the next employees´ survey this year.

We do our best to make our employees our company´s and brand´s ambassadors.

6. CORPORATE SOCIAL RESPONSIBILITY

ACTING LOCALLY

We have local brands and understand the local culture. By buying local brands and building positive emotions and experiences around them, we make it possible to maintain the cultural heritage on the markets in which we operate. We act with respect to local culture and environment. Our portfolio includes more than 30 brands ranging from traditional, through licensed to newly created products. During the 25 years of our existence we have managed to resurrect forgotten traditional brands.

Our aim is to replace all no name raw materials to the ones with local, good and known origin. For this year we declare a 4 % price tolerance for locally manufactured supplies in the procurement tenders.

Eventhough we prefer local suppliers it is inevitable to cooperate with suppliers from other countries as well. In 2018 we will compile a deep analysis of our supply chain to prevent all possible human rights violations and diversity irregularities and further act accordingly to our highest standards. This commitment will be stated in our procurement policy as a significant part of our suppliers screening.

One of the most important aspects for our company is to be a “good neighbour”. This is why we developed a whole series of projects that support the regions in which we operate, from the construction of play grounds, through the development of communications infrastructure or support of local non-government organisations. We supply our local municipalities with our drinks and also many regional projects that support healthy lifestyle of children. In 2017 we supported 386 regional activities that applied for support.

In 2017 we started a pilot community programme “For better Mnichovo Hradiště”, where its inhabitants suggested and voted for the most preferred projects that they want to carry out in their hometown. The winning project is an outdoor workout place that will be installed by the end of March 2018.

Not only is important where our company is placed, but we also value the surrounding environment of our employees. That was the driving motor for our internal project “Give happiness” that we started in 2016 and since then we tend to repeat it annually. The basic principles are very simple – every employee can suggest a project, that he would like to support and then a jury of employees selects, which projects we should as a company support. It gives them a lesson about the difficulty of picking the most needed activities and letting go the others. Every year we get dozens of very relevant suggestions and support half a dozen of them. This generates real solidarity among our people and very many ambassadors of our “Kofola supports” programme.

We are a significant donor of the National Anticorruption Fund in the Czech Republic and we support the One world festival, which is promoting documentary film making for human rights causes.

LOOKING FOR NEW WAYS

For 2018 we set ourselves these key targets in terms of sustainable development and social responsibility:

- Extending our sustainability report for the whole Group
- Focus on our CO2 footprint and setting goals for the nearest future
- Water and its protection
- Packaging revision and searching for new and advanced technologies
- Waste management
- Total sugar decrease focus
- Supply Chain revision in terms of human rights and diversity compliance
- Support and development of our employees and regions

7. CORPORATE GOVERNANCE

7.1. SHARES AND SHAREHOLDERS

7.1.1 SHARE CAPITAL

As at 31 December 2017, the share capital of Kofola ČeskoSlovensko a.s. totalled CZK 2 229 500 000 and comprised 22 295 000 common registered shares with a nominal value of CZK 100 each, issued as book-entry shares under Czech law in particular under the Czech Companies Act, with the ISIN CZ0009000121.

The Share capital of the Company is fully paid up. The shares have been admitted for trading on the Prague Stock Exchange.

7.1.2 SHAREHOLDERS STRUCTURE

Group shareholders structure	31.12.2017	
	Number of shares	Share
	pcs	%
AETOS a.s.	15 159 204	68.00%
CED GROUP S. a r.l.	4 673 445	20.96%
RADENSKA d.o.o.	1 114 109	5.00%
Others	1 348 242	6.04%
Total shares volume	**22 295 000**	**100.00%**

Group shareholders structure	31.12.2016	
	Number of shares	Share
	pcs	%
KSM Investment S.A.	11 321 383	50.78%
CED GROUP S. a r.l.	8 311 196	37.28%
René Musila	581 231	2.61%
Tomáš Jendřejek	581 190	2.61%
Others	1 500 000	6.72%
Total shares volume	**22 295 000**	**100.00%**

KSM Investment S.A. ("KSM"), René Musila and Tomáš Jendřejek restructured their shareholdings in Kofola ČeskoSlovensko a.s. ("Kofola") and transfered their shares in Kofola to AETOS a.s., a newly established wholly owned subsidiary of KSM. René Musila and Tomáš Jendřejek became shareholders of AETOS a.s. As of 10 August 2017, AETOS a.s. purchased 2 675 400 shares of Kofola representing 12 % of Kofola's share capital from CED GROUP S.à r.l. AETOS a.s., owned by the Samaras family and other founders owns 68 % of Kofola´s shares as of 31 December 2017.

Purchase of 5 % of Kofola´s shares by RADENSKA d.o.o. is described in section 7.2.a).

Subsequently, KSM (which is currently owned by Czech nationals) intends to merge into AETOS a.s.

7.1.3 RIGHTS ATTACHED TO THE SHARES

Each share in the Company ranks pari passu in all respects with all other shares. The same rights are incorporated into all the Company's shares including the right to attend the General Meeting, to require and receive explanations of matters concerning the Company that are part of the agenda of the General Meeting, to submit proposals and counterproposals, and to receive a dividend and share in the liquidation surplus. In compliance with the relevant legal provisions, the voting rights attached to the shares owned by the Company and by RADENSKA d.o.o. cannot be exercised.

The rights attached to the shares arise from the provisions of Czech Companies Act and Company´s articles of association.

Since the Company´s shares have been admitted to trading on the Prague Stock Exchange, the shareholders have certain disclosure requirements arising from the provisions of the Czech Capital Markets Act.

7.1.4 SHARES IN POSSESSION OF PERSONS WITH EXECUTIVE AUTHORITY

Shares in possession of persons with executive authority	31.12.2017 pcs
Members of the Board of Directors	15 175 487
Members of the Supervisory Board	1 437
Other persons with executive authority	5 706
Persons related to those with executive authority	-
Total	**15 182 630**

7.1.5 DIVIDEND POLICY

On General Meeting held on 21 June 2017, the Company announced the change in the dividend policy with the aim of distributing of a dividend to the shareholders of Kofola of at least 60 % of its consolidated net profit achieved in each financial year from 2017 until 2020, subject to sufficient distributable profits.

7.2. INFORMATION PURSUANT TO CAPITAL MARKETS ACT SECTION 118.5A–K

(a) Figures and information about the structure of the equity

The equity structure is as follows:

Equity structure	31.12.2017 CZK´000
Equity attributable to owners of Kofola ČeskoSlovensko a.s.	**1 977 670**
Share capital	2 229 500
Share premium and capital reorganisation reserve	(1 962 871)
Other reserves	2 048 985
Foreign currency translation reserve	37 030
Own shares	(491 565)
Retained earnings	116 591
Equity attributable to non-controlling interests	**(3 684)**
Total equity	**1 973 986**

As at 31 December 2017, the share capital of Kofola ČeskoSlovensko a.s. totalled CZK 2 229 500 000 and comprised 22 295 000 common registered shares with a nominal value of CZK 100 each, issued as book-entry shares under Czech law in particular under the Czech Companies Act, with the ISIN CZ0009000121.

The Share capital of the Company is fully paid up. The shares have been admitted for trading on the Prague Stock Exchange ("PSE") and until 6 June 2017 on the Warsaw Stock Exchange („WSE "). On February 3, 2017 the General meeting of Kofola ČeskoSlovensko a.s. decided on delisting of shares of Kofola ČeskoSlovensko a.s. from trading on Warsaw Stock Exchange. On 31 May 2017, the Company was notified by the Management Board of Warsaw Stock Exchange about the adoption of the Resolution No. 526/2017 on the exclusion of the Company's shares from the exchange trading on the WSE with an effective date as of 6 June 2017. This resolution was adopted at the request of the Company in connection with the decision of the Polish Financial Supervision Authority to grant the Company the authorization to re-materialize Company's shares in Poland. Exclusion from the exchange trading on WSE applies to all Company shares with a code "CZ0009000121".

The Company owns 3 052 (2016: 1 956) of own shares (which represent 0.0002 % of the Company´s share capital, 2016: 0.0001%) in total value of CZK 1 357 thousand (2016: CZK 915 thousand).

RADENSKA d.o.o. owns 1 114 109 (2016: 0) shares of the Company (which represents 5.0 % of the Company´s share capital) in total value of CZK 490 208 thousand.

Purchases of own shares during the financial year 2017:

a) Shares of the value CZK 442 acquired by the Company represent purchase of 1 096 shares (which represents 0.0001 % of the Company´s share capital) traded on the Warsaw Stock Exchange before the Company´s delisting from WSE. The shares have nominal value of CZK 100.

b) RADENSKA d.o.o. purchased in a public tender offer 1 114 109 shares of the Company (which represents 5.0 % of the Company´s share capital) in the total value of CZK 490 208 thousand (CZK 440 per share). The shares have nominal value of CZK 100.

Part of these shares is intended for the management incentive programme.

During the financial year 2016, the Company purchased 8 000 of own shares (accounting value CZK 3 743 thousand, nominal value CZK 100, representing 0.002 % of the Company´s share capital) and transferred 6 044 of own shares (accounting value CZK 2 828 thousand, nominal value CZK 100, representing 0.001 % of the Company´s share capital) leading to closing balance of 1 956 shares in accounting value of CZK 915 thousand. The shares were purchased at PSE for the winners of the “Zlaté prasátko” competition and employees of the Group.

In compliance with the relevant legal provisions, the voting rights attached to the shares owned by the Company and by RADENSKA d.o.o. cannot be exercised.

(b) Information about limitations on the transferability of securities

The shares issued by the Company are transferable without any restrictions pursuant to Article 5 par. 5.3 of the Company´s Articles of Association.

(c) Figures and information about significant direct and indirect participation in the company´s voting rights

The entities having stakes of at least 1 % of the share capital of the Company recorded as at 31 December 2017:

Shareholders with stake over 1% of share capital (all with direct participation)	Proportion of the voting rights	Participation percentage
AETOS a.s., Nad Porubkou 2278/31a, Poruba, 708 00 Ostrava, identification No. B10942	71.58%	68.00%
CED GROUP S.à.r.l., 2 Avenue Charles de Gaulle, L-1653 Luxembourg, registration No. B141278	22.07%	20.96%
RADENSKA, družba za polnitev mineralnih voda in brezalkoholnih pijač, d.o.o. Boračeva 37, 9252 Radenci, Republic of Slovenia registration No. 5056152000	0.00%	5.00%
Total	**93.65%**	**93.96%**

The entities having stakes of at least 1 % of the share capital of the Company recorded as at 31 December 2016:

Shareholders with stake over 1% of share capital (all with direct participation)	Proportion of the voting rights	Participation percentage
KSM Investment S.A., 560A, Rue de Neudorf, L-2220, Luxembourg, registration No. B120149	50.78%	50.78%
CED GROUP S.à.r.l., 2 Avenue Charles de Gaulle, L-1653 Luxembourg, registration No. B141278	37.28%	37.28%
René Musila, date of birth 7.11.1969, Veleslavínova 370/17, Předměstí, 746 01 Opava	2.61%	2.61%
Tomáš Jendřejek, date of birth 3.12.1966, Brožíkova 1073/40, Pod Cvilínem, 794 01 Krnov	2.61%	2.61%
Total	**93.28%**	**93.28%**

The above-mentioned entities dispose of the rights of the qualified shareholders arising from Section 365 and foll. of the Act No. 90/2012 Coll., Business Corporations Act, especially of the right to request convocation of the general meeting of the company for discussion of the items proposed by them, request inclusion of the item determined by them on the agenda of the general meeting, request the supervisory board to review the exercise of powers by the board of directors in the matter specified in the request as well as file a shareholder action on behalf of the company.

The structure of the significant direct participation in the voting rights of the Company as at 31 December 2017 is known to the Company only in the case of the controlling entities AETOS a.s., CED GROUP S.à.r.l. and the controlled company Radenska and is described within the Report on relations between the controlling entity and the controlled entity and between the controlled entity and other entities controlled by the same controlling entity for the year 2017.

Until the end of the year 2017 and throughout the year 2018 until the cut-off data of the annual report the Company has not been informed about any change of participation in the voting rights.

Except for the above mentioned natural and legal persons, the Company is not aware of any other significant direct and indirect participation in the Company´s voting rights or of any Company´s shareholders whose participation in the Company´s voting rights amounts to at least 1%.

The controlled company Radenska is entitled to exercise rights of the qualified shareholder but not the voting rights attached to the shares of the Company.

(d) Information about the owners of securities with special rights, including the description of such rights

There are not any special rights attached to the securities issued by the Company.

(e) Information about limitations on voting rights

The voting rights attached to the Company´s shares may only be limited or excluded where stipulated by law. According to the legal provisions the voting rights attached to the 3,052 shares owned by the Company and to 1,114,109 shares owned by the controlled company Radenska cannot be exercised. The Company is not aware of any other restrictions on or exclusions of the voting rights attached to the shares issued by the Company.

(f) Information about agreements between the shareholders that may reduce the transferability of shares or the transferability of the voting rights, if known to the issuer

The Company is not aware of any agreements between the shareholders of the company that may reduce the transferability of shares of the Company or of the voting rights attached to the shares of the Company.

(g) Information about special rules regulating election and recalling of members of the statutory body and changes to the Articles of Association of the issuer

The statutory body of the Company is six-member Board of Directors. The members of the Board of Directors are elected and recalled pursuant to Article 15 par. 15.5 of the Article of Association of the Company by the Supervisory Board. The Supervisory Board has the quorum if majority of its members is present or otherwise takes part in a meeting. The Supervisory Board takes a decision by a majority of votes of present or otherwise participating members. In case of equality of votes the vote of a chairman of the Supervisory Board is decisive. The Supervisory Board may also take decisions per rollam.

Approval by a majority of at least two thirds of the votes of the present shareholders at the general meeting is required to adopt a decision amending the articles of association of the Company. The general meeting has the quorum if the present shareholders hold shares the par value exceeds 50 % of the share capital of the Company.

Any special rules regulating election and recalling of the members of the Board of Directors of the Company and amendments and changes to the Articles of Association of the Company don´t apply.

(h) Information about special powers of the statutory body pursuant to the Business Corporations Act

The members of the Board of Directors of the Company do not hold any special powers except for deciding on acquisition of Company´s own shares by the Company under the terms and conditions laid down by the resolution of the General meeting dated 3 February 2017. The Board of Directors takes decisions on all company matters unless they are reserved for the general meeting, supervisory board or other Company´s body.

(i) Information about significant agreements to which the issuer is a party and which will become effective, change or cease to exist in the event of a change of control of the issuer as a result of a take-over bid, and about the effects arising from such agreements, with the exception of agreements whose disclosure would cause harm to the issuer

The Company has not entered into any significant agreement that will become effective, change or cease to exist in the event of a change of control of the Company as a result of a take-over bid.

(j) Information about agreements between the issuer and the members of its statutory body or employees that bind the issuer to take on any commitments in the event of the termination of their offices or employment in connection with a takeover bid

The Company has not entered into any agreement with the members of the Board of Directors that bind the Company to take on any commitments in the event of the termination of their offices in connection with a takeover bid.

The Company has not entered into any agreement with any employee that bind the company to take on any commitments in the event of the termination of its employment in connection with a takeover bid.

(k) Information about eventual schemes on the basis of which employees and members of the statutory body of the company may acquire participation securities in the company, options concerning such securities or any other rights related to these securities, under more favourable terms, and information about how these rights are exercised

On 8 June 2017, the Company concluded a program for long-term remuneration of 10 senior managers of the Group.

The Program contains two separate, but nevertheless complementary plans:

1 The Share Acquisition Plan consisting in the participant´s option to buy Kofola shares on the market and, under the fulfilment of the specified conditions, to receive for free the same number of Kofola Pair shares.

The maximal number of the eligible Investment shares cannot exceed the specified annual limit - the number of shares, which could be purchased on regulated market for 50% of the basic annual gross salary (consideration) paid to the participant by companies from the Group in the calendar year (i.e. from January 1, 2017 to December 31, 2017, from January 1, 2018 to December 31, 2018 and from January 1, 2019 to December 31, 2019), if the Supervisory Board of the Company does not increases the maximum number of Investment shares. If the number of Investment shares held by a participant on December 31 of a calendar year exceeds the determined limit, the Company´s shares purchased by the participant exceeding the stated limit are not taken into consideration for the Share Acquisition Plan and the participant cannot claim the Pair shares for these shares even though he fulfilled other conditions to constitute the claim. However, the shares not eligible as Investment shares in one calendar year may be eligible in one of the following calendar year.

The participant shall provide the Company with information on the number of Investment Shares held by the participant as at December 31 of the previous year. The Investment shares held by the participant shall be eligible in the average price on the stock exchange, for the last twelve calendar months, always by October 31 of the relevant calendar day. This provision is without prejudice to notification of managerial transaction as provided under mandatory provisions of a legal regulation.

The conditions for vesting in of Pair Shares are:

a) the participant holds the Investment shares for the minimum period which lasts:

   i. From December 31, 2017 to December 31, 2019 for the Investment shares corresponding to the limit derived from the salary (compensation) of the participant provided by the companies of the KOFOLA Group in 2017,

   ii. From December 31, 2018 to December 31, 2020 for the Investment shares corresponding to the limit derived from the salary (compensation) of the participant provided by the companies of the KOFOLA Group in 2018,

   iii. From December 31, 2019 to December 31, 2021 for the Investment shares corresponding to the limit derived from the salary (compensation) of the participant provided by the companies of the KOFOLA Group in 2019,

b) existing labour relation of the participant or his membership in one of the bodies of any company from the Group from his/her joining to the program to the end of the decisive period,

c) the Investment shares were acquired against payment by participant after the introduction of the Company´s shares on the Prague Stock Exchange Market, i. e. after October 1st, 2015.

If all conditions stated are met by the participant, Kofola shall transfer to the participant the Pair shares he/she vested in on December 31, 2017, not later than on January 31, 2020, the Pair shares he/she vested in on December 31, 2018 not later than on January 31, 2021 and the Pair shares he/she vested in on December 31, 2019 not later than on January 31, 2022.

The participant shall hold the Pair shares for the minimum period which lasts:

a) Until January 31, 2021 for Pair Shares transferred to the Participant in 2020,

b) Until January 31, 2022 for Pair Shares transferred to the Participant in 2021,

c) Until January 31, 2023 for Pair Shares transferred to the Participant in 2022.

Summary of effect during 2017	
Total number of Pair shares vested on 31 Dec 2017	19 380
Fair value of Pair shares as of grant date (CZK)	406.60
End of 3-year vesting period	31 Dec 2019
Transfer of Pair shares to participants	31 Jan 2020
Total expense from equity settled transactions (CZK thousand)	2 809

2 The Performance Shares Plan consisting in the participant´s right to receive for free, under the fulfilment of key performance targets by the KOFOLA Group, the pre-determined number of Kofola shares.

The number of Performance shares is the result of the division (fraction) of:

a) the amount representing 50% of the participant´s annual gross salary (compensation) paid by the companies of the Group from January 1, 2017 to December 31, 2019, unless the Company´s Supervisory Board does not set a higher maximum number of the Performance and

b) the amount of CZK 440 representing a virtual value of a Company share.

The Conditions for vesting of Performance shares are:

a) existence of a labour contract of the participant or his membership in a body of any company from KOFOLA Group from his/her joining to the program to the end of the reference period,

b) Group´s fulfilment of the key performance targets.

The key performance targets ("KPT") are:

a) Group´s Earning per share from 1 January 2019 to 31 December 2019 – weight of this indicator is 50%,

b) Group´s Net brand sales from 1 January 2019 to 31 December 2019 – weight of this indicator is 25%,

c) Group´s Free cash flow on 31 December 2019 – weight of this indicator is 25%.

If all conditions for vesting of Performance Shares are met and simultaneously the weighted average of the achievement of all the KPT exceeds 100%, for each 1% of the weighted average excess of 100%, the participant will be entitled to 4% of Company´s shares in excess of the basic claim. At most, a double of the basic claim for Performance Shares may be vested in to the participant.

By April 30, 2020, the Group shall evaluate the Group´s KPT and inform the participant of the results of the evaluation. The Company shall transfer to the participant the Company´s shares transformed from his/her Performance shares not later than on May 31, 2020.The participant shall hold at least 70% of the Performance Shares for at least 1 year after their transfer by the Company or another company in the Group.

As of 31 December 2017, no Performance shares were granted.

7.3. CORPORATE GOVERNANCE CODE

CZECH CORPORATE GOVERNANCE

The Company is listed on the Prague Stock Exchange (PSE). In the Czech Republic, the Company is required to submit to the PSE a declaration on the code of corporate governance stating that the issuer willingly or voluntarily complies with the same form as is a part of the Company´s annual report. However, due to the fact that there is no binding corporate governance regime in the Czech Republic, which the Company has to comply with, the Company, as at the date of the annual report, did not commit to comply with any specific corporate governance regime in the Czech Republic.

Nevertheless, the Company and the companies within the Group are firmly committed to maintaining an effective framework for the control and management of the Group's business. The Company puts much emphasis on respecting all statutory rights of shareholders, including the equal treatment of shareholders in a similar position. The Company strictly adheres to the principle of disclosure and transparency not only in relation to convening a General Meeting but also in relation to informing of corporate events, including financial results and relations with related parties. The Company follows in particular Business Corporations Act, Civil Code, Corporate Criminal Liability Act and Capital Market Undertakings Act.

Information about policies and procedures, internal controls and the rules of the risks in relation to the accounting process is contained in part 7.5. Financial reporting proces.

7.4. STATUTORY BODIES

Kofola ČeskoSlovensko a. s. had the following governing bodies in 2017:

- General Meeting,
- Board of Directors,
- Supervisory Board,
- Audit Committee.

7.4.1 GENERAL MEETING

OVERALL INFORMATION

The General Meeting is the supreme body of the Company. Apart from the powers vested in the General Meeting by the Czech Companies Act, the General Meeting is, according to the Articles of Association, authorised to:

- decide on changes of the Articles of Association, unless it is a change which occurred as a result of an increase in the registered capital by the authorised Board of Directors or a change which occurred as a result of other legal facts,
- adopt Procedural Rules of the General Meeting, if the Company desires to provide more details on the course of a General Meeting of the Company besides the rules stipulated by the law or the Articles of Association,
- elect and recall members of the Supervisory Board and approve their agreement on performance of office including their remuneration,
- appoint and recall a liquidator and approve its agreement on the performance of office including its remuneration,
- approve a transfer, lease or pledge of the Company's enterprise or such a part thereof that would imply a significant change of the existing structure of the enterprise or a significant change of the scope of business or activity of the Company,
- decide on matters which are submitted by the Board of Directors to the General Meeting to be resolved by the General Meeting,
- grant instructions to the Board of Directors and Supervisory Board and approve the operating principles of the Board of Directors and the Supervisory Board, provided that these are not contrary to the law; the General Meeting may also prohibit a member of the Board of Directors and Supervisory Board from taking certain actions, if such a prohibition is in the interest of the Company,
- decide on the distribution of profit, including the distribution of dividends, or of other own sources, or decide on the settlement of loss,
- approve the Company's auditor, and
- decide on any other issues falling under the powers of the General Meeting by virtue of the Czech Companies Act or the Articles of Association.

The General Meeting must be held at least once in a financial year of the Company, no later than six months from the last day of the previous financial year at the request of the Board of Directors (or, in exceptional cases, also at the request of a member of the Board of Directors, of a qualified shareholder, or at the request of the Supervisory Board).

The General Meeting is to be convened at least 30 days (if the General Meeting is not requested by a qualified shareholder or if the General Meeting is not requested as a substitute General Meeting) before the General Meeting, by publishing an invitation to the General Meeting on the Company's website www.firma.kofola.cz. Sending of the invitation to the shareholders is replaced by publishing of the invitation in the Commercial Journal. The invitation will contain all information required by law. If a qualified shareholder requests the Board of Directors to convene the General Meeting, it shall be convened in a manner and period prescribed by the Czech Companies Act. If all the shareholders agree, the General Meeting may be held without fulfilling the requirements set out by law and the Articles of Association.

There is no provision of the Articles of Association that would have an effect of delaying, deferring or preventing a change in control of the Company.

VOTING AT GENERAL MEETING

Shareholders may participate in the General Meeting and exercise their voting right personally or by proxy. It is also allowed to exercise voting right by correspondence in compliance with Article 14 par. 14.2. and following of the Articles of Association of the Company.

Each share in the capital of the Company confers the right to cast one vote, subject to the relevant provisions of the Articles of Association. As the date of the annual report, the total number of votes in the Company is 21 177 839 votes reduced by number of votes attached to the Company´s shares by which is not possible to exercise the voting right (shares owned by the Company itself and company Radenska controlled by the Company). None of the Participating Shareholders have different voting rights.

Every holder of the Company's share(s) and every other party entitled to attend the General Meeting who derives his rights from such share(s), is entitled to attend the General Meeting in person, or be represented by a person holding a written power of attorney unless provided by the legal provisions or the Articles of Association of the Company otherwise, to address the General Meeting and, as far as he/she has voting rights, to vote at the meeting. For this purpose, Czech law prescribes a mandatory record date to establish which shareholders are entitled to attend and vote at the General Meeting.

Such record date is fixed at the seventh day before said General Meeting. The convocation to the General Meeting shall state the record date, the place and the manner in which registration shall take place. The list of shareholders issued by the CDCP will be used for identification of attendance at the General Meeting.

The General Meeting constitutes a quorum if the shareholders present at the General Meeting own shares with an aggregate face value exceeding 50% of the share capital. All resolutions are adopted by a simple majority of votes unless otherwise specified in the legal provisions. The Company must record the voting results for each resolution adopted at a General Meeting.

Detailed information regarding participation and voting at General Meetings will be included in the invitation to the General Meeting published in accordance with relevant Czech legislation.

DECISION MAKING OF THE GENERAL MEETING

The General meeting of the Company is quorate if the present shareholders hold shares the par value which exceeds 50 % of the share capital. The General meeting adopts decision by a majority of votes of the present shareholders, unless a different majority is required by the law. The Articles of Association do not require any majorities that differ from the majorities required by the law.

GENERAL MEETINGS IN 2017

On 3 February 2017 the first ordinary General meeting took place which among others decided on:

- the re-materialization of Company´s shares traded on the Warsaw Stock Exchange and delisting of shares of the Company from trading on Warsaw Stock Exchange and granting of consent with the Board of Directors of Kofola ČeskoSlovensko a.s. performing all necessary legal actions and other steps to implement this decision;
- acquisition of treasury shares under the terms and conditions laid down by the decision;
- approval of the Service agreement of the member of the Supervisory Board that will be entered into with the members of the Supervisory Board of the Company.

On 21 June 2017 the second ordinary General meeting took place which particularly:

- heard the Report of the Board of Directors on business activities of the Company and state of its assets for the year 2016 and Summary explanatory report regarding the matters pursuant to Section 118 subsec. 5 par. a) to k) of the Capital Market Undertakings Act and Conclusions of the Report on relations between controlling entity and controlled entity and between controlled entity and entities controlled by the same controlling entity for the year 2016;

- hear the Report of the Supervisory Board on the results of the control activities including information about review of the Report on relations;

- approved the financial statements of the Company for the year 2016 and consolidated financial statements of Kofola ČeskoSlovensko Group for the year 2016;

- approved the distribution of Company´s profit for the year 2016 in the amount of CZK 245 705 708.13 together with the undistributed profits of previous years in the amount of CZK 211 341 791.87, being CZK 457 047 500 in total as the profit share to be distributed among the shareholders of the Company. The final amount to be paid out to the shareholders of the Company was reduced by the advanced profit share for 2016 in the amount of CZK 156 065 000 paid on the grounds of the decision of the Board of Directors dated 7 November 2016. The amount, designed by the General meeting´s decision, to be paid was 300 982 500, that represented the amount of CZK 13.50 per Company´s share before tax. The relevant date to exercise the right to the dividend was 14 June 2017;

- appointed the company PricewaterhouseCoopers Audit, s.r.o., ID No. 40765521 as the auditor for statutory audit for a financial period of the calendar year 2017;

- acknowledged ther resignation of Mr. Ivan Jakúbek of his positions as member of the Supervisory Board and member of the Audit Committee and approved other office termination date upon the request of Mr. Jakúbek as at 21 June 2017;

- appointed a new member of the Supervisory Board and the Audit Committee, Mr. Martin Chocholáček;

- acknowledged the resignation of Mr. Marek Piech of his position as a member of the Audit Committee and approved other office termination date upon the request of Mr. Piech as at 21 June 2017;

- appointed a new member of the Audit Committee, Mr. Petr Šobotník.

On 25 August 2017 the third ordinary General meeting took place which particularly:

- approved the Facility Agreement and Financial Documents to be entered by and between the company Kofola a.s., ID No. 277 67 680, established and existing under the laws of the Czech Republic, the company Kofola a.s., ID No.: 36 319 198, established and existing under the laws of the Slovak Republic, as debtors and Česká spořitelna, a.s., ID No. 452 44 782, established and existing under the laws of the Czech Republic and Československá obchodní banka, a.s., ID No. 000 01 350, established and existing under the laws of the Czech Republic, as mandated lead arrangers and original lenders and Česká spořitelna, a.s. as facility agent and security agent of the Finance Parties;

- approved acquisition of shares issued by the Company under the public bid to buy shares made by the company RADENSKA, družba za polnitev mineralnih voda in brezalkoholnih pijač, d.o.o. on 4 July 2017, announced on 10 July 2017, as amended of 7 August 2017, up to 1 114 750 shares for a minimum and maximum price of CZK 440 per share, acquired by means of a public bid described above and within a period of 5 years commencing on the date of adoption of the resolution;

- approved that the company RADENSKA, družba za polnitev mineralnih voda in brezalkoholnih pijač, d.o.o., may acquire up to 1 114 750 shares of the Company for a minimum and maximum price of CZK 440 per share within a period of 5 years commencing on the date of adoption of the resolution.

On 18 December 2017 the fourth ordinary General meeting of the Company took place which particularly:

- decided on appointment of a new member of the Supervisory Board, Mr. Bartosz Kwiatkowski (replaced Mr. Martin Chocholáček who resigned of his position);

- decided on appointment of a new member of the Audit Committee, Mr. Bartosz Kwiatkowski (replaced Mr. Martin Chocholáček who resigned of his position).

7.4.2 BOARD OF DIRECTORS

BOARD OF DIRECTORS

The Board of Directors is responsible for the day-to-day management of the Company's operations under the supervision of the Supervisory Board. Status, powers, composition, decision-making and other basic rights and obligations as well as rules of procedure are included in Art. 15 of the Articles of Associations of the Company. The Board of Directors is required to keep the Supervisory Board informed, to consult with the Supervisory Board on important matters and to submit certain important decisions to the Supervisory Board for its approval, as more fully described below. The members of the Board of Directors are elected by the Supervisory Board.

A member of the Board of Directors is appointed for a period of five years. A member of the Board of Directors may be reappointed. The Supervisory Board may also dismiss any member of the Board of Directors at any time.

The Board of Directors appoints a chairperson from amongst its members.

The Board of Directors constitutes a quorum if a majority of its members is present or otherwise takes part in a meeting. It takes a decision by a majority of votes of the present or otherwise participating members. In case of a tie, the vote of the chairman decides. Resolutions of the Board of Directors require the approval of the General Meeting when these relate to an important change in the identity or character of the Company or its business.

The Board of Directors acts on behalf of the Company towards third parties, in which case at least two members of the Board of Directors must act jointly.

Meetings of the Board of Directors are convened as the need arises.

MEMBERS OF THE BOARD OF DIRECTORS

As at the date of the Report, the Board of Directors is composed of six members. The table below sets forth the names, positions, election date, and terms of office of the current members of the Board of Directors:

Members of the Board of Directors	Position	Age	Appointment date	Expiration of the office term
Janis Samaras	Chairman of the Board of Directors – Chief Executive Officer	46	18 September 2015	18 September 2020
Daniel Buryš	Member of the Board of Directors – Chief Financial Officer	48	17 June 2015	17 June 2020
Tomáš Jendřejek	Member of the Board of Directors – Procurement Director	51	18 September 2015	18 September 2020
René Musila	Member of the Board of Directors – Chief Operating Officer	48	16 June 2015	16 June 2020
Jiří Vlasák	Member of the Board of Directors – Chief Executive Officer of Polish operation	42	18 September 2015	18 September 2020
Roman Zúrik	Member of the Board of Directors – Chief Sales Officer	45	18 September 2015	Expired on 21 June 2017
Marián Šefčovič	Member of the Board of Directors – Chief Executive Officer of Adriatic operation	45	21 June 2017	21 June 2022

JANIS SAMARAS

Janis Samaras is the Chairman of the Board of Directors and the CEO of the Company. He received secondary education and gained a CIMA certificate from the Czech Institute of Marketing in 2010. He was awarded Entrepreneur of the Year 2011 in the Czech Republic. In 1991, together with his father, Mr. Samaras established a company, Santa Napoje s.r.o. that took over the Kofola brand in 2002. Starting from 1996 Mr. Samaras has held various managerial positions at Santa Napoje and thereafter in the Kofola Group, including being CEO and Chairman of the Board of Directors of Kofola CZ, Kofola SK, Kofola CS and Kofola PL.

DANIEL BURYŠ

Daniel Buryš is the CFO of the Company and the Group CFO. In 1993 he graduated in automatic control in economy from the Technical University of Ostrava, Czech Republic. He also completed an MBA programme at Liverpool JMU School organized by Technical University of Ostrava, Czech Republic in 2008. Mr. Buryš joined the Kofola Group in 2010 as the CFO of Czech operations. Prior to joining the Kofola Group, Mr. Buryš was CFO at Štěrkovny spol. s r.o. (2000-2004), Severomoravská energetika, a.s. (2004-2007) and Elektrociepłownia Chorzów „ELCHO" S.A. (ČEZ Group).

TOMÁŠ JENDŘEJEK

Tomáš Jendřejek is the Procurement Director of the Company. He received secondary education and gained a CIMA certificate from the Czech Institute of Marketing in 2010. Mr. Jendřejek established his relationship with Kofola in 1993 when he started work as a sales representative and thereafter was promoted several times until he became the Sales Director in 2002. Since 2006 he has been responsible for procurement of the Group. Before joining the Kofola Group he had worked for eight years in the maintenance department of a production plant producing machines for the tannery industry.

RENÉ MUSILA

René Musila is the Chief Operating Officer of the Company. He received secondary education. He has been present in the beverage industry since 1993 when he started to work at SP Vrachos, which was taken over by Santa Napoje, the predecessor of the Kofola Group. Since 1996 he has been the Operating Director at Kofola CS responsible for production, purchasing and quality. In the following years, he became responsible for managing production plants, investments and new technologies in the whole Group.

JIŘÍ VLASÁK

Jiří Vlasák is CEO of Polish subsidiary HOOP Polska since July 1, 2016, acting as the Commercial director of Polish operation in years 2015 - 2016 and former Chief Marketing Officer of the Company. He graduated in business administration from the Technical University of Liberec in 1999. Mr. Vlasák joined the Kofola Group in 2010 when he became responsible for the marketing strategy of the Czech operations. In 2011 he also started to head the marketing department in Slovakia. Prior to joining the Kofola Group, Mr. Vlasák was the marketing manager at Poděbradka (1999-2000), the export manager at Karlovarské minerální vody (2001-2005), the commercial director at HBSW (Ukraine) (2006-2007) and the marketing director at Poděbradka (2008-2010).

ROMAN ZÚRIK

Roman Zúrik was a member of the Board of the Directors till 21 June 2017.

MARIÁN ŠEFČOVIČ

Since 1999, Marián Šefčovič acted as a regional salesman in Santa Nápoje Slovakia (currently Kofola a.s. Slovakia). During 2001 – 2002, he was a sales manager of Kofola a.s. (SK). Between 2002 – 2007 acted as sales director of Kofola a.s. (SK) where he was responsible for the entire sales force and sales strategy in Slovakia. During 2007 – 2011, he acted as general director of Kofola a.s. (SK). Since September 2011 until April 2015, he also acted in the position of the sales director responsible for sales in all channels of Kofola brand in the Czech Republic and Slovakia. Since March 2015 Mr. Šefčovič has been acting as CEO of Adriatic business.

DIRECTORSHIPS OF MEMBERS OF THE BOARD OF DIRECTORS

The following table sets forth the past and current directorships held by the current members of the Board of Directors in the past five years:

Directorships of the Board of Directors members	Current and former directorships
Janis Samaras	Chairman of the BoD, Kofola ČeskoSlovensko a.s., since 2015 Chairman of the BoD, Kofola CS a.s. 2006-2016 Chairman of the BoD, KOFOLA S.A. (PL), 2008-2016 Statutory representative, PINNELI spol.s r.o, 2011-2016 Chairman of the BoD, Kofola a.s. (CZ), since 2011 BoD Member, Alofok Ltd., since 2012 BoD Member, Kofola a.s. (SK), since 2004 SB Member, Radenska d.o.o. (SI), 2015-2016
Daniel Buryš	BoD Member, Kofola ČeskoSlovensko a.s., since 2015 SB Member, Radenska d.o.o. (SI), 2015-2016 BoD Member, Kofola a.s. (SK), since 2011 BoD Member, KOFOLA S.A. (PL), 2013-216 BoD Member, Kofola a.s. (CZ), since 2010 BoD Member, Kofola CS a.s., 2013-2016 Statutory representative, UGO trade s.r.o., since 2012
Tomáš Jendřejek	BoD Member, Kofola ČeskoSlovensko a.s., since 2015 SB Member, Radenska d.o.o.. (SI), 2015-2016 Statutory representative, SANTA-TRANS s.r.o., since 2013 BoD Member, KOFOLA S.A. (PL), 2008-2016 BoD Member, Kofola CS a.s., 2011-2016
René Musila	BoD Member, Kofola ČeskoSlovensko a.s., since 2015 SB Member, Radenska d.o.o. (SI), 2015-2016 Vice Chairman of the BoD, Kofola CS a.s., since 2011; 2006-2011 (BoD member) BoD Member, KOFOLA S.A. (PL), 2008-2016 Statutory representative, SANTA-TRANS s.r.o., since 2004 Vice Chairman of the BoD, Kofola a.s. (CZ), since 2006 BoD Member, Kofola a.s. (SK), since 2001
Jiří Vlasák	Chairman of the BoD, HOOP Polska Sp.z.o.o., since September 2016 BoD Member, HOOP Polska Sp.z.o.o., since January 2016 BoD Member, Kofola ČeskoSlovensko a.s., since 2015 BoD Member, Kofola a.s. (CZ), 2010-2016 Statutory representative, PINELLI spol.s r.o., 2011-2016 BoD Member, Kofola a.s. (SK), 2011-2016 BoD Member, KOFOLA S.A. (PL), 2015-2016
Marián Šefčovič	Vice Chairman of the BoD, Kofola a.s., 2011-2015 BoD Member, Kofola ČeskoSlovensko a.s., since 2017 Chairman of the BoD, RADENSKA d.o.o. since 2015 Chairman of the BoD, Studenac d.o.o. since 2016

Above mentioned activities are considered as significant.

7.4.3 SUPERVISORY BOARD

The Supervisory Board is responsible for supervising the conduct of and providing advice to the Board of Directors and for supervising the Company's business generally. In performing its duties, the Supervisory Board is required to take into account the interests of the Company's business. Status, powers, composition, decision-making and other basic rights and obligations as well as rules of procedure are included in Art. 16 of the Articles of Association of the Company. The members of the Supervisory Board are not authorised to represent the Company in dealings with third parties, unless they are explicitly appointed by the Supervisory Board to represent the Company in courts and other authorities' proceedings against a member of the Board of Directors of the Company. The members of the Supervisory Board are elected by the General Meeting.

A member of the Supervisory Board is appointed for a period of five years. A member of the Supervisory Board may be reappointed.

The Supervisory Board consists of six members. The Supervisory Board will appoint a chairperson from amongst its members. The General Meeting may at any time suspend or dismiss Supervisory Board members.

The Supervisory Board constitutes a quorum if a majority of its members is present or otherwise takes part in a meeting. It takes a decision by a majority of votes of the present or otherwise participating members. In case of a tie the vote of the chairman decides.

The Supervisory Board holds at least one meeting every calendar quarter. The Supervisory Board may also take decisions per rollam.

MEMBERS OF THE SUPERVISORY BOARD

As at the date of the Report, the Supervisory Board is composed of six (6) members. The table below sets forth the names, positions, election date, and terms of office of the current members of the Supervisory Board:

Members of the Supervisory Board	Position	Age	Appointment date	Expiration of the office term
René Sommer	Chairman of the Supervisory Board	51	17 July 2015	17 July 2020
Jacek Woźniak	Vice-Chairman of the Supervisory Board	49	15 September 2015	Expired on 21 Jan 2018
Moshy Cohen-Nehemia	Member of the Supervisory Board	48	15 September 2015	15 September 2020
Pavel Jakubík	Member of the Supervisory Board	41	15 September 2015	15 September 2020
Petr Pravda	Member of the Supervisory Board	57	17 July 2015	17 July 2020
Ivan Jakúbek	Member of the Supervisory Board	39	23 May 2016	Expired on 21 June 2017
Martin Chocholáček	Member of the Supervisory Board	37	21 June 2017	Expired on 18 December 2017
Bartosz Kwiatkowski	Member of the Supervisory Board	30	18 December 2017	18 December 2022
Dariusz Prończuk	Member of the Supervisory Board	55	6 February 2018	6 February 2023

A brief description of the qualifications and professional experience of the members of the Supervisory Board is presented below.

RENÉ SOMMER

René Sommer is the Chairman of the Supervisory Board of the Company. In 1992, Mr. Sommer started to cooperate with SP Vrachos, which was taken over by Santa Nápoje, the predecessor of the Kofola Group. Mr. Sommer held many different positions in the Group's structures in financial, HR and legal departments. He also held the position of CEO in Kofola CZ. Prior to joining the Kofola Group, he worked, among others, as the Project Manager of Production for ČKD Polovodiče Praha (until 1990) and ran his own grocery chain (starting from 1990).

JACEK WOŹNIAK

Jacek Woźniak was a member of the Supervisory Board till 21 January 2018.

MOSHE COHEN-NEHEMIA

Cohen-Nehemia is a member of the Supervisory Board of the Company. He graduated from the Faculty of Economics at the Open University in Israel in 1995 and completed an MBA program at Ben Gurion University in 2000. Mr. Cohen-Nehemia joined the Kofola Group in 2014 as a member of the Supervisory Board of Kofola PL. Mr. Cohen-Nehemia gained professional experience in the beverages industry at Jafora Tabori (Israel) (1997-2004), RC Cola International (USA) (from 2005), being responsible, among others, for strategic marketing, cooperation with strategic partners, and managing business development projects on foreign markets.

PAVEL JAKUBÍK

Pavel Jakubík is a member of the Supervisory Board of the Company. In 2000 he graduated from the Technical University of Ostrava, Faculty of Economics with a specialisation in finance. He has completed Chartered Certified Accountants training in 2003. Mr. Jakubík joined the Kofola Group in 2008 as the group reporting manager at Kofola CS, promoted in 2010 to the position of financial manager. Since 2012 he has been a member of the Supervisory Board of Kofola PL. Before joining the Kofola Group, he performed the function of an audit supervisor at Ernst & Young Audit s.r.o. (2000-2005) and a financial and administrative manager at Bekaert Bohumín s.r.o. and Bekaert Petrovice s.r.o. (2005-2008).

PETR PRAVDA

Petr Pravda is a member of the Supervisory Board of the Company. He graduated from the Charles University in Prague in biophysics in 1985. He started cooperation with the Kofola Group in 2000 when he became a quality manager at Santa Napoje. He was promoted to the positon of Director of Research and Development, Quality Control Department in Kofola CS. Prior to joining the Kofola Group, he worked in laboratories of the agriculture industry and at a regional hygienic authority where he become chief of laboratories analysing food, water, soils, etc.

IVAN JAKÚBEK

Ivan Jakúbek was a member of the Supervisory Board till 21 June 2017.

MARTIN CHOCHOLÁČEK

Martin Chocholáček was a member of the Supervisory Board till 24 November 2017.

BARTOSZ KWIATKOWSKI

Bartosz Kwiatkowski is an Investment Director at Enterprise Investors. He graduated from Warsaw School of Economcs in 2010 with a specialisation in finance. In 2012 he joined Enterprise Investors. Key investments for which he is responsible for are Kofola and Wento. Prior to joining Enterprise Investors, Bartosz Kwiatkowski worked at A.T. Kearney, where he was involved in strategy development of leading enterprises in Poland.

DARIUSZ PROŃCZUK

Dariusz Prończuk, Managing Director at Enterprise Investors, has over 30 years of private equity, corporate finance and industry experience in the CEE region. He has made variuos investments in Poland and in all the major CEE countries, primarily in the financial services, IT, FMCG sectors and construction materials, the key investments in Lukas and Lukas Bank, Asseco Poland, COMP, Magellan, Kruk, Netrisk and AVG.

DIRECTORSHIPS OF THE MEMBERS OF THE SUPERVISORY BOARD

The following table sets forth the past and current directorships held by the current members of the Supervisory Board in the past five years:

Directorships of the Supervisory Board members	Current and former directorships
René Sommer	Chairman of the SB, Kofola ČeskoSlovensko a.s., since 2015 Chairman of the SB, KOFOLA S.A. (PL), 2011-2016 Statutory representative, SANTA-TRANS s.r.o., 1997-2013 Statutory representative, KLIMO s.r.o., 2007-2011
Moshe Cohen-Nehemia	SB Member, Kofola ČeskoSlovensko a.s., since 2015 SB Member, KOFOLA S.A. (PL), 2014-2016
Pavel Jakubík	SB Member, Kofola ČeskoSlovensko a.s., since 2015 SB Member, KOFOLA S.A. (PL), 2012-2016 SB Member, Kofola CS a.s., 2015-2016
Petr Pravda	SB Member, Kofola ČeskoSlovensko a.s., since 2015 SB Member, KOFOLA S.A. (PL), 2015-2016 SB member, Kofola CS a.s., 2006-2015 Chairman of the SB, Kofola CS a.s., 2015-2016 Chairman of the SB, Kofola a.s. (CZ), since 2006 SB member, Kofola a.s. (SK), since 2014
Dariusz Prończuk	SB Member, AVG Technologies N.V.,2005-2013 SB Member, MedFinance,2010-2013 Chairman of the SB, Skarbiec Asset Management Holding Sp. zo.o.,2007-2013 Chairman of the SB, Magellan S.A.,2006-2013 Chairman of the SB, KRUK S.A. ,2005-2013 BoD Member, Polish Enterprise Investors VII GP Ltd,2012-2015 BoD Member, Enterprise Venture Partners I GP Ltd,2008-2015 BoD Member, Polish Enterprise Investiors VI GP Ltd,2006-2015 BoD Member, Enterprise Investors Corporation,2005-2015 BoD Member, Netrisk.hu,2010-2017 Chairman of the SB, Skarbiec Holding S.A.,2014-2017 BoD Chairman, S.C. Macon S.A.,2006-2017 Managing Partner, BoD Member, Enterprise investors Sp. zo.o., since 1997 BoD Member, Director, DBMM Investment Holdings Limited, since 2001 SB member, KOFOLA S.A.(PL), since 2008 Chairman of the SB, S,C. Macon S.A.,since 2017 SB Member, Kofola ČeskoSlovensko a.s., 2015-2016; since 02/2018
Bartosz Kwiatkowski	SB Member, Wento Sp. z o.o., since 2012 SB Member, Kofola ČeskoSlovensko a.s., since 2017

Above mentioned activities are considered as significant.

7.4.4 AUDIT COMMITTEE

Competences of the Audit Committee are laid down by the law. The Audit Committee assists the Supervisory Board in supervising the activities of the Board of Directors with respect to:

- recommending to the Supervisory Board the selection of an auditor of the financial statements of the Company and of the Group Companies, and of the consolidated financial statements for the previous financial year,
- monitoring the audit of the Company's financial statements and the consolidated financial statements for the previous financial year; becoming familiar with the details of the results of these audits at their various stages,
- presenting to the Board of Directors its findings and recommendations relating to the audit and evaluation of the financial statements and consolidated financial statements for the previous financial year, as well as the Board of Director's proposed distribution of profit or coverage of loss,
- presenting to the Board of Directors its findings and recommendations on granting a discharge to the member of the Board of Directors in charge of the economic and finance department for the duties he/she performed,
- performing other tasks determined by the Board of Directors depending on the needs arising from the Company's current situation,
- submitting to the Board of Directors annual reports on the Audit Committee's operations, and
- other matters as specified in Article 41 of Directive No. 2006/43/EC passed by the European Parliament on 17 May 2006.

The members of the Audit Committee are elected by the General Meeting from among members of the Supervisory Board or third parties.

MEMBERS OF THE AUDIT COMMITTEE

As at the date of the Report, the Audit Committee is composed of three (3) members. The table below sets forth the names, positions, election date, and terms of office of the current members of the Audit Committee:

Members of the Audit Committee	Position	Age	Appointment date	Expiration of the office term
Marek Piech	Chairman of the Audit Committee	50	23 May 2016	Expired on 21 June 2017
Petr Šobotník	Chairman of the Audit Committee	63	21 June 2017	21 June 2022
René Sommer	Chairman of the Audit Committee	51	15 September 2015	23 May 2016
Pavel Jakubík	Member of the Audit Committee	41	15 September 2015	15 September 2020
Ivan Jakúbek	Member of the Audit Committee	39	15 September 2015	Expired on 21 June 2017
Martin Chocholáček	Member of the Audit Committee	37	21 June 2017	Expired od 18 December 2017
Bartosz Kwiatkowski	Member of the Audit Committee	30	18 December 2017	18 December 2022

A brief description of the qualifications and professional experience of the members of the Audit Committee is presented below.

PETR ŠOBOTNÍK

Petr Šobotník is the chairman of the Audit Committee. He joined Coopers & Lybrand in 1991 and became Partner in 1995. After the merger of Price Waterhouse and Coopers & Lybrand he was appointed Partner in charge of Audit practise of PricewaterhouseCoopers (PWC). Up to his early retirement from PWC in 2010 he functioned in various performing positions focusing mainly on local market development. Petr Šobotník served as the President of the Chamber of Auditors of the Czech Republic in years 2007-2014, from 2014-2016 he was a member of the Supervisory Board of the Chamber of Auditors of the Czech Republic. He is a long-standing member of FEE Ethics Working Party where he represents the Czech Republic at. Currently, he is in the management of the company ŠOBOTNÍK & PARTNERS, s.r.o.

PAVEL JAKUBÍK

Pavel Jakubík is a member of the Supervisory Board of the Company. In 2000 he graduated from the Technical University of Ostrava, Faculty of Economics with a specialisation in finance. He has completed Chartered Certified Accountants training in 2003. Mr. Jakubík joined the Kofola Group in 2008 as the group reporting manager at Kofola CS, promoted in 2010 to the position of financial manager. Since 2012 he has been a member of the Supervisory Board of Kofola PL. Before joining the Kofola Group, he performed the function of an audit supervisor at Ernst & Young Audit s.r.o. (2000-2005) and a financial and administrative manager at Bekaert Bohumín s.r.o. and Bekaert Petrovice s.r.o. (2005-2008).

BARTOSZ KWIATKOWSKI

Bartosz Kwiatkowski is a meber of the Supervisory Board of the Company. He graduated from Warsaw School of Economcs in 2010 with a specialisation in finance. In 2012 he joined Enterprise Investors. Key investments for which he was responsible for are Kofola and Wento. Prior to joining Enterprise Investors, Bartosz Kwiatkowski worked at A.T. Kearney, where he was involved in strategy development of leading enterprises in Poland.

MAREK PIECH

Marek Piech was a member of the Audit Committee till 21 June 2017.

IVAN JAKÚBEK

Ivan Jakúbek was a member of the Audit Committee till 21 June 2017.

MARTIN CHOCHOLÁČEK

Martin Chocholáček was a member of the Audit Committee till 24 November 2017.

DIRECTORSHIPS OF THE MEMBERS OF THE AUDIT COMMITTEE

The following table sets forth the past and current directorships held by the current members of the Audit Committee in the past five years:

Directorships of the Audit Committee members	Current and former directorships
Petr Šobotník	Chairman of the AC, Kofola ČeskoSlovensko a.s., since 2017 Chairmain of the AC, Severomoravské vodovody a kanalizace Ostrava a.s., since 2017 Chairman of the AC, ČEPRO, a.s., since 2016 Chairman of the AC, Český Aeroholding, a.s., since 2014 Chairman of the AC, Československá obchodní banka, a.s., since 2016 Member of the SB, Československá obchodní banka, a.s., since 2017 Executive Director, Šobotník & Partners, s.r.o., since 2010 Member of the SB, Letiště Praha, a.s., since 2017
Pavel Jakubík	SB Member, Kofola ČeskoSlovensko a.s., since 2015 SB Member, KOFOLA S.A. (PL), 2012-2016 SB Member, Kofola CS a.s., 2015-2016
Bartosz Kwiatkowski	SB Member, Wento Sp. z o.o., since 2012 SB Member, Kofola ČeskoSlovensko a.s., since 2017

7.4.5 PERSONS WITH EXECUTIVE AUTHORITY

DEFINITION

The Company regard as persons with executive authority those persons that are either:

- a member of the Board of Directors of the Company, or
- a member of the Supervisory Board, or
- a member of the Audit Committee, or
- a participant of the Group Share Option plan, or
- other top management members who both make decisions within the Company or Group that can affect future development and strategy of the Company and the Group and who have an access to inside information.

IDENTIFICATION

The following persons qualified as persons with executive authority:

JANIS SAMARAS

Janis Samaras is a Chairman of the Board of Directors and a CEO of the Company and the Group, has been managing the Group ever since its foundation in 1993 and, as the CEO, has been actively involved in both the day-to-day operations of the Group and the long-term setting of strategic goals.

DANIEL BURYŠ

Daniel Buryš is a Chief Financial Officer of the Company and the Group. At the Board of Directors of the Company since June 2015. He is responsible for economic and financial management and for the effective set-up and functioning of support services. Daniel is in charge of financing, central controlling, bookkeeping, taxes, risk management, mergers, acquisitions, and ownership interests. He also manages Group´s information technology and corporate support services.

TOMÁŠ JENDŘEJEK

Tomáš Jendřejek is a Procurement Director of the Group. At the Board of Directors of the Company since September 2015. Tomáš is in charge of procurement strategy, optimisation of prices of raw materials and services.

RENÉ MUSILA

René Musila is a Chief Operating Officer of the Group. At the Board of Directors of the Company since June 2015. Responsible for production, purchasing and quality, and for increasing production effectivity, cost saving and searching for new sources of water.

JIŘÍ VLASÁK

Jiří Vlasák is a Chief Executive Officer of Polish subsidiary HOOP Polska since July 1, 2016. At the Board of Directors of the Company since September 2015 and of Kofola S.A. (former parent company of the Kofola Group) since May 2015. Jiří is responsible for overall management of Polish operation and its development and expansion.

RENÉ SOMMER

René Sommer is a Chairman of the Supervisory Board of the Company. Till 2015 Mr. Sommer was in charge of Group´s HR and legal department and aside from supervision of HR and legal function, his activities within the Group comprise the supervising the conduct of and providing advice to the Board of Directors and supervising the business generally.

PETR PRAVDA

Petr Pravda is a member of the Supervisory Board of the Company. Currently he works as a Director of Research and Development, Quality Control Department and as such, aside from R&D and enforcing the quality standards, his activities within the Group comprise the supervising the conduct of and providing advice to the Board of Directors and supervising the business generally.

PAVEL JAKUBÍK

Pavel Jakubík is a member of the Supervisory Board and Audit Committee of the Company and the finance manager at Kofola CeskoSlovensko and as such his activities within the Group comprise the supervising the conduct of and providing advice to the Board of Directors and supervising the business generally.

MOSHE COHEN-NEHEMIA

Moshe Cohen-Nehemia is a member of the Supervisory Board of the Company and as such his activities within the Group comprise the supervising the conduct of and providing advice to the Board of Directors and supervising the business generally.

MARIAN ŠEFČOVIČ

Marian Šefčovič is a Chief Executive Officer of Slovenian subsidiary Radenska. He is responsible for integration of the company acquired by the Group in 2015, as well as for further expansion of the Group in the Adriatic region. Marian joined the Group in 1999 and held positions such as sales director responsible for the Czech Republic and Slovakia and general director of Kofola Slovakia.

KAREL HRBEK

Karel Hrbek is a marketing director responsible for Group activities in Czech and Slovak region. He is also member of the Board of Directors of the Kofola a.s. (ČR) and Kofola a.s. (SK).

MARTIN PISKLÁK

Martin Pisklák is a financial director in Company's subsidiaries Radenska and Studenac.

LUBOMÍR SURÍK

Lubomír Surík is an operation director in Company's subsidiaries Radenska and Studenac.

JURE ZRILIC

Jure Zrilic is a sales director in Company's subsidiaries Radenska and Studenac.

RENÉ NOVOTNÝ

René Novotný is an operation director in Company's subsidiary Hoop Polska.

No person with managerial responsibilities has been convicted of crime or fraud in the past five years, they were not connected with any proceedings of bankruptcy or liquidation, nor were they involved in any public accusation from official authorities. No person with managerial responsibilities was rendered incapable of acting as a member of management or supervisory bodies of any company in the past five years.

No person with managerial responsibilities is in the conflict of powers with the Group activities.

REMUNERATION PRINCIPLES

The persons with executive authority, aside from regular salaries that are based on individual employment contracts, receive variable compensation based on the Group´s results. Remuneration for explicit work in the Board of Directors and Supervisory Board, as well as in Audit Committee is paid only to Non-executive members. The remuneration level is given by the General meeting resolution. No members of the administrative, management or supervisory body of the Company or any of its subsidiaries have any service contracts with the Company or the respective Company's subsidiary which would provide benefits upon termination of the member's services with the Company or the respective Company's subsidiary.

All members of administrative, management and supervisory bodies of the Company and of its subsidiaries work for the Company or the respective subsidiary on the basis of standard employment contracts and the relationship between these members and the Company or the respective Company's subsidiary is governed by the local employment law. Accordingly, all members of the administrative, management and supervisory bodies of the Company work on the basis of an individual employment contract governed by the Czech law.

The remuneration of persons with executive authority consists of a fixed and a variable component related to each particular position and the management level. Remuneration is paid in the form of salaries for work performed under employment contracts. The level of salaries is based on qualified benchmarking studies on manager´s remuneration in the Czech Republic and reflects both managerial and professional potential as well as competencies. The variable component amounts 0 – 100% of the basic monthly salaries and is paid yearly in relation to the level of planned EBITDA performance. The payment execution is not a subject of any further approval of the Board of Directors, until the variable component amount exceeds the limit stated in the Article of Association.

In addition to financial income, persons with executive authority are entitled to an income in kind, which includes:

1. right to use a business car for private purposes;
2. accommodation costs, eventual costs associated with relocation;
3. air ticket expenditures according to internal regulation;
4. fuel consumption for private purposes.

This income in kind is adjusted by the internal regulation and depends on the level of managerial position.

The remuneration system is approved by the Board of Directors. The variable component related to planned EBITDA is amended individually for each year by the Board of Directors as well.

According to the Czech law, an employee is entitled to a severance payment upon termination of his/her employment (by agreement or notice) only if:

1. the employer or a portion of the employer's organization is dissolved or relocated, or
2. the employee becomes redundant because of a decision by the employer or the respective body to change the employer's tasks or technical set-up, to reduce the number of employees for the purpose of raising work productivity, or to make other organizational changes. If one of the above conditions is met, the employee should receive from the employer a severance payment based on his/her years of service as set out in the table below:

Duration of employment relationship	Amount of severance payment
less than 1 year	at least 1 multiple of the employee's average monthly earnings
at least 1 year but less than 2 years	at least 2 multiples of the employee's average monthly earnings
at least 2 years	at least 3 multiples of the employee's average monthly earnings

If the reason for employment termination (by agreement or notice) is a work-related injury, work-related sickness or threat of work-related sickness, the employee is then entitled to receive from the employer a severance payment in the amount of at least 12 multiples of the employee's average monthly earnings.

With respect to the members of the Board of Directors and the Supervisory Board the Group transfers mandatory social security contributions being part of the national pension systems in the countries where the Group is obliged to make such contributions. No other amounts are set aside to provide pension or retirement benefits to the members of the Board of Directors and the Supervisory Board.

REMUNERATION SUMMARY

Presented below is the structure of the remuneration paid out to persons with executive authority in 2017. All costs were paid by the Company, except for the remuneration of Other key management personnel which was paid by other Group entities.

Remuneration of the Group´s key management personnel	compensation	Members of the Company´s Board of Directors CZK´000	Members of the Company´s Supervisory board CZK´000	Members of the Company´s Audit committee CZK´000	Other key management personnel of the Group CZK´000	Total CZK´000
Amounts paid for activities in the Company´s Board of Directors	Financial	6 822	-	-	-	**6 822**
	Non-financial	471	-	-	-	**471**
Amounts paid for activities in the Company´s Supervisory board	Financial	-	1 195	-	-	**1 195**
	Non-financial	-	-	-	-	**-**
Amounts paid for activities in the Company´s Audit committee	Financial	-	-	177	-	**177**
	Non-financial	-	-	-	-	**-**
Amounts paid for other activities within the Group	Financial	17 934	6 269	-	19 176	**43 379**
	Non-financial	544	420	-	282	**1 246**
Expense from equity settled transactions (Option scheme)	A 7.2 (k)	1 755	211	-	843	**2 809**
Number of Pair shares vested on 31.12.2017 [pcs.]	A 7.2 (k)	12 244	1 430	-	5 706	**19 380**

7.5. DESCRIPTION OF DIVERSITY POLICY APPLIED TO GOVERNANCE BODIES

Due to the fact that there is no binding diversity policy regime in the Czech Republic, which the Company has to comply with, the Company, as at the date of the annual report, did not commit to comply with any specific diversity policy.

Regardless of age, gender or other indicators the Company places main emphasis on search and appointment of the most suitable candidates into the governance bodies of the Company (Board of Directors, Supervisory Board or Audit Committee) taking account on their background, experience and qualification for performance of the position of a member of the relevant governance body of the Company. The Company also assess candidates´ knowledge in the business field of the Company or nature of actitities of the relevant body.

All the persons suitable for the positions in the governance bodies of the Company are chosen in a non-discriminatory manner.

7.6. FINANCIAL REPORTING PROCESS

Entities in the Kofola Group keep their accounting primarily in accordance with the local accounting standards. The group companies maintain a parallel general ledger according to International Financial Reporting Standards as adopted by the European Union (IFRS) for consolidation purposes, as well as for the group management who periodically evaluates IFRS results.

Individual group companies are reporting their statutory annual financial results according to local accounting standards, except for Kofola ČeskoSlovensko a.s. (as the issuer of publicly traded instruments), that reports separate and consolidated results quarterly and annually based on IFRS.

The Group maintains the Group Accounting Manual that complies with IFRS and contains the general principles used to prepare the consolidation packages and consolidated financial statements. All the group entities follow the Group Accounting Manual and so the group accounting policies are unified.

The accounting is partly carried out at individual entities and partly is centralised. The shared service is maintained by Kofola ČeskoSlovensko a.s. in Ostrava.

The accounting is processed in enterprise information system SAP that is implemented in all major group companies. The Company and the Group follow the internal guidelines and internal directives with respect to e.g. the circulation of accounting documents, approval processes or orders.

The approval procedures are specified in internal guidelines that specify the transaction limits particular employees can approve. The Group has implemented a three-way match policy to pair order, receipt note (or other confirmation of transaction) and the invoice. The payments are made only if approved by specified employee, while the treasury function is personally separated from accounting function.

The information system access rights are granted after approval by persons specified in internal guidelines only to authorised employees and only to limited parts of the system valid for the employee´s job specification.

The accounting is under an oversight of controlling department that is separated from accounting department both personally and in terms of organization structure. Also, the Group has established an internal processes review function in order to assess and improve the design, implementation and operating effectiveness of the internal controls and process. The accounting is also subject to external audit, both on individual and on consolidated basis, with the Audit Committee overseeing the audit process and findings.

8. REPORT ON RELATIONS

REPORT ON RELATIONS BETWEEN THE CONTROLLING ENTITY AND THE CONTROLLED ENTITY AND BETWEEN THE CONTROLLED ENTITY AND ENTITIES CONTROLLED BY THE SAME CONTROLLING ENTITY FOR THE ACCOUNTING PERIOD OF 2017

Pursuant to Section 82 of Act No. 90/2012 Coll., on business corporations, the Board of Directors of Kofola ČeskoSlovensko a.s., with its registered office at Nad Porubkou 2278/31a, Poruba, 708 00 Ostrava, Czech Republic, identification number 24261980, in the Commercial Register kept by the Regional Court in Ostrava, section B, Insert No. 10735 („Controlled entity“ or „Company“) has prepared the following Report on relations between the controlling entity and the controlled entity and between the controlled entity and entities controlled by the same controlling entity for the accounting period of twelve months ended 31 December 2017 („Indicated period“).

8.1. STRUCTURE OF RELATIONS BETWEEN RELATED PARTIES AND THE DESCRIPTION OF THE ENTITIES

Based on the information known to the Board of Directors of the Company acting with due care, the Company was for the whole Indicated period part of the group controlled by KSM Investment S.A. („Group “). Data about the entities that were part of the Group are valid as of 31 December 2017, based on the information known to the Board of Directors acting with due care.

8.1.1 INFORMATION ABOUT THE GROUP ENTITES

CONTROLLED ENTITY

KOFOLA ČESKOSLOVENSKO A.S.

Identification number: 24261980
Registered office: Nad Porubkou 2278/31a, 708 00 Ostrava, Czech Republic

CONTROLLING ENTITY

KSM INVESTMENT S.A.

Registered office: Rue de Neudorf 560A, L-2220 Luxembourg, Luxembourg

AETOS A.S.

Identification number: 06167446
Registered office: Nad Porubkou 2278/31a, 708 00 Ostrava, Czech Republic

OTHER ENTITIES CONTROLLED BY CONTROLLING ENTITY

KOFOLA A.S.

Identification number: 27767680
Registered office: Za Drahou 165/1, Pod Bezručovým vrchem, 794 01 Krnov, Czech Republic

KOFOLA A.S.

Identification number: 36319198
Registered office: Rajecká Lesná súp. č. 1, 013 15, Slovakia

HOOP POLSKA SP. Z O.O.

Identification number: 0000269410
Registered office: Wschodnia 5, 99-300 Kutno, Poland

UGO TRADE S.R.O.

Identification number: 27772659
Registered office: Za Drahou 165/1, Pod Bezručovým vrchem, 794 01 Krnov, Czech Republic

SANTA-TRANS S.R.O.

Identification number: 25377949
Registered office: Ve Vrbině 592/1, 794 01 Krnov - Pod Cvilínem, Czech Republic

RADENSKA D.O.O.

Part of the Group since 17 March 2015
Identification number: 5056152
Registered office: Boračeva 37, 9502, Radenci, Slovenia

RADENSKA MIRAL D.D.

Part of the Group since 17 March 2015
Identification number: 1778307
Registered office: Boračeva 37, 9502, Radenci, Slovenia

RADENSKA D.O.O.

Part of the Group since 17 March 2015
Identification number: 27005250232
Registered office: Andrije Hebranga 30, Zagreb, Croatia

RADENSKA D.O.O.

Part of the Group since 17 March 2015
Identification number: 20059842
Registered office: 27. Marta 11/1, 110 00, Beograd, Serbia
Liquidated on 2 October 2017

SICHELDORFER GMBH

Part of the Group since 17 March 2015
Identification number: ATU30277009
Registered office: Sicheldorf 8, 8490 Bad Radkersburg, Austria
Liquidated on 17 June 2017

ALOFOK LTD.

Registered office: 6, Karaiskaki Street, City House, 3032, Limassol, Cyprus

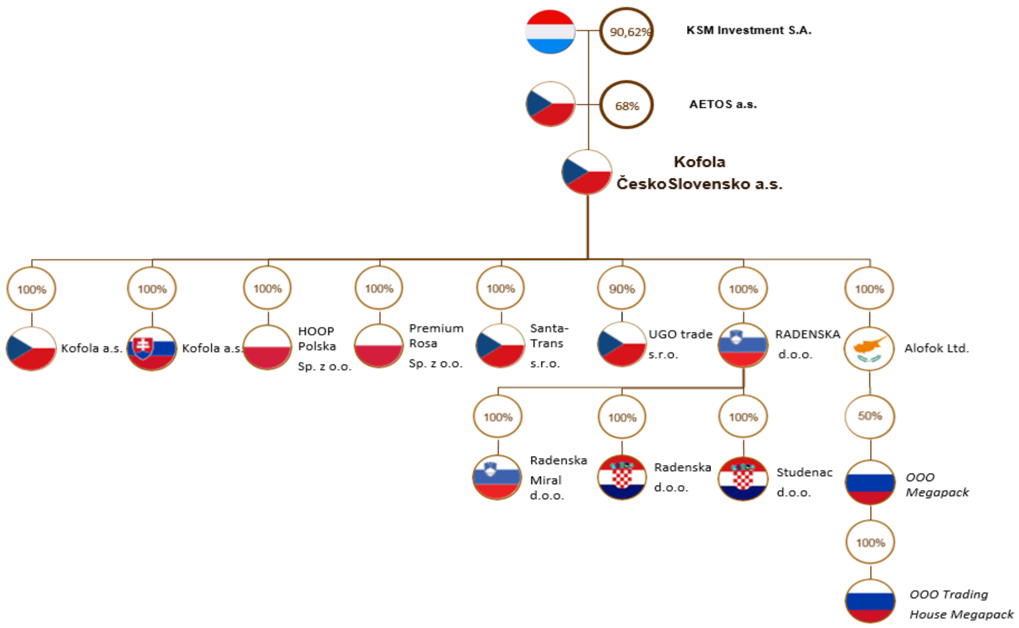
STUDENAC D.O.O.

Part of the Group since 20 December 2016
Identification number: 42128028
Registered office: Matije Gupca 120, Lipik, Croatia

PREMIUM ROSA SP. Z O.O.

Part of the Group since 10 July 2017
Identification number: 0000295231
Registered office: ul. Św. Andrzeja Boboli 20, Złotokłos, Poland

8.2. STRUCTURE OF RELATIONS AND OWNERSHIP INTERESTS BETWEEN RELATED ENTITIES AS AT 31 DECEMBER 2017



8.3. ROLE OF THE CONTROLLED ENTITY IN THE ORGANISATIONAL STRUCTURE

The Company became part of the Group in 2015. The Company is the parent company of the Kofola Group. The main asset of the Company is the direct and indirect shareholdings in the Group Companies. Company also provides certain services for the other companies in Kofola Group. This comprises, in particular, the provision of:

- strategic services, including: cooperation in the preparation of business, marketing, production, investment and financing plans, management of subsidiaries, including their financing;
- services related to products (quality department), including: central product development, innovation process management, costing and pricing, production and logistics planning, quality control;
- shared services, including: controlling and reporting, IT services, legal services, cental purchasing department, back office services, supply chain, call center, internal audit
- licenses and trademarks: Kofola ČeskoSlovensko a.s. owns most licenses, trademarks for branded beverages and similar copyrights for the products distributed on the CzechoSlovak market, for which the other Group Companies pay royalties.

The Company is listed at Prague Stock Exchange. A delisting from the Warsaw Stock Exchange took place in June 2017.

8.4. METHOD AND MEANS OF CONTROL

With the implementation of the new Articles of Association of the company dated 15 September 2015 as amended on 30 May 2016, the control of the Company is exercised above all through decision taken by the general meeting of the Company, especially through appointment and removal of members of the Supervisory board which is according to the Articles of Association of the Company entitled to appoint and remove members of the Board of Directors of the Company.

8.5. LIST OF ACTS WITH VALUE EXCEEDING 10 % OF EQUITY

On August 3, 2017 the Company as a borrower together with Kofola a.s. (CR), Kofola a.s. (SK) and UGO trade s.r.o. as co-borrowers concluded with the Česká spořitelna, a.s. and Československá obchodní banka, a.s. the facility agreement up to CZK 4 261 000 thousand. The facility loan agreement (which refinanced current loans and a loan for financing RADENSKA d.o.o. acquisition) with carrying amount of CZK 1 644 571 thousand as at 31 December 2017 is a main component of Group´s liabilities. The reason for the execution of the facility loan agreement was a consolidation of group financing to ensure strategic development, taking advantage of the favourable conditions of financial market and reduction of total financial cost.

Additionally, RADENSKA d.o.o. made an announcement on 10 July 2017 of its bid to purchase up to 5 % of Kofola shares for a price of CZK 440. The share purchases were settled on 3 October 2017, when RADENSKA d.o.o. purchased from the interested parties a total of 1 114 109 shares of Kofola for a price of CZK 440 per share and now owns approximately 5 % of Kofola shares.

8.6. LIST OF MUTUAL CONTRACTS BETWEEN CONTROLLED ENTITY AND CONTROLLING ENTITY OR BETWEEN CONTROLLED ENTITIES

In the indicated period, the following contracts were concluded between controlled entity and controlling entity or between controlled entities:

- loan agreement concluded between Kofola ČeskoSlovensko a.s. and UGO trade s.r.o. on 27 March 2017 and 1 June 2017 followed by the annex dated on 31 December 2017,
- loan agreement concluded between Kofola ČeskoSlovensko a.s. and Radenska d.o.o. on 1 March 2017, 7 April 2017, 16 May 2017 and 2 August 2017 followed by the annex dated on 31 December 2017,
- loan agreement concluded between Kofola ČeskoSlovensko a.s. and Hoop Polska Sp. z o.o. on 28 November 2017,
- loan agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (ČR) on 19 September 2017,
- loan agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (SR) on 27 November 2017,
- loan agreement concluded between Kofola ČeskoSlovensko a.s. and Santa-Trans s.r.o. on 28 December 2017,
- loan agreement concluded between Kofola ČeskoSlovensko a.s. and Premium Rosa Sp. z o.o. on 10 July 2017 and the ammendment of the loan agreement concluded on 17 July 2017
- agreement on the temporary assignment concluded between Kofola ČeskoSlovensko a.s. and Hoop Polska Sp. z o.o. on 1 February 2017,
- agreement on the temporary assignment concluded between Kofola ČeskoSlovensko a.s. and Radenska d.o.o. on 1 February 2017,
- agreement on the temporary assignment concluded between Kofola ČeskoSlovensko a.s. and Studenac d.o.o. on 1 February 2017,
- agreement on the temporary assignment concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (SK) on 1 February 2017,
- mandate agreement for marketing services concluded between Kofola ČeskoSlovensko a.s. and Hoop Polska Sp. z o.o. on 3 June 2017,
- bookkeeping service agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (ČR) on 1 September 2017,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Hoop Polska Sp. z o.o. on 1 January 2017,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and UGO trade s.r.o. on 1 March 2017,
- car rental agreements concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (ČR) on 25 May 2017,
- car rental agreements concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (SK) on 1 March 2017,
- car rental agreements concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (SK) on 3 April 2017,
- car rental agreements concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (SK) on 2 May 2017.

PROVIDED GUARANTEES:

Entity receiving guarantees	Currency	Guarantee amount FCY´000	Guarantee amount CZK´000	Guarantee period	Guarantees provided for	Relationship
PORSCHE LEASING	EUR	600	15 3240	2/2018	Radenska Zagreb d.o.o.	subsidiary
City-Arena PLUS a.s.	EUR	7	179	8/2020	UGO Trade s.r.o.	subsidiary

The following contracts concluded between controlled entity and controlling entity or between controlled entities were effective in the indicated period:

- management service agreement concluded between Kofola CS a.s. and Radenska d.d. on 1 January 2016,
- car rental agreement concluded between Kofola CS a.s. and UGO trade s.r.o. on 1 February 2016,
- car rental agreements concluded between Kofola CS a.s. and UGO trade s.r.o. on 1 November 2016,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (SK) on 14 September 2016,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (SK) on 8 November 2016,
- car rental agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. (SK) on 1 November 2016,
- loan agreement concluded between Kofola ČeskoSlovensko a.s. and Alofok Ltd. on 5 September 2016,
- master inter-group service agreement concluded between Kofola CS a.s. and Radenska d.d. on 18 March 18 2015,
- car rental agreement concluded between Kofola CS a.s. and Kofola a.s. (SK) on 25 February 2014,
- car rental agreement concluded between Kofola CS a.s. and Kofola a.s. (SK) on 23 May 2014,
- car rental agreement concluded between Kofola CS a.s. and Kofola a.s. (SK) on 1 July 2014,
- car rental agreement concluded between Kofola CS a.s. and Kofola a.s. (SK) on 23 June 2014,
- car rental agreement concluded between Kofola CS a.s. and HOOP Polska Sp. z o.o. on 1 October 2014,
- service agreement concluded between Kofola CS a.s. and Kofola a.s. (SK) on 20 January 2012,
- service agreement concluded between Kofola holding a.s. (predecessor of Kofola CS a.s.) and Hoop Polska Sp. z o.o. on 16 November 2009,
- licence agreement concluded between Kofola holding a.s. (predecessor of Kofola CS a.s.) and Hoop Polska Sp. z o.o. on 1 September 2008,
- service and agency agreement concluded between Kofola holding a.s. (predecessor of Kofola CS a.s.) and Kofola a.s. (ČR) on 1 December 2006,
- service and agency agreement concluded between Kofola holding a.s. (predecessor of Kofola CS a.s.) and Kofola a.s. (SK) on 1 December 2006,
- licence agreement concluded between Kofola holding a.s. (predecessor of Kofola CS a.s.) and Kofola a.s. (SK) on 1 November 2006,
- licence agreement concluded between Kofola holding a.s. (predecessor of Kofola CS a.s.) and Kofola a.s. (ČR) on 1 November 2006,
- licence agreement concluded between Kofola a.s. (ČR) and PINELLI spol. s r.o. on 16 May 2011. Successor of PINELLI spol. s r.o. after merger is Kofola ČeskoSlovensko a.s.

All described contractual relationships between the Company and controlling entity or controlled entities were established under standard contractual terms and conditions when the agreed and provided performance or consideration corresponded to the conditions of a standard business relation. Some transactions were realized based on oral agreements.

8.7. ASSESSMENT OF WHETHER THE CONTROLLED ENTITY SUFFERED A LOSS AND OF ITS SETTLEMENT

The Company has not suffered loss from contracts and agreements concluded in the Indicated period between the Company and other Group companies, or from other acts and measures that were concluded by the Company in the Indicated period based on instruction or in the interest of other Group entities.

8.8. ASSESSMENT OF ADVANTAGES AND DISADVANTAGES ARISING FROM RELATIONS BETWEEN RELATED ENTITIES

Controlled entity has advantages from relations with Group entities coming mainly from synergies from optimisation of processes and costs throughout the Group and from possibility to exploit access to financial, knowledge and technical potential of individual entities.

Controlled entity has no disadvantages from relations with Group entities.

The Company is not exposed to any specific risk from relations with Group entities except those arising from standard participation in international business group.

In Ostrava, on 20 March 2018

René Musila
Member of the Board of Directors

Daniel Buryš
Member of the Board of Directors

9. STATUTORY DECLARATION

STATUTORY DECLARATION OF PERSONS RESPONSIBLE FOR THE ANNUAL REPORT OF KOFOLA ČESKOSLOVENSKO A.S.

To the best of our knowledge, the consolidated annual report of Kofola ČeskoSlovensko a.s. gives a true and fair view of the financial position, business activities and financial performance of Kofola ČeskoSlovensko a.s. and its group for the year 2017 and of the outlook for future development of the financial position, business activities and financial performance.

SIGNATURES OF THE COMPANY'S REPRESENTATIVES

23.3.2018	**Janis Samaras**	**Chairman of the Board of Directors**	
date	*name and surname*	*position/role*	*signature*
23.3.2018	**René Musila**	**Member of the Board of Directors**	
date	*name and surname*	*position/role*	*signature*
23.3.2018	**Tomáš Jendřejek**	**Member of the Board of Directors**	
date	*name and surname*	*position/role*	*signature*
23.3.2018	**Daniel Buryš**	**Member of the Board of Directors**	
date	*name and surname*	*position/role*	*signature*
23.3.2018	**Jiří Vlasák**	**Member of the Board of Directors**	
date	*name and surname*	*position/role*	*signature*
23.3.2018	**Marián Šefčovič**	**Member of the Board of Directors**	
date	*name and surname*	*position/role*	*signature*

Independent auditor's report

to the shareholders of Kofola ČeskoSlovensko a.s.

Report on the Audit of the Consolidated and Separate Financial Statements

Our Opinion

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the consolidated financial position of Kofola ČeskoSlovensko a.s., with its registered office at Nad Porubkou 2278/31a, Ostrava ("the Company") and its subsidiaries (together "the Group") as at 31 December 2017, of their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

- The accompanying separate financial statements give a true and fair view of the financial position of the Company standing alone as at 31 December 2017, of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

We confirm that the audit opinion expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued today in accordance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council ("the EU Regulation").

What we have audited

The Group's consolidated financial statements comprise:

- The consolidated statement of financial position as at 31 December 2017;
- The consolidated statement of profit or loss for the year then ended;
- The consolidated statement of other comprehensive income for the year then ended;
- The consolidated statement of changes in equity for the year then ended;
- The consolidated statement of cash flows for the year then ended; and
- The notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

The Company's separate financial statements comprise:

- The statement of financial position as at 31 December 2017;
- The statement of profit or loss for the year then ended;
- The statement of other comprehensive income for the year then ended;
- The statement of changes in equity for the year then ended;
- The statement of cash flows for the year then ended; and
- The notes to the separate financial statements, which include significant accounting policies and other explanatory information.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors, EU Regulation and Standards on Auditing of the Chamber of Auditors of the Czech Republic. These standards consist of International Standards on Auditing (ISAs) which may be supplemented and modified by related application guidance. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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T: +420 251 151 111, F: +420 251 156 111, www.pwc.com/cz

PricewaterhouseCoopers Audit, s.r.o., registered seat Hvězdova 1734/2c, 140 00 Prague 4, Czech Republic, Identification Number: 40765521, registered with the Commercial Register kept by the Municipal Court in Prague, Section C, Insert 3637, and in the Register of Audit Companies with the Chamber of Auditors of the Czech Republic under Evidence No 021.

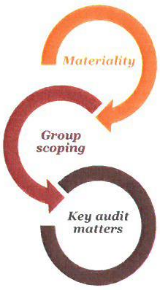
Shareholders of Kofola ČeskoSlovensko a.s.
Independent auditor's report

Independence

We are independent of the Group and Company in accordance with the Act on Auditors, EU Regulation and Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA) and accepted by the Chamber of Auditors of the Czech Republic, and we have not provided any non-audit services that are prohibited under Article 5 of the EU Regulation and fulfilled our other ethical responsibilities in accordance with these regulations.

Our audit approach

Overview



Overall Group materiality: CZK 69,600 thousand.
Overall materiality for the separate financial statements: CZK 45,890 thousand.

- We identified seven reporting units which, in our view, required a full scope audit based on their size or risk. In addition, we determined that specified audit procedures were required at one reporting unit to address specific risk characteristics.
- We used component teams in four countries to perform a full scope audits at seven reporting units and specified procedures in Russia at Megapack OOO, with the Group audit team performing the remainder. The component auditors performed work as per instructions issued by the Group audit team.
- Reporting units where PwC network firms performed audit procedures accounted for 99% of the Group profit before tax and 96% of the Group's total revenue. Our audit scope provided sufficient appropriate audit evidence as a basis for our opinion on the Group financial statements as a whole.

- Impairment test of intangible assets with indefinite useful lives
- Impairment test of cash generating units in Poland

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements (together "financial statements"). In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

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Shareholders of Kofola ČeskoSlovensko a.s.
Independent auditor's report

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall Group materiality	CZK 69,600 thousand (2016: CZK 69,900 thousand)
How we determined it	1% of revenues
Rationale for the materiality benchmark applied	We applied this benchmark, the application of which is an accepted auditing practice. We considered as first profit before tax as a benchmark but due to fluctuating profit, revenues were considered a more stable benchmark. We decided to use revenues as the main benchmark also due to the fact that the Group is strongly focused on their market share. Revenues also represent the Group's main input into its budgeting process.
Overall materiality for the separate financial statements	CZK 45,890 thousand (2016: CZK 43,560 thousand)
How we determined it	1% of total assets
Rationale for the materiality benchmark applied	The application of this benchmark is an accepted auditing practice. The Company is a holding entity and generates income from management fees, license fees and dividends. The primary goal of the Company is to hold the investments in its subsidiaries, and based on this fact we have decided to use total assets as a benchmark.

Shareholders of Kofola ČeskoSlovensko a.s.
Independent auditor's report

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment test of intangible assets with indefinite useful lives Kofola Group holds a significant number of brands for soft drinks on the balance sheet. The brands were acquired as a part of historical acquisitions. These brands were initially measured at fair value as of the respective acquisition dates and useful lives of some of the brands are assumed to be indefinite. Intangible assets with indefinite useful lives and goodwill are annually tested for impairment. The appropriateness of the carrying value of intangible assets is dependent on achieving sufficient levels of future cash flows. The brands are spread across a range of markets, and consequently forecast cash flows used in impairment testing are more complex, requiring assumptions to be made relating to differing economic environments within those markets. Estimating recoverable amount involves judgement due to the inherent uncertainty involved in forecasting and discounting future cash flows therefore the area has remained of most significance in our audit. The impairment test resulted into the accounting for impairment loss of CZK 85,316 thousand in case of HOOP Cola brand and CZK 27,070 thousand in case of Paola brand. Refer to page B-13 – B-14 (Accounting Policies) and page B-36 – B-37 (note 4.10).	Similarly to last year, our procedures included the testing of controls relating to the regular update, monitoring, analysis and appropriate approval of the discounted cash flow models used in impairment testing. In addition: • We assessed the applied discounted cash flow models, the reasonableness of assumptions including the forecast cash flows, long-term growth rates and the discount rates. We performed the testing by reference to past performance, future plans, and external market data and by performing sensitivity analysis on the model for each relevant market. Our assessment was based on our knowledge of the business and industry. Our procedures were particularly focused on the key assumptions relating to Premium Rosa, Vinea, HOOP Cola and Paola brands for which the difference between the recoverable amount and the carrying amount is the most sensitive. • Where appropriate, we involved our own valuation experts who checked the inputs for the calculation of discount rates. Our procedures included forming our own assessment of the discount rates based on the key inputs by relevant market, such as risk free rates, size premium, country premium and inflation. We also assessed the adequacy of the presentation and disclosures related to intangibles impairment tests and related estimates. Based on the audit evidence obtained from the above procedures we did not identify any material misstatements, contradictions or omissions in the key assumptions and estimates used by management in the calculation of the recoverable value of the intangible assets.

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Shareholders of Kofola ČeskoSlovensko a.s.
Independent auditor's report

Key audit matter	How our audit addressed the key audit matter
Impairment test of cash generating unit in Poland Significant part of the Group represents the Group's business in Poland. Financial year 2017 on Polish market was not very successful for Kofola Group. Management decided to close second plant in Polish city Grodzisk. Closure of Polish operations triggered close-up costs of CZK 47,670 thousand. Overall results of the cash generating unit represented by the business in Poland ("the CGU") were declining due to very strong competition and major decrease of sales in segment with private label products. The CGU reported a loss of CZK 163,066 thousand including impairment loss relating to brands Hoop Cola and Paola in total amount of CZK 112,386 thousand for the year ended 31 December 2017. The Group performed an impairment test of the CGU for the consolidated financial statements in addition to the impairment tests performed to the trademarks as described in the key audit matter on page 4 and also for the purposes of measurement of the investment in a subsidiary Hoop Polska Sp. z o.o. in the separate financial statements of the Company. Assumptions used in the impairment test are judgmental and include: • The future cash flow growth assumptions used in the CGU's most recent budgets and plans for the next five years approved by management (the "business plan"), and the growth rate used beyond the period covered by the business plan. The business plan appropriately reflects the CGU's intention to sell and support primarily own brands and be less active on the market with private labels; and • The discount rate applied to future cash flows. The impairment test resulted into the impairment of CZK 195,365 thousand in the separate financial statements reducing the carrying value of the investment in subsidiary Hoop Polska Sp. z o.o. The impairment test did not cause any additional impairment loss in the consolidated financial statements, on top of impairment loss on intangible assets as discussed on page 4 of this report. Refer to page C-19 – C-20 (note 4.9) in the separate financial statements and to page B-30 – B-35 (note 4.9) in the consolidated financial statements.	We evaluated the future cash flow forecasts and the process by which they were drawn up, and tested the discounted cash flow model. We compared the forecasts used in the model with the business plan and assessed the actual performance in 2017 against the prior year budgets to evaluate historical forecasting accuracy. Additionally we performed sensitivity analysis in respect of the key assumptions to ascertain the extent of possible changes in the amount of impairment. We assessed the likelihood of these changes in key assumptions. With support from our valuation experts we: • Tested the discount rates, by comparing key inputs, where relevant, to externally derived data. We observed them to be within a reasonable range; and • Considered the use of the long-term GDP growth rate for Poland when assessing the growth rate used beyond the period covered by the plan. We found the inputs and estimates used by the management to be consistent with the evidence we obtained. We assessed whether the Group's disclosures regarding the performed impairment test, assumptions used and impairment loss recognized were appropriate. We determined that these disclosures appropriately draw attention to the significant areas of judgement.

Shareholders of Kofola ČeskoSlovensko a.s.
Independent auditor's report

How we tailored our audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which the Group operates.

The group's trading operations are made up of operating businesses situated in a number of territories across the Europe The group financial statements are a consolidation of eight reporting units, comprising the group's operating businesses and head office function. In establishing the overall approach to the group audit, we determined the type of work that needed to be performed at the reporting units by us, as the group engagement team, or component auditors within PwC Czech Republic and from other PwC network firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the group financial statements as a whole. Accordingly, out of the group's eight reporting units, we performed an audit of the complete financial information of seven reporting units, which were selected either due to their size, or their risk characteristics. This gave us coverage over 96% of the group by revenue. The group team attended all clearance meetings, either in person or by call. This, together with additional procedures performed at the group level, gave us the evidence we needed for our opinion on the group financial statements as a whole.

Other Information

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Board of Directors is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge about the Group and the Company obtained in the audit, or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law and regulation, in particular, whether the other information complies with law and regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law and regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Group and the Company obtained in the audit, on whether the other information contains any material misstatement of fact. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.

Responsibilities of the Board of Directors and Supervisory Board for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the financial reporting process.

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Shareholders of Kofola ČeskoSlovensko a.s.
Independent auditor's report

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above stated requirements will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above stated requirements, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and the Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the notes, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors, Supervisory Board and Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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Shareholders of Kofola ČeskoSlovensko a.s.
Independent auditor's report

From the matters communicated with the Supervisory Board and the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In compliance with Article 10(2) of the EU Regulation, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of Auditor and Period of Engagement

We were appointed as the auditors of the Company by the General Meeting of Shareholders on 20 April 2012 and our uninterrupted engagement has lasted for 6 years.

Provided Non-audit Services

The non-audit services are disclosed in the note 4.2 of the Annual report.

Non-financial information

In accordance with § 32i of the Act on Accounting, we hereby report that the Company has prepared the non-financial information for the year ended 31 December 2017 and disclosed it in this Annual Report.

23 March 2018

PricewaterhouseCoopers Audit.
represented by

Václav Prýmek

Milan Zelený
Statutory Auditor, Licence No. 2319

CONSOLIDATED FINANCIAL STATEMENTS 2017

KOFOLA ČESKOSLOVENSKO A.S.

1. CONSOLIDATED FINANCIAL STATEMENTS

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

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

1. CONSOLIDATED FINANCIAL STATEMENTS

1.2. CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

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

Consolidated statement of other comprehensive income	Note	2017 CZK´000	2016 CZK´000
Profit for the period		**152 195**	**83 400**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign subsidiaries		(119 528)	(40 030)
Exchange differences on translation of foreign associate	4.11	(9 367)	39 245
Other comprehensive income for the period, net of tax		**(128 895)**	**(785)**
Total comprehensive income for the period		**23 300**	**82 615**
Attributable to:			
Owners of Kofola ČeskoSlovensko a.s.		29 880	85 588
Non-controlling interests		(6 580)	(2 973)

The above consolidated statement of other comprehensive income should be read in conjunction with the accompanying notes.

1. CONSOLIDATED FINANCIAL STATEMENTS

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**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

1. CONSOLIDATED FINANCIAL STATEMENTS

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, Voćko*
** *Studenac and squeeze out of Radenska NCI*
*** *Premium Rosa*

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1.5. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

Consolidated statement of changes in equity	Note	Equity attributable to owners of Kofola ČeskoSlovensko a.s.							Equity attributable to non-controlling interests	Total equity
		Share capital	Share premium and capital reorganisation reserve	Other reserves	Foreign currency translation reserve	Own shares	Retained earnings	Total		
		CZK´000	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000
Balance as at 1 January 2016		**2 229 500**	**(1 962 871)**	**2 085 568**	**166 710**	**-**	**302 062**	**2 820 969**	**49 233**	**2 870 202**
Correction of errors	3.7	-	-	-	-	-	(10 781)	**(10 781)**	-	**(10 781)**
Balance as at 1 January 2016 Restated		**2 229 500**	**(1 962 871)**	**2 085 568**	**166 710**	**-**	**291 281**	**2 810 188**	**49 233**	**2 859 421**
Profit/(loss) for the period	1.1	-	-	-	-	-	86 373	**86 373**	(2 973)	**83 400**
Other comprehensive (loss)		-	-	-	(785)	-	-	**(785)**	-	**(785)**
Total comprehensive income/(loss) for the period	1.2	**-**	**-**	**-**	**(785)**	**-**	**86 373**	**85 588**	**(2 973)**	**82 615**
Dividends	4.15.7	-	-	-	-	-	(156 051)	**(156 051)**	-	**(156 051)**
Transfers		-	-	(9 574)	-	-	9 574	**-**	-	**-**
Own shares purchase	4.15.4	-	-	-	-	(3 743)	-	**(3 743)**	-	**(3 743)**
Own shares transfer	4.15.4	-	-	-	-	2 828	-	**2 828**	-	**2 828**
Squeeze out of non-controlling interest		-	-	-	-	-	(2 238)	**(2 238)**	(43 364)	**(45 602)**
Balance as at 31 December 2016		**2 229 500**	**(1 962 871)**	**2 075 994**	**165 925**	**(915)**	**228 939**	**2 736 572**	**2 896**	**2 739 468**
Balance as at 1 January 2017		**2 229 500**	**(1 962 871)**	**2 075 994**	**165 925**	**(915)**	**228 939**	**2 736 572**	**2 896**	**2 739 468**
Profit / (loss) for the period	1.1	-	-	-	-	-	158 775	**158 775**	(6 580)	**152 195**
Other comprehensive income/(loss)		-	-	-	(128 895)	-	-	**(128 895)**	-	**(128 895)**
Total comprehensive income/(loss) for the period	1.2	**-**	**-**	**-**	**(128 895)**	**-**	**158 775**	**29 880**	**(6 580)**	**23 300**
Dividends	4.15.7	-	-	-	-	-	(300 941)	**(300 941)**	-	**(300 941)**
Own shares purchase	4.15.4	-	-	-	-	(490 650)	-	**(490 650)**	-	**(490 650)**
Transfers		--	-	(29 818)	-	-	29 818	**-**	-	**-**
Option scheme	A 7.2 (k)	-	-	2 809	-	-	-	**2 809**	-	**2 809**
Balance as at 31 December 2017		**2 229 500**	**(1 962 871)**	**2 048 985**	**37 030**	**(491 565)**	**116 591**	**1 977 670**	**(3 684)**	**1 973 986**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

2. GENERAL INFORMATION

2.1. CORPORATE INFORMATION

GENERAL INFORMATION

Kofola ČeskoSlovensko a.s. ("the Company") is a joint-stock company registered on 12 September 2012. Its registered office is Nad Porubkou 2278/31a, Ostrava, 708 00, Czech Republic and the identification number is 24261980. The Company is recorded in the Commercial Register kept by the Regional Court in Ostrava, section B, Insert No. 10735. The Company´s websites are http://www.firma.kofola.cz and the phone number is +420 595 601 030. LEI: 3157005DO9L5OWHBQ359.

Main area of activity of Kofola ČeskoSlovensko a.s. in 2017 was providing certain services for the other companies in Kofola Group, e.g. strategic services, services related to products, shared services and holding of licences and trademarks.

Kofola ČeskoSlovensko a.s. is a parent of the Kofola Group, one of the leading producers and distributors of non-alcoholic beverages in Central and Eastern Europe. Besides the traditional markets of the Czech Republic and Slovakia where the Group is a leader, the Group is also present in Poland, Slovenia and Croatia with limited activities in Russia. The Group produces drinks with care and love in seven production plants and key brands include Kofola, Hoop Cola, Jupí, Jupík, Rajec, Radenska, Paola, Semtex and Vinea. On selected markets, the Group distributes among others Pepsi, Rauch, Evian or Badoit products and under the licence produces RC Cola and Orangina.

Based on the information known to the Board of Directors of the Company acting with due care, the Company was for the whole reported period part of the group controlled by KSM Investment S.A. („Group "). Registered office: Rue de Neudorf 560A, L-2220 Luxembourg, Luxembourg. The ownership structure is described in section B 4.23.1.

STOCK EXCHANGE LISTING

Kofola ČeskoSlovensko a.s. is listed on Prague Stock Exchange (ticker KOFOL).

MANAGEMENT

As at 31 December 2017, the composition of the Board of Directors, Supervisory Board and Audit Committee was as follows:

BOARD OF DIRECTORS

- Janis Samaras – Chairman
- René Musila
- Tomáš Jendřejek
- Daniel Buryš
- Jiří Vlasák
- Marián Šefčovič

SUPERVISORY BOARD

- René Sommer – Chairman
- Jacek Woźniak
- Pavel Jakubík
- Moshe Cohen-Nehemia
- Petr Pravda
- Bartosz Kwiatkowski

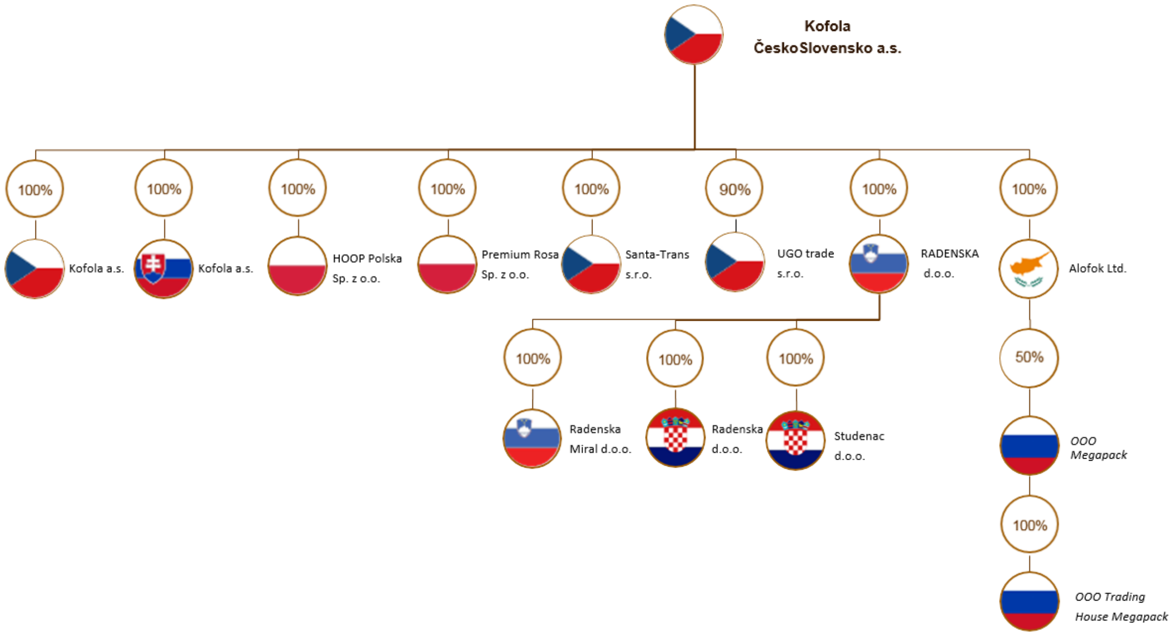
AUDIT COMMITTEE

- Petr Šobotník – Chairman
- Pavel Jakubík
- Bartosz Kwiatkowski

2. GENERAL INFORMATION

2.2. GROUP STRUCTURE

GROUP STRUCTURE CHART AS AT 31 DECEMBER 2017



DESCRIPTION OF THE GROUP COMPANIES

Name of entity	Place of business	Principal activities	Ownership interest and voting rights 31.12.2017	31.12.2016
Holding companies				
Kofola ČeskoSlovensko a.s.	Czech Republic	top holding company		
Alofok Ltd.	Cyprus	holding	100.00%	100.00%
Production and trading				
Kofola a.s.	Czech Republic	production and distribution of non-alcoholic beverages	100.00%	100.00%
Kofola a.s.	Slovakia	production and distribution of non-alcoholic beverages	100.00%	100.00%
Hoop Polska Sp. z o.o.	Poland	production and distribution of non-alcoholic beverages	100.00%	100.00%
UGO trade s.r.o.	Czech Republic	operation of fresh bars chain	90.00%	90.00%
RADENSKA d.o.o.	Slovenia	production and distribution of non-alcoholic beverages	100.00%	100.00%
Studenac d.o.o.	Croatia	production and distribution of non-alcoholic beverages	100.00%	100.00%
Radenska d.o.o.	Croatia	sales support and administration	100.00%	100.00%
Radenska d.o.o.	Serbia	closed	n/a	100.00%
Radenska Miral d.o.o.	Slovenia	trademark licensing	100.00%	100.00%
Premium Rosa Sp. z o.o.	Poland	production and distribution of syrups and jams	100.00%	n/a
Sicheldorfer GmbH	Austria	closed	n/a	100.00%
Transportation				
SANTA-TRANS s.r.o.	Czech Republic	road cargo transport	100.00%	100.00%
Associated companies				
OOO Megapack	Russia	production of non-alcoholic and low-alcoholic beverages	50.00%	50.00%
OOO Trading House Megapack	Russia	sale and distribution of non-alcoholic and low-alcoholic beverages	50.00%	50.00%

3.1. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the laws binding in the Czech Republic and with International Financial Reporting Standards ("IFRS"), as well as the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") adopted by the European Union, published and effective for reporting periods beginning 1 January 2017.

The consolidated financial statements have been prepared on a going concern basis and in accordance with the historical cost method, except for financial assets and liabilities measured at fair value, and the assets, liabilities and contingent liabilities of the acquiree, which were stated at fair value as at the date of the acquisition as required by IFRS 3.

The consolidated financial statements include the consolidated statement of the financial position, consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and explanatory notes.

The Group's consolidated financial statements cover the period ended 31 December 2017 and contain comparatives for the period ended 31 December 2016.

The consolidated financial statements are presented in Czech crowns ("CZK"), and all values, unless stated otherwise, are presented in CZK thousand.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires that management exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements as disclosed in section 3.6.

ADOPTION OF CHANGES TO STANDARDS

In May 2014, the International Accounting Standards Board ("IASB") issued IFRS 15 - Revenue from Contracts with Customers which was subsequently endorsed by the European Union in September 2016. IFRS 15 establishes a framework for determining whether, how much and when revenue is recognised from contracts with customers. IFRS 15 supersedes existing standards and interpretations related to revenue. It defines a new five-step model to recognise revenue from customer contracts. The Group applies the new standard from 1 January 2018. No prior period financial information needs to be restated. The Group has undertaken a review of the main types of commercial arrangements used with customers under this model and has tentatively concluded that the application of IFRS 15 will not have a material impact on the consolidated results or financial position. The Group have already applied in the past the "trade money concept" when accounting for certain payments to customers, such as bonuses, listing fees and marketing support expenses was recorded as reduction of revenue.

In July 2014, the IASB issued IFRS 9 – Financial Instruments which was subsequently endorsed ty the EU in November 2016. The standard addresses the accounting principles for the financial reporting of financial assets and financial liabilities, including classification, measurement, impairment, derecognition and hedge accounting. The standard contains three classification categories: measured at amortised cost, fair value through other comprehensive income (FVTOCI) and fair value through profit and loss (FVTPL) and eliminates the existing IAS 39 categories: loans and receivables, held to maturity and available for sale. It is mandatory for the accounting period beginning on 1 January 2018. The Group has performed a review of the business model and decided to apply the modified retrospective approach with the effect of the change accounted in retained earnings as of 1 January 2018, 2017 comparative numbers will not be restated. The Group has assessed the impact of IFRS 9 and concluded that it would have an effect on the valuation of impairment to trade receivables. The effect of expected loss model on trade receivables which requires the identification of the credit risk concluded that the bad debt provision should be lower with the after-tax effect recorded in equity as of 1 January 2018 in amount of approx. CZK 16 million.

IFRS 16 Leases – the new standard will be applied for the accounting period beginning on 1 January 2019. The Group is in the process of assessing the impact of the standard which is likely to result in changes to EBITDA and finance cost but is not expected to have a material impact on profit before tax. In addition, there is expected to be an increase in property, plant and equipment with a corresponding increase in liabilities as applicable leases are brought onto the balance sheet.

Other new standards and amendments are not relevant to the Group or will not have material effect on its financial statements.

3.2. FUNCTIONAL AND PRESENTATION CURRENCY

The consolidated financial statements are presented in Czech crowns (CZK), which is the Company´s functional and presentation currency.

3.3. FOREIGN CURRENCY TRANSLATION

The financial statements items of the group entities are measured using their functional currency. Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions.

Monetary assets and liabilities expressed as at the balance sheet date in foreign currencies are translated using the closing exchange rate announced by the Czech National Bank for the end of the reporting period, and all foreign exchange gains or losses are recognized in profit or loss under:

- cost of sales – for trading operations,
- finance income and costs – for financial operations.

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

Exchange differences on loans granted to subsidiaries forming a part of an investment are transferred, as part of consolidation adjustments, from profit or loss to other comprehensive income and accumulated in Foreign currency translation reserve in equity.

The following exchange rates were used for the preparation of the financial statements:

Closing exchange rates	31.12.2017	31.12.2016
CZK/EUR	25.540	27.020
CZK/PLN	6.114	6.126
CZK/RUB	0.368	0.420
CZK/USD	21.291	25.639
CZK/HRK	3.439	3.575

Average exchange rates	1.1.2017 - 31.12.2017	1.1.2016 - 31.12.2016
CZK/EUR	26.330	27.033
CZK/PLN	6.185	6.198
CZK/RUB	0.401	0.366
CZK/USD	23.382	24.432
CZK/HRK	3.528	3.589

The results and financial position of foreign operations are translated into CZK as follows:

- assets and liabilities for each statement of financial position presented at closing exchange rates announced by the Czech National Bank for the balance sheet date,
- income and expense for each statement of profit or loss at average exchange rates announced by the Czech National Bank for the reporting period, unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions,
- the resulting exchange differences are recognised in other comprehensive income and accumulated in equity,
- cashflow statement items at the average exchange rate announced by the Czech National Bank for the reporting period, unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions. The resulting foreign exchange differences are recognized under the “Effects of exchange rate changes on cash and cash equivalents” item of the cash-flow statement.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3.4. CONSOLIDATION METHODS

3.4.1 SUBSIDIARIES

GENERAL METHODS

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

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

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL

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

DISPOSAL OF SUBSIDIARIES

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

3.4.2 ASSOCIATES

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 % and 50 % of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the net assets of the investee after the date of acquisition. The group's investment in associates includes goodwill identified on acquisition.

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

The Group's share of post-acquisition profit or loss is recognized in profit or loss and its share of post-acquisition movements in other comprehensive income (including the effects of translation of the financial position and results of the associate from its functional to the group's presentation currency) is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equal or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The foreign associates are retranslated using foreign exchange rate valid at the balance sheet date and any resulting difference is recognised in Other comprehensive income.

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

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

3.5. ACCOUNTING METHODS

3.5.1 TANGIBLE FIXED ASSETS

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

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

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

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

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

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

DEPRECIATION

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

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

3.5.2 LEASES

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

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

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

3.5.3 GOODWILL

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

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

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

3.5.4 INTANGIBLE ASSETS

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

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

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

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

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

3.5.5 RECOVERABLE VALUE OF FIXED ASSETS

The Group evaluates its assets whether indicators of impairment are present as at each balance sheet date. If there are indications of impairment for goodwill and indefinite life intangible assets, the Group performs a formal estimate of the recoverable amount annually. If the carrying value of a given asset or cash-generating unit exceeds its recoverable amount, it is considered impaired and written down to its recoverable amount. The recoverable amount corresponds to the higher of the following two values: the fair value less cost of disposal, or the value in use of a given asset or cash generating unit. The impairment loss recognised, except for impairment of goodwill, may be reversed in future periods if the asset's value recovers.

3.5.6 FINANCIAL INSTRUMENTS

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

The most significant assets that are subject to the financial instruments accounting policies are:

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

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

The most significant liabilities that are subject to the financial instruments accounting policies:

- loan payables, bonds issued,
- credit payables,
- derivative instruments (options, forward contracts, futures, swap contracts, embedded derivative instruments),
- other financial liabilities.

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

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

- financial assets at fair value through profit or loss
- financial assets available for sale, and
- loans and receivables.

Financial liabilities are divided into:

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

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

FINANCIAL ASSETS

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

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This category includes two groups of assets: financial assets held for trading and financial assets designated initially at fair value through profit or loss. A financial asset is included in the held for trading category if it was acquired in order to be sold in the near term, or if it is part of a portfolio in which a pattern or short-term trading exists, or if it is a derivative instrument with a positive fair value.

This category includes primarily derivative instruments in the Group's balance sheet, as well as debt and equity instruments acquired in order to be resold in the near term.

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

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. Depending on their maturity date, they are included in non-current assets (assets due in more than 1 year after the end of the reporting period) or current assets (assets due within 1 year after the end of the reporting period). Loans and receivables are stated at amortised cost. Included in this category are primarily trade receivables and bank deposits and other cash funds, as well as loans and acquired unlisted debt instruments not included in the other financial assets categories.

FINANCIAL LIABILITIES

Financial liabilities are initially recognised at fair value. Transaction costs are deducted from the amount at initial recognition, except for financial liabilities at fair value through the profit or loss. The transaction costs payable upon a transfer of a financial liability are not added to the subsequent valuation of financial liabilities. The financial liabilities are recognised in the balance sheet when the Group becomes a party to the agreement, out of which the financial liability arises.

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

This category includes two groups of liabilities: financial liabilities held for trading and financial liabilities designated at fair value through profit or loss. Financial liabilities held for trading are liabilities that: have been issued primarily to be transferred or repurchased in near term or are a component of a portfolio of financial instruments that are managed together with a purpose of generating a profit from short-term fluctuations in price or trader's margin or constitute derivative instruments.

The Group's financial liabilities at fair value through profit or loss include primarily derivative instruments with a negative fair value. Financial liabilities at fair value through profit or loss are measured at their fair value at the end of each reporting period, and all gains or losses are recognised as finance income or costs. Derivative instruments are measured at fair value at the end of each reporting period based on valuations performed by the banks realising the transactions. The fair value of debt instruments represents future cash flows discounted at the current market interest rate applicable to similar instruments.

FINANCIAL LIABILITIES STATED AT AMORTISED COST

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

DERECOGNITION OF FINANCIAL ASSETS

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

DERECOGNITION OF FINANCIAL LIABILITIES

The Group derecognises financial liability (or part of a financial liability) when it extinguishes, i.e. when the obligation is discharged, cancelled or expires. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

OFFSETTING

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

3.5.7 INVENTORIES

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

Inventory is stated net of net realisable value provision. Inventory is written down to bring the carrying value of inventory to the net realisable value. Inventory write downs are recognised in the income statement under the “cost of goods sold” item. Reversals of inventory write downs are recorded as a decrease of the cost of goods sold. The amount of a write down decreases the carrying value of the inventory.

3.5.8 TRADE AND OTHER RECEIVABLES

Trade and other financial receivables are carried at amortised cost (i.e. present value discounted using the effective interest rate) net of impairment write downs.

In cases when the effect of the time value of money is significant, the carrying value of a receivable is determined by discounting the expected future cash flows to the present value, using a discounted rate that reflects the current market assessments of the time value of money. Unwinding of the effects of discounting increasing the receivable is recorded as finance income.

Receivables not classified at fair value through profit or loss, are assessed at each reporting date to determine whether there is objective evidence of impairment. Such evidence includes:

- significant financial difficulties of the debtor,
- probability that the debtor will enter bankruptcy or financial reorganisation,
- default or delinquency by the debtor.

An impairment loss is recognised in profit or loss at the difference between an asset´s carrying amount and the present value of the estimated cash flows discounted at the asset´s original effective interest rate.

Receivables not individually impaired are assessed for impairment collectively, grouping receivables with similar risk characteristics. Generally, the Group creates bad debt provision at 100% for receivables overdue by more than 360 days and at 50% for receivables overdue by more than 180 but less than 360 days.

3.5.9 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash at bank and in hand, as well as highly liquid investments that can be readily convertible to known amount of cash and are subject to insignificant changes in the value.

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

3.5.10 ASSETS (GROUP OF ASSETS) HELD FOR SALE

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

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

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

At their reclassification, the assets are stated at the lower of the following two values: the carrying value or the fair value less cost of disposal. The loss on the remeasurement to fair value less cost of disposal is recognised in other operating expenses. Subsequently, any reversal of impairment loss is recognised as a reduction of operating expenses. If an item no longer meets the criteria to be classified as held-for-sale, the asset is reclassified to the balance sheet line item, from which it was previously reclassified and stated at the lower of:

- the carrying amount from the date preceding the asset's classification as held for sale, adjusted by depreciation or amortisation, which would have been recognised had the asset not been reclassified as held-for-sale, or
- the carrying amount from the date when the decision to not sell the asset was made.

In the case of a sell (even if there is no sale of interest held by the Group) the transaction is considered as deemed sale and accounted for as an asset held-for-sale based on IFRS 5.

3.5.11 EQUITY

Equity is classified by category and in accordance with binding legal regulations and the Company's Statute.

Share capital is carried at the amount stated in the Statute and in the National Court Register.

Declared but unpaid capital contributions are recorded as unpaid share capital. Treasury shares and unpaid share capital are deducted from the Company's equity.

Other elements of equity are: Share premium and capital reorganisation reserve, Other reserves, Foreign currency translation reserve, Own shares, Retained earnings/Accumulated deficit and Non-controlling interest. Balance of the Foreign currency translation reserve is adjusted for exchange differences arising from the translation of financial statements of subsidiary with functional currency different from Group's presentation currency.

Own shares acquired by the Company for cancellation, in accordance with the provisions of the Business Corporation Act, are recorded at cost as a negative amount as a separate component of equity. Own shares of the Company acquired by RADENSKA are recorded at cost as a negative amount as a separate component of equity.

Retained earnings/Accumulated deficit consist of accumulated profit or uncovered loss from previous years (accumulated profit/loss from previous years) and the profit/loss for the period.

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

NON-CONTROLLING INTEREST

Non-controlling interest is measured:

- based on the share on the acquired net identifiable asset; and
- subsequently increased/decreased by non-controlling interest's share of profit, dividends paid, share in other comprehensive income and effects of changes in ownership.

3.5.12 INTEREST-BEARING BANK CREDITS, LOANS AND ISSUED BONDS

At initial recognition, all bank credits, loans and issued bonds are recorded at their fair value, which corresponds to the received cash funds, less the costs of obtaining the credit or loan or emission of bonds.

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

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

3.5.13 TRADE LIABILITIES AND OTHER LIABILITIES

Financial liabilities constitute a current obligation arising out of past events, the fulfilment of which is expected to result in an outflow of cash or other financial assets.

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

Exchange rate differences resulting from the balance sheet remeasurement of trade payables are recognised in cost of sales.

Non-financial current liabilities are measured at amounts due.

3.5.14 PROVISIONS

Provisions are created when the Group has a present obligation (legal or constructive) arising out of past events, and when it is likely that the fulfilment of this obligation will result in an outflow of economic benefits, and that the amount of the obligation can be reliably measured. If the Group expects that the costs covered by the provision will be refunded, for example based on an insurance policy, then the refund is recognised as a separate asset, but only if it is virtually certain that the refund will be received. The costs relating to a given provision are presented in the income statement net of any refunds. If the time value of money is material, the carrying amount of the provision is determined by discounting the forecasted future cash flows to their present values using a pre-tax discount rate reflecting the current market assessments of the time value of money and any risks associated with the given obligation. Subsequent increases of the provision due to unwinding of discount are presented as interest expense.

3.5.15 EMPLOYEE BENEFITS

PENSION OBLIGATIONS

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

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

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

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

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

TERMINATION BENEFITS

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

- when the Group can no longer withdraw the offer of those benefits; and
- when the Group recognises costs for a restructuring that is within the scope of IAS 37 and the restructuring involves the payment of termination benefits.

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

3.5.16 REVENUE

Revenue is recognised at the amount of the economic benefits the Group is likely to obtain from a given transaction, and when the amount of revenue can be measured reliably. Revenue is measured excluding value added tax (VAT), excise tax and rebates (discounts, bonuses and other price reductions).

The amount of revenue is measured at the fair value of the consideration received or receivable. Revenue is stated at net present value when the effect of the time value of money is material (in case of payment after 360 days). If revenue is measured at discounted amount, the discount is recognised using the effective interest method as an increase in receivables, and as financial income in profit or loss.

Foreign exchange rate differences resulting from the realisation or the remeasurement of trade receivables are recognised in profit or loss.

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

SALE OF GOODS AND PRODUCTS

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

PROVISION OF SERVICES

Revenue from the provision of services is recognised when the service was performed with reference to the percentage of completion of the service obligation.

INTEREST

Interest income is recognised gradually using the effective interest method.

3.5.17 GOVERNMENT SUBSIDIES

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

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

The Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. The Group accounts for such allowances as tax credits, reducing the income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits.

3.5.18 INCOME TAX

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted as at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by tax authorities.

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

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

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

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

3.5.19 EARNINGS PER SHARE

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

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

3.6. SIGNIFICANT ESTIMATES

Since some of the information contained in the consolidated financial statements cannot be measured precisely, the Group´s management must perform estimates to prepare the consolidated financial statements. Management verifies the estimates based on changes in the factors taken into account at their calculation, new information or past experiences. For this reason, the estimates made as at 31 December 2017 may be changed in the future. The main estimates pertain to the following matters:

Estimates	Type of information	Section
Impairment of goodwill and individual tangible and intangible assets	Key assumptions used to determine the recoverable amount: Impairment indicators, used models, discount rates, growth rates.	4.9, 4.10
Impairment of investment in associates	Key assumptions used to determine the recoverable amount: Impairment indicators, used models, discount rates, growth rates.	4.11
Useful life of trade marks	The history of the trade mark on the market, market position, useful life of similar products, the stability of the market segment, competition.	3.5.4
Income tax	Assumptions used to recognise deferred income tax assets.	4.7

3.7. NEW ACCOUNTING POLICY

In 2017, the Group has not adopted any new accounting policy.

3.8. RESTATEMENTS AND CORRECTION OF ERRORS

In 2004 and 2006, Radenska concluded a contract for the sale and storage of state material reserves – 1 800 004 litres of bottled water as a national reserve. The inventory remained in the Radenska balance sheet, because Radenska bears all the risks associated with the holding, the risks will be transferred to the Office for material reserves at the moment of the delivery.

In 2004 and 2006, Radenska recorded the transaction in Cash and Revenue, therefore, costs and benefits of this transaction were not reported in the same period.

In 2016, the error was corrected by adjusting the comparative financial statements, i.e. Retained earnings and Current liabilities, in amount of CZK 10 781 thousand (EUR 399 thousand).

3.9. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors approved the present consolidated financial statements for publication on 23 March 2018.

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.1. SEGMENT INFORMATION

The Board of Directors of Kofola ČeskoSlovensko a.s. is the chief operating decision maker ("CODM") responsible for operational decision-making and uses segment results to decide on the allocation of resources to the segments and to assess segments' performance. The Board of Directors examine the group´s performance from a product and geographic perspective and has identified the following reportable business segments:

Geographic segments

- Czech Republic
- Slovakia
- Poland
- Slovenia
- Other

Furthermore, CODM monitors revenue, but not a profit measure, from the following product lines:

- Carbonated beverages
- Non-carbonated beverages (incl. UGO fresh bottles)
- Waters
- Syrups
- Other (e.g. UGO fresh bars, energy drinks, isotonic drinks, transportation and other services)

The Group applies the same accounting methods to all segments. These policies are also in line with the accounting methods used in the preparation of these consolidated financial statements. Transactions between segments are eliminated in the consolidation process.

The segment Other represents an aggregation of few other countries mainly in Europe with similar economic characteristics.

The Group did not identify any customer in the year ended 31 December 2017 that generated more than 10 % of the Group's consolidated revenue (Group's revenue from significant customer in 2016: CZK 1 000 026 thousand).

GEOGRAPHIC SEGMENTS

1.1.2017 – 31.12.2017	Czech Republic	Slovakia	Poland	Slovenia	Other	Subtotal	Consolidation adjustments	Russia	Total
	CZK´000	CZK ´000	CZK ´000	CZK ´000	CZK ´000	CZK ´000	CZK´000	CZK ´000	CZK ´000
Revenue	**3 138 124**	**1 985 276**	**1 323 672**	**788 629**	**545 416**	**7 781 117**	**(817 839)**	**-**	**6 963 278**
External revenue	2 899 306	1 629 287	1 248 838	735 107	450 740	6 963 278	-	-	6 963 278
Inter-segment revenue	238 818	355 989	74 834	53 522	94 676	817 839	(817 839)	-	-
Operating expenses	**(3 031 761)**	**(1 749 184)**	**(1 472 592)**	**(654 415)**	**(581 443)**	**(7 489 395)**	**817 839**	**-**	**(6 671 556)**
Related to external revenue	(2 792 943)	(1 393 195)	(1 285 372)	(600 893)	(486 767)	(6 559 170)	-	-	(6 559 170)
Related to inter-segment revenue	(238 818)	(355 989)	(74 834)	(53 522)	(94 676)	(817 839)	817 839	-	-
Impairment	-	-	(112 386)	-	-	(112 386)	-	-	(112 386)
Operating result	**106 363**	**236 092**	**(148 920)**	**134 214**	**(36 027)**	**291 722**	**-**	**-**	**291 722**
Finance income / (costs), net	218 262	(8 369)	(15 581)	40 543	(1 052)	233 803	(270 487)	-	(36 684)
- within segment	(61 431)	(7 715)	(7 972)	41 468	(1 034)	(36 684)	-	-	(36 684)
- between segments	279 693	(654)	(7 609)	(925)	(18)	270 487	(270 487)	-	-
Share of profit of associate	-	-	-	-		-	-	11 846	11 846
Profit/(loss) before income tax	**324 625**	**227 723**	**(164 501)**	**174 757**	**(37 079)**	**525 525**	**(270 487)**	**11 846**	**266 884**
Income tax expense	(34 092)	(52 686)	1 435	(24 803)	(900)	(111 046)	(3 643)	-	(114 689)
Profit/(loss) for the period	**290 533**	**175 037**	**(163 066)**	**149 954**	**(37 979)**	**414 479**	**(274 130)**	**11 846**	**152 195**
EBITDA	**371 050**	**350 291**	**(58 303)**	**198 907**	**(4 995)**	**856 950**	**-**	**-**	**856 950**
One-offs (4.25)	18 936	-	80 652	(6 363)	-	93 225	-	-	93 225
Adjusted EBITDA (4.25)	**389 986**	**350 291**	**22 349**	**192 544**	**(4 995)**	**950 175**	**-**	**-**	**950 175**
Assets and liabilities									
Segment assets	5 862 194	1 180 339	1 502 109	1 254 871	319 019	10 118 532	(3 609 924)	70 260	6 578 868
Total assets	**5 862 194**	**1 180 339**	**1 502 109**	**1 254 871**	**319 019**	**10 118 532**	**(3 609 924)**	**70 260**	**6 578 868**
Segment liabilities	3 369 887	779 423	688 102	431 370	202 841	5 471 623	(866 741)	-	4 604 882
Equity									1 973 986
Total liabilities and equity									**6 578 868**
Other segment information									
Additions to PPE and Intangible assets	246 818	31 017	53 921	103 846	33 188	468 790	-	-	468 790
Depreciation and amortisation	264 687	114 199	90 617	64 693	31 032	565 228	-	-	565 228
Other Impairment losses	6 593	290	117 199	1 869	1 076	127 027	-	-	127 027
Other Impairment losses reversals	(6 110)	(17 115)	(89 698)	(211)	(25)	(113 159)	-	-	(113 159)

1.1.2016 – 31.12.2016	Czech Republic	Slovakia	Poland	Slovenia	Other	Subtotal	Consolidation adjustments	Russia	Total
	CZK´000	CZK ´000	CZK ´000	CZK ´000	CZK ´000	CZK ´000	CZK´000	CZK ´000	CZK ´000
Revenue	**3 076 819**	**1 911 642**	**1 792 943**	**722 692**	**209 517**	**7 713 613**	**(714 653)**	**-**	**6 998 960**
External revenue	2 807 961	1 581 430	1 736 417	673 230	199 922	6 998 960	-	-	6 998 960
Inter-segment revenue	268 858	330 212	56 526	49 462	9 595	714 653	(714 653)	-	-
Operating expenses	**(2 971 186)**	**(1 649 885)**	**(1 841 618)**	**(648 018)**	**(339 009)**	**(7 449 716)**	**714 653**	**-**	**(6 735 063)**
Related to external revenue	(2 702 328)	(1 319 673)	(1 714 724)	(598 556)	(202 945)	(6 538 226)	-	-	(6 538 226)
Related to inter-segment revenue	(268 858)	(330 212)	(56 526)	(49 462)	(9 595)	(714 653)	714 653	-	-
Impairment	-	-	(70 368)	-	(126 469)*	(196 837)	-		(196 837)
Operating result	**105 633**	**261 757**	**(48 675)**	**74 674**	**(129 492)**	**263 897**	**-**	**-**	**263 897**
Finance income / (costs), net	403 086	(7 177)	(15 594)	2 000	(23)	382 292	(474 874)	-	(92 582)
- within segment	(77 330)	(7 123)	(10 106)	2 000	(23)	(92 582)	-	-	(92 582)
- between segments	480 416	(54)	(5 488)	-	-	474 874	(474 874)	-	-
Share of (loss) of associate	-	-	-	-	-	-	-	(915)	(915)
Profit/(loss) before income tax	**508 719**	**254 580**	**(64 269)**	**76 674**	**(129 515)**	**646 189**	**(474 874)**	**(915)**	**170 400**
Income tax expense	(55 079)	(62 338)	30 500	(189)	(54)	(87 160)	160	-	(87 000)
Profit/(loss) for the period	**453 640**	**192 242**	**(33 769)**	**76 485**	**(129 569)**	**559 029**	**(474 714)**	**(915)**	**83 400**
EBITDA	**348 557**	**388 169**	**38 915**	**140 743**	**(129 484)**	**786 900**	**-**	**-**	**786 900**
One-offs (4.25)	48 831	-	94 339	7 821	126 469*	277 460	-	-	277 460
Adjusted EBITDA (4.25)	**397 388**	**388 169**	**133 254**	**148 564**	**(3 015)**	**1 064 360**	**-**	**-**	**1 064 360**
Assets and liabilities									
Segment assets	6 299 006	1 354 520	1 597 263	2 240 255	9 686	11 500 730	(3 548 629)	67 782	8 019 883
Total assets	**6 299 006**	**1 354 520**	**1 597 263**	**2 240 255**	**9 686**	**11 500 730**	**(3 548 629)**	**67 782**	**8 019 883**
Segment liabilities (Restated)	3 785 159	914 559	681 858	377 715	9 006	5 768 297	(487 882)	-	5 280 415
Equity (Restated)									2 739 468
Total liabilities and equity									**8 019 883**
** connected with a Russian associate*									
Other segment information									
Additions to PPE and Intangible assets	313 789	62 298	63 716	80 910	7 244	527 957	-	-	527 957
Depreciation and amortisation	242 924	126 412	87 590	66 069	8	523 003	-	-	523 003
Other Impairment losses	4 553	1 027	22 391	81	-	28 052	-	-	28 052
Other Impairment losses reversals	(7 764)	(9 489)	(14 900)	(3 190)	-	(35 343)	-	-	(35 343)

PRODUCT LINES

1.1.2017 - 31.12.2017	Carbonated beverages	Non-carbonated beverages	Waters	Syrups	Other	Total
	CZK´000	CZK ´000	CZK ´000	CZK ´000	CZK ´000	CZK ´000
Revenue	2 946 263	619 508	2 067 777	671 305	658 425	6 963 278

1.1.2016 - 31.12.2016	Carbonated beverages	Non-carbonated beverages	Waters	Syrups	Other	Total
	CZK´000	CZK ´000	CZK ´000	CZK ´000	CZK ´000	CZK ´000
Revenue	3 274 473	544 145	1 873 846	725 663	580 833	6 998 960

SEASONAL AND CYCLICAL NATURE OF THE OPERATIONS

SEASONALITY

Seasonality is associated with periodic deviations in demand and supply, of certain significance in the shaping of the Kofola Group´s general sales trends. Beverage sales peak appears in the 2nd and 3rd quarter of the year. This is caused by increased drink consumption in the spring and summer months. In the year ended 31 December 2017, about 19% (21 % in 2016) of revenue from the sales of finished products and services was earned in the 1st quarter, with 29% (29 % in 2016), 29% (28% in 2016) and 23% (22% in 2016) of the annual consolidated revenues earned in the 2nd, 3rd and 4th quarters, respectively.

CYCLICAL NATURE

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

4.2. EXPENSES BY NATURE

Expenses by nature	2017 CZK´000	2016 CZK´000
Depreciation of Property, plant and equipment and amortisation of Intangible assets	565 228	523 003
Employee benefits expenses (i)	1 197 846	1 146 786
Consumption of materials and energy	3 026 975	3 108 138
Cost of goods and materials sold	485 679	418 133
Services	1 126 880	1 175 605
Rental costs	122 809	118 253
Taxes and fees	76 303	49 986
Insurance costs	14 892	16 108
Change in allowance to inventory	1 088	(5 148)
Change in allowance to receivables	(17 685)	(2 305)
Other cost/(income)	32 932	37 549
Total expenses by nature*	**6 632 947**	**6 586 108**
Change in finished products and work in progress	(8 356)	(19 658)
Reconciliation of expenses by nature to expenses by function	**6 624 591**	**6 566 450**
Selling, marketing and distribution costs	2 094 727	1 910 997
Administrative costs	395 783	444 957
Costs of products and services sold	3 648 402	3 792 363
Cost of goods and materials sold	485 679	418 133
Total costs of products sold, merchandise and materials, sales costs and administrative costs	**6 624 591**	**6 566 450**

* excluding Other operating income, Other operating expenses and Impairment

(i) Employee benefits expenses

Employee benefits expenses	2017 CZK´000	2016 CZK´000
Salaries	901 853	866 866
Social security and other benefit costs	159 335	151 689
Pension benefit plan expenses	136 658	128 231
Total employee benefits expenses	**1 197 846**	**1 146 786**

4.3. OTHER OPERATING INCOME

Other operating income	2017 CZK´000	2016 CZK´000
Net gain from the sale of PPE and intangible assets	55 326	1 211
Reinvoiced payments	2 170	6 959
Received subsidies	334	-
Received donation	-	378
Compensation claims	1 729	23 303
Write-off liabilities	701	-
Received penalties and compensation for damages	44 750	14 518
Tax return	240	230
Release of provision	9 406	28 063
Other	12 879	9 829
Total other operating income	**127 535**	**84 491**

4.4. OTHER OPERATING EXPENSES

Other operating expenses	2017 CZK´000	2016 CZK´000
Net loss from disposal of PPE and intangible assets	-	231
Loss from liquidation of tangible and intangible assets	215	-
Provided donations, sponsorship	8 383	9 166
Paid penalties and damages	446	1 298
Return of subsidies	6	-
Other tax expense	79	58
Creation of provisions	164	310
Plant closure in Poland (see A 4.1)	47 670	33 469
Creation of allowances to receivables related to compensation claims	215	11 126
Other	4 928	609
Total other operating expenses	**62 114**	**56 267**

4.5. FINANCE INCOME

Finance income	2017 CZK´000	2016 CZK´000
Interest from:		
– bank deposits	707	2 796
– credits and loans granted	14	150
Exchange gains	49 720	1 513
Gain from revaluation of derivatives	20 275	5 118
Other	991	2 752
Total finance income	**71 707**	**12 329**

4.6. FINANCE COSTS

Finance costs	2017 CZK´000	2016 CZK´000
Interest from:		
– bank loans and credits, finance lease and bonds	75 146	78 438
Exchange losses	15 550	6 552
Loss from the sale of shares and other securities	-	10
Bank costs and charges	16 354	11 200
Loss from revaluation of derivatives	953	7 863
Other	388	848
Total finance costs	**108 391**	**104 911**

4.7. INCOME TAX

4.7.1 INCOME TAX RECOGNISED IN PROFIT OR LOSS

Main income tax elements for the twelve-month period ended 31 December 2017 and 31 December 2016 were as follows:

Income tax expense	2017 CZK´000	2016 CZK´000
Current income tax	**78 912**	**88 556**
Current income tax on profits for the year	78 915	88 599
Adjustments for current income tax of prior periods	(3)	(43)
Deferred income tax	**35 777**	**(1 556)**
Related to arising and reversing of temporary differences	1 183	(22 236)
Related to tax losses	34 594	20 680
Income tax expense	**114 689**	**87 000**

The income tax rate applicable to the majority of the Group’s 2017 and 2016 income is 19 %.

4.7.2 EFFECTIVE TAX RECONCILIATION

Effective tax	2017 CZK´000	2016 CZK´000
Profit before income tax	**266 884**	**170 400**
Tax at the rate of 19% valid in the Czech Republic	(50 708)	(32 376)
Tax effect of:		
Share of profit/(loss) of associate	2 251	(174)
Non-deductible expenses	(23 817)	(42 076)
Non-recognition of deferred tax assets	(24 321)	(24 713)
Investment incentives	(3 214)	(20 985)
Non-taxable income	1 703	(806)
Current tax of prior periods	208	(702)
Deferred tax adjustments relating to prior periods	14 189	76 153
Tax effect on tax losses	(25 798)	(53 882)
Difference in tax rates of subsidiaries operating in other jurisdictions	(5 317)	(5 651)
Change in tax status as a result of merger	-	18 212
Other	135	-
Income tax expense	**(114 689)**	**(87 000)**
Effective tax rate (%)	**42.97%**	**51.06%**

4.7.3 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities			31.12.2017
	Deferred tax assets CZK´000	Deferred tax liabilities CZK´000	Net amount CZK´000
Temporary differences attributable to:			
Property, plant and equipment and Intangible assets	3 466	(241 335)	(237 869)
Inventories	4 692	-	4 692
Receivables	5 191	-	5 191
Tax losses	108 658	-	108 658
Trade and other liabilities and provisions	37 893	-	37 893
Other	5 789	(19 637)	(13 848)
Deferred tax assets / (liabilities)	**165 689**	**(260 972)**	**(95 283)**
Presentation offsetting	(84 157)	84 157	-
Non-current deferred tax assets / (liabilities)	**79 864**	**(176 815)**	**(96 951)**
Current deferred tax assets / (liabilities)	**1 668**	**-**	**1 668**

Deferred tax assets and liabilities			31.12.2016
	Deferred tax assets CZK´000	Deferred tax liabilities CZK´000	Net amount CZK´000
Temporary differences attributable to:			
Property, plant and equipment and Intangible assets	4 186	(277 386)	(273 200)
Inventories	4 497	-	4 497
Receivables	9 750	-	9 750
Tax losses	148 054	-	148 054
Trade and other liabilities and provisions	45 546	-	45 546
Investment incentives	20 519	-	20 519
Other	3 355	(19 785)	(16 430)
Deferred tax assets / (liabilities)	**235 907**	**(297 171)**	**(61 264)**
Presentation offsetting	(134 426)	134 426	-
Non-current deferred tax assets / (liabilities)	**100 860**	**(162 745)**	**(61 885)**
Current deferred tax assets / (liabilities)	**621**	**-**	**621**

4.8. EARNINGS PER SHARE

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

	2017 CZK´000	2016 CZK´000
Profit for the period attributable to owners of Kofola ČeskoSlovensko a.s.	**158 775**	**86 373**

	2017 Pcs	2016 pcs
Weighted average number of ordinary shares for EPS calculation	22 295 000	22 295 000
Effect of own shares	(2 708)	(2 341)
Weighted average number of ordinary shares used to calculate basic earnings per share	**22 292 292**	**22 292 659**
Dilution adjustments	-	-
Adjusted weighted average number of ordinary shares used to calculate diluted earnings per share	**22 292 292**	**22 292 659**

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

Basic earnings per share (CZK/share)	2017 CZK´000	2016 CZK´000
Profit for the period attributable to owners of Kofola ČeskoSlovensko a.s.	158 775	86 373
Weighted average number of ordinary shares used to calculate basic earnings per share (pcs)	22 292 292	22 292 659
Basic earnings per share attributable to owners of Kofola ČeskoSlovensko a.s. (CZK)	**7.12**	**3.87**

Diluted earnings per share (CZK/share)	2017 CZK´000	2016 CZK´000
Profit for the period attributable to owners of Kofola ČeskoSlovensko a.s.	158 775	86 373
Adjusted weighted average number of ordinary shares used to calculate diluted earnings per share (pcs)	22 292 292	22 292 659
Diluted earnings per share attributable to owners of Kofola ČeskoSlovensko a.s. (CZK)	**7.12**	**3.87**

4.9. PROPERTY, PLANT AND EQUIPMENT

The additions to Property, plant and equipment were of CZK 427 349 thousand in 2017.

The investment projects realised by the Group in 2017 comprise primarily additions to a production line in Slovenia, assets from Titbit, acquisitions of Premium Rosa and sales support equipment in CzechoSlovakia.

The investment projects realised by the Group in 2016 comprise primarily addition of a building in the production area in Poland, sales support equipment in the Czech Republic, Property in the new acquired subsidiary in Studenac and new vehicles in SANTA-TRANS s.r.o.

1.1.2017 - 31.12.2017

Movements in Property, plant and equipment (PPE)	Land CZK´000	Buildings and constructions CZK´000	Plant and equipment CZK´000	Vehicles CZK´000	Other fixed assets CZK´000	Fixed assets under construction CZK´000	Total CZK´000
Cost - opening	**243 353**	**2 438 781**	**4 654 793**	**457 326**	**1 066 255**	**97 346**	**8 957 854**
Acquisition of subsidiary	1 655	14 870	4 668	12	880	632	**22 717**
Additions	1 099	24 962	223 861	4 179	80 911	69 676	**404 688**
Transfers from Fixed assets under construction	-	23 995	34 902	-	5 849	(64 746)	**-**
Finance lease additions	-	-	750	15 816	-	-	**16 566**
Other increases	-	-	201	-	65 878	-	**66 079**
Sale	-	(247)	(199 977)	(6 866)	(18 868)	-	**(225 958)**
Disposal	-	-	(139 370)	(11 915)	(46 178)	(129)	**(197 592)**
Other decreases	342	3 212	(3 210)	(6 340)	(7 583)	-	**(13 579)**
Exchange difference	(9 445)	(28 848)	(124 512)	(2 318)	(27 029)	(1 631)	**(193 783)**
Cost - closing	**237 004**	**2 476 725**	**4 452 106**	**449 894**	**1 120 115**	**101 148**	**8 836 992**
Accumulated depreciation - opening	**(1 444)**	**(571 804)**	**(3 572 894)**	**(279 160)**	**(756 187)**	**-**	**(5 181 489)**
Acquisition of subsidiary	-	(1 723)	(2 238)	(12)	(583)	-	**(4 556)**
Depreciation charge	(87)	(71 493)	(280 834)	(60 526)	(104 198)	-	**(517 138)**
Sale	-	86	175 902	5 885	18 505	-	**200 378**
Disposal	-	-	137 673	8 897	44 274	-	**190 844**
Other movements	-	(27 410)	1 991	5 032	(39 714)	-	**(60 101)**
Exchange difference	4	14 970	104 136	1 191	21 136	-	**141 437**
Accumulated depreciation - closing	**(1 527)**	**(657 374)**	**(3 436 264)**	**(318 693)**	**(816 767)**	**-**	**(5 230 625)**
Impairment allowance - opening	**-**	**(204 323)**	**(17 564)**	**-**	**(139)**	**-**	**(222 026)**
Disposal	-	-	-	-	132	-	**132**
Exchange difference	2	378	32	-	7	-	**419**
Impairment allowance - closing	**2**	**(203 945)**	**(17 532)**	**-**	**-**	**-**	**(221 475)**
Net book value – opening	**241 909**	**1 662 654**	**1 064 335**	**178 166**	**309 929**	**97 346**	**3 554 339**
Net book value - closing	**235 479**	**1 615 406**	**998 310**	**131 201**	**303 348**	**101 148**	**3 384 892**
Of which:							
Assets classified as held for sale							-
Property, plant and equipment							*3 384 892*

1.1.2017 - 31.12.2017

Movements in Assets classified as held for sale (AHS)	Land CZK´000	Buildings and constructions CZK´000	Plant and equipment CZK´000	Vehicles CZK´000	Other fixed assets CZK´000	Fixed assets under construction CZK´000	Total CZK´000
Cost - opening	**11 527**	**308 307**	**191 285**	**-**	**29**	**-**	**511 148**
Sale	-	(3 417)	(70 460)	-	-	-	**(73 877)**
Reclassification to PPE	(11 640)	(307 728)	(122 667)	-	(25)	-	**(442 060)**
Exchange difference	113	2 838	1 842	-	(4)		**4 789**
Cost - closing	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Accumulated depreciation - opening	**(1 444)**	**(78 159)**	**(178 931)**	**-**	**(30)**	**-**	**(258 564)**
Sale	-	-	68 604	-	-	-	**68 604**
Reclassification to PPE	1 460	78 914	112 054	-	25	-	**192 453**
Exchange difference	(16)	(755)	(1 727)	-	5		**(2 493)**
Accumulated depreciation - closing	-	-	-	-	-	-	-
Impairment allowance - opening	**-**	**(134 772)**	**(6 097)**	**-**	**-**	**-**	**(140 869)**
Reclassification to PPE	-	136 070	6 154	-	-	-	**142 224**
Exchange difference	-	(1 298)	(57)	-	-		**(1 355)**
Impairment allowance - closing	-	-	-	-	-	-	-
Net book value – opening	**10 083**	**95 376**	**6 257**	**-**	**(1)**	**-**	**111 715**
Net book value - closing	**-**	**-**	**-**	**-**	**-**	**-**	**-**

In 2017, assets from closed production plant in Bielsk were reclassified to PPE (the planned sale has not been finalized whithin a year).

1.1.2016 - 31.12.2016

Movements in Property, plant and equipment	Land CZK´000	Buildings and constructions CZK´000	Plant and equipment CZK´000	Vehicles CZK´000	Other fixed assets CZK´000	Fixed assets under construction CZK´000	Total CZK´000
Cost - opening	**238 096**	**2 254 544**	**4 520 135**	**428 327**	**1 009 072**	**130 174**	**8 580 348**
Acquisition of subsidiary	6 536	77 074	74 953	-	11 596	-	**170 159**
Additions	1 083	50 110	169 384	52 209	83 875	89 348	**446 009**
Transfers from Fixed assets under construction	-	98 075	17 002	-	4 904	(119 981)	**-**
Finance lease additions	-	-	-	35 497	-	-	**35 497**
Other increases	-	-	221	-	180	-	**401**
Sale	(54)	(1 047)	(42 128)	(22 260)	(26 727)	-	**(92 216)**
Disposal	-	-	(51 855)	(19 313)	(20 044)	-	**(91 212)**
Reclassification	-	(9 438)	128	-	9 310	-	**-**
Other decreases	(657)	-	(1 920)	(14 620)	(341)	-	**(17 538)**
Exchange difference	(1 651)	(30 537)	(31 127)	(2 514)	(5 570)	(2 195)	**(73 594)**
Cost - closing	**243 353**	**2 438 781**	**4 654 793**	**457 326**	**1 066 255**	**97 346**	**8 957 854**
Accumulated depreciation - opening	**(1 433)**	**(518 211)**	**(3 427 212)**	**(261 685)**	**(700 673)**	**-**	**(4 909 214)**
Acquisition of subsidiary	-	(689)	(3 266)	-	(3 345)	-	**(7 300)**
Depreciation charge	(58)	(62 829)	(257 009)	(57 698)	(98 425)	-	**(476 019)**
Sale	-	675	40 143	18 426	23 419	-	**82 663**
Disposal	-	-	51 806	15 704	19 972	-	**87 482**
Other movements	-	1 744	295	5 068	(1 521)	-	**5 586**
Exchange difference	47	7 506	22 349	1 025	4 386	-	**35 313**
Accumulated depreciation - closing	**(1 444)**	**(571 804)**	**(3 572 894)**	**(279 160)**	**(756 187)**	**-**	**(5 181 489)**
Impairment allowance - opening	**(657)**	**(139 480)**	**(18 465)**	**-**	**(33)**	**-**	**(158 635)**
Impairment loss	-	(70 368)	-	-	(144)	-	**(70 512)**
Disposal	-	-	30	-	32	-	**62**
Other movements	657	-	-	-	-	-	**657**
Exchange difference	-	5 525	871	-	6	-	**6 402**
Impairment allowance - closing	**-**	**(204 323)**	**(17 564)**	**-**	**(139)**	**-**	**(222 026)**
Net book value – opening	**236 006**	**1 596 853**	**1 074 458**	**166 642**	**308 366**	**130 174**	**3 512 499**
Net book value - closing	**241 909**	**1 662 654**	**1 064 335**	**178 166**	**309 929**	**97 346**	**3 554 339**
Of which:							
Assets classified as held for sale							*111 715*
Property, plant and equipment							*3 442 624*

1.1.2016 - 31.12.2016

Movements in Assets classified as held for sale (AHS)	Land	Buildings and constructions	Plant and equipment	Vehicles	Other fixed assets	Fixed assets under construction	Total
	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000
Cost - opening	**-**	**3 506**	**-**	**-**	**-**	**-**	**3 506**
Reclassification to AHS	11 662	308 373	193 533	-	29	-	513 597
Exchange difference	(135)	(3 572)	(2 248)	-	-	-	(5 955)
Cost - closing	**11 527**	**308 307**	**191 285**	**-**	**29**	**-**	**511 148**
Accumulated depreciation - opening	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Reclassification to AHS	(1 461)	(79 077)	(181 034)	-	(30)	-	(261 602)
Exchange difference	17	918	2 103	-	-	-	3 038
Accumulated depreciation - closing	**(1 444)**	**(78 159)**	**(178 931)**	**-**	**(30)**	**-**	**(258 564)**
Impairment allowance - opening	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Reclassification to AHS	-	(136 356)	(6 168)	-	-	-	(142 524)
Exchange difference	-	1 584	71	-	-	-	1 655
Impairment allowance - closing	**-**	**(134 772)**	**(6 097)**	**-**	**-**	**-**	**(140 869)**
Net book value – opening	**-**	**3 506**	**-**	**-**	**-**	**-**	**3 506**
Net book value - closing	**10 083**	**95 376**	**6 257**	**-**	**(1)**	**-**	**111 715**

In 2016, assets classified as held for sale mainly represented assets from closed production plant in Bielsk (Poland).

4.9.1 IMPAIRMENT TESTING

In 2017, no additional impairment was allocated to the Property, plant and equipment. An Impairment test was performed in the Polish operation with the recoverable amount of the cash generating unit (calculated as fair value less cost to sell) above the carrying value. We performed sensitivity analysis, the break-even level for the indication of an impairment would be the increase of annual WACC by 0.3 p.p. or decrease of average EBITDA margin by 0.28 p.p.

In the Polish operation, in 2016, the recoverable amount of the cash generating unit calculated as fair value less cost to sell was below the carrying value by CZK 70 368 thousand. The impairment was allocated to the Property, plant and equipment (Buildings and constructions). The impairment could hypothetically be reversed by the decrease of annual WACC by 0.5 p.p. or increase of average EBITDA margin by 0.53 p.p.

The assumptions of the impairment test model were as follows:

- WACC: 9.7 % (2016: 10.0 %)
- Infinite growth rate: 2.0 % (2016: 2.0 %)

4.10. INTANGIBLE ASSETS

Movements in Intangible assets (IA) 2017	Goodwill	Patents, licenses	Software	Trademarks and other rights	IA under development	Total
	CZK´000	CZK ´000	CZK ´000	CZK ´000	CZK ´000	CZK ´000
Cost – opening	**86 302**	**23 242**	**228 164**	**1 565 551**	**16 504**	**1 919 763**
Acquisition of subsidiary	-	112	3 290	57 849	-	**61 251**
Additions	-	103	7 645	34 162	5 626	**47 536**
Transfer from IA under development	-	-	1 439	13 513	(14 952)	**-**
Disposal	-	-	(15 428)	-	-	**(15 428)**
Exchange difference	-	(448)	(5 337)	(21 789)	1 269	**(26 305)**
Cost – closing	**86 302**	**23 009**	**219 773**	**1 649 286**	**8 447**	**1 986 817**
Accumulated amortisation – opening	**-**	**(22 295)**	**(193 817)**	**(63 098)**	**-**	**(279 210)**
Acquisition of subsidiary	-	(105)	(1 537)	(43)	-	**(1 685)**
Amortisation charge	-	(165)	(21 004)	(26 921)	-	**(48 090)**
Disposal	-	-	15 428	-	-	**15 428**
Exchange difference	-	402	3 579	-	-	**3 981**
Accumulated amortisation - closing	**-**	**(22 163)**	**(197 351)**	**(90 062)**	**-**	**(309 576)**
Impairment allowance – opening	**-**	**-**	**-**	**(390 159)**	**-**	**(390 159)**
Impairment loss	-	-	-	(112 386)	-	**(112 386)**
Exchange difference	-	-	-	1 796	-	**1 796**
Impairment allowance – closing	**-**	**-**	**-**	**(500 749)**	**-**	**(500 749)**
Net book value – opening	**86 302**	**947**	**34 347**	**1 112 294**	**16 504**	**1 250 394**
Net book value - closing	**86 302**	**846**	**22 422**	**1 058 475**	**8 447**	**1 176 492**
Of which:						
Goodwill						**86 302**
Intangible assets						**1 090 190**

The Goodwill consists of the goodwill from acquisition of PINELLI spol. s r.o. acquired in April 2011 and goodwill from acquisition of production part of Klimo s.r.o. by Kofola a.s. (Czech Republic) in 2006.

Amortisation of trademarks and other rights is charged to Selling, marketing and distribution costs.

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

In the reporting period ended 31 December 2017, the additions to intangible assets were of CZK 107 999 thousand. The most significant additions were connected with acquisition of Premium Rosa and Titbit.

Movements in Intangible assets (IA) 2016	Goodwill	Patents, licenses	Software	Trademarks and other rights	IA under development	Total
	CZK´000	CZK ´000	CZK ´000	CZK ´000	CZK ´000	CZK ´000
Cost – opening	**86 302**	**23 847**	**219 249**	**1 572 371**	**692**	**1 902 461**
Acquisition of subsidiary	-	-	316	-	-	316
Additions	-	-	11 449	19 003	15 999	46 451
Disposal	-	(54)	(1 288)	-	-	(1 342)
Reclassification	-	-	187	-	(187)	-
Exchange difference	-	(551)	(1 749)	(25 823)	-	(28 123)
Cost – closing	**86 302**	**23 242**	**228 164**	**1 565 551**	**16 504**	**1 919 763**
Accumulated amortisation - opening	**-**	**(22 599)**	**(171 678)**	**(41 570)**	**-**	**(235 847)**
Acquisition of subsidiary	-	-	(14)	-	-	(14)
Amortisation charge	-	(297)	(25 160)	(21 527)	-	(46 984)
Disposal	-	54	1 289	-	-	1 343
Exchange difference	-	547	1 746	(1)	-	2 292
Accumulated amortisation - closing	**-**	**(22 295)**	**(193 817)**	**(63 098)**	**-**	**(279 210)**
Impairment allowance – opening	**-**	**-**	**-**	**(403 788)**	**-**	**(403 788)**
Exchange difference	-	-	-	13 629	-	13 629
Impairment allowance – closing	**-**	**-**	**-**	**(390 159)**	**-**	**(390 159)**
Net book value – opening	**86 302**	**1 248**	**47 571**	**1 127 013**	**692**	**1 262 826**
Net book value - closing	**86 302**	**947**	**34 347**	**1 112 294**	**16 504**	**1 250 394**
Of which:						
Goodwill						**86 302**
Intangible assets						**1 164 092**

4.10.1 IMPAIRMENT TESTING

In impairment testing of trademarks and goodwill, management of the Group has decided to use fair value less cost to sell method. For the purpose of market valuation, the brand royalty's method was used. Value in use model has been utilised. Due to the fact that management is not aware of comparable market transactions, the calculation of fair value less cost to sell for both trademarks and goodwill is based on discounted free cash flows and estimated cash-flow projections based on financial plans approved by management of the Group for the period until 2022. Costs to sell were assumed as 2% of the fair value of the cash generating unit.

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

TRADEMARKS

THE MAIN TRADEMARKS WITH INDEFINITE USEFUL LIVE

2017	Kofola	Vinea	Hoop Cola	Paola	Radenska
Country of trademark	**Czech**	**Slovakia**	**Poland**	**Poland**	**Slovenia**
Royalty rate	6.00%	6.00%	5.00%	5.00%	6.00%
Infinite growth rate	2.00%	2.00%	2.00%	2.00%	2.00%
Discount rate pre-tax	9.1%	8.2%	10.7%	10.7%	8.3%

2016	Kofola	Vinea	Hoop Cola	Paola	Radenska
Country of trademark	**Czech**	**Slovakia**	**Poland**	**Poland**	**Slovenia**
Royalty rate	6.00%	6.00%	5.00%	5.00%	6.00%
Infinite growth rate	2.00%	2.00%	2.00%	2.00%	2.00%
Discount rate pre-tax	7.8%	8.2%	11.0%	11.0%	8.3%

CARRYING VALUE OF ALL TRADEMARKS PER COUNTRY

	Czech Republic	Slovakia	Poland	Slovenia	Total
	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000
2017	333 414	213 489	234 967	128 597	**910 467**
2016	350 431	225 860	346 744	136 049	**1 059 084**

As of 31 December 2017, an impairment of CZK 85 316 thousand was allocated to Hoop Cola brand and an impairment of CZK 27 070 thousand was allocated to Paola brand as their fair values less cost of disposal exceeded their net realisable values. The key reason for the imapairment recognition was decreased estimate of future revenues allocated to above mentioned brands. The impairment of Paola brand could hypothetically be reversed by the decrease of annual WACC by 1.9 p.p. The impairment of Hoop Cola brand could hypothetically be reversed by the decrease of annual WACC by 2.95 p.p.

GOODWILL

The Goodwill arose on acquisition of Pinelli spol. s r.o. and Klimo s.r.o., both in the segment of the Czech Republic.

	2017 CZK´000 / %	2016 CZK´000 / %
Carrying value	86 302	86 302
Average EBITDA margin (Pinelli; Klimo);2017-2022 (resp. 2016-2021)	24.72%; 13.83%	21.07%; 14.59%
Infinite growth rate	2.00%	2.00%
Discount rate pre-tax	8.1%	6.9%

Main assumptions adopted by the Management are based on past experience and expectations as for the future market development. Interest rates used are in line with those used when preparing the Group's results assumptions. Discount rates are post-tax and include risk related to respective operating segments and trademarks.

The Group's management believes that the main assumptions used in impairment tests of cash generating units as at 31 December 2017 and 31 December 2016 are rational and based on the past experience, the Group's development strategy and on market forecasts. The Group's forecasts of future financial results are based on series of assumptions, where those relating to macroeconomic factors and actions taken by the competition, such as foreign exchange rates, prices of raw materials and interest rates are beyond the Group's control.

SENSITIVITY ANALYSIS

Management believes that, in relation to fair value less cost to sell for trademarks Kofola, Vinea, Ugo and cash generating units related to Klimo s.r.o. and Pinelli spol. s r.o., no reasonable change in the above-adopted assumptions would result in their recoverable amounts being lower than their carrying amounts.

4.11. INVESTMENT IN ASSOCIATE

4.11.1 OOO MEGAPACK

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

Investment in associate	2017 CZK´000	2016 CZK´000
Opening balance	**67 782**	**155 921**
Share of profit/(loss) attributable to the Group	11 845	(915)
Impairment	-	(126 469)
Exchange difference	(9 367)	39 245
Closing balance	**70 260**	**67 782**

Reconciliation of net assets to carrying amounts	2017 RUB´000	2016 RUB´000
As at 1 January	**553 913**	**558 913**
Profit/(loss) for the period	59 080	(5 000)
At the 31 December	**612 993**	**553 913**
Group´s share on net assets	306 497	276 957
Impairment	(301 066)	(301 066)
FV adjustment on recognition of associate*	185 494	185 494
Carrying amount in RUB ths.	**190 925**	**161 385**
FX rate as at 31 December	0.368	0.420
Carrying amount in CZK ths.	**70 260**	**67 782**

* Since the beginning of 2013, OOO Megapack is accounted for using the equity method. Upon the deconsolidation, the associate was initially measured at fair value determined by external valuation expert.

Statement of financial position	31.12.2017	31.12.2016
	CZK´000	CZK´000
Current assets	255 469	187 030
Non-current assets	135 688	167 568
Current liabilities	(150 335)	(103 365)
Non-current liabilities	(15 723)	(19 140)
Net assets	**225 099**	**232 093**

Statement of profit or loss	2017	2016
	CZK´000	CZK´000
Revenue	742 705	558 524
Profit/(Loss) for the period	23 690	(1 830)
Share of (loss) attributable to Kofola ČeskoSlovensko group	**11 845**	**(915)**

Statement of cash flows	2017	2016
	CZK´000	CZK´000
Cash flows from operating activities	77 924	(3 612)
Cash flows from investing activities	2 016	11 705
Cash flows from financial activities	(243)	(297)
Cash inflow / (outflow)	**79 697**	**7 796**

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

- WACC: 13.8% (2016: 14.57%)
- Infinite growth rate: 2.0% (2016: 2.0%)

The final projections are in the table below:

Megapack financial projections	2018	2019	2020	2021
	RUB´000 / %	RUB´000 / %	RUB´000 / %	RUB´000 / %
EBITDA	88 500	92 958	97 386	102 935
Inflation – Russian food industry	2.90%	2.90%	3.10%	3.00%
Real expected growth	(14.40%)	2.14%	2.15%	2.21%
Total growth	(11.50%)	5.04%	3.10%	5.21%

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

SENSITIVITY ANALYSIS OF THE IMPAIRMENT TEST AS AT 31 DECEMBER 2017

The impairment test based on above mentioned assumptions resulted in no additional impairment charge. We performed sensitivity analysis - WACC increased by 2 p.p., expected EBITDA growth by 90% lower, both did not lead to any impairment result. When calculated the sensitivity analysis, only 1 parameter is changed.

SENSITIVITY ANALYSIS OF THE IMPAIRMENT TEST AS AT 31 DECEMBER 2016

The impairment test based on above mentioned assumptions resulted in impairment charge of TCZK 126 469 thousand. If WACC was increased by 2 p.p., an impairment charge would increase to TCZK 135 321. If the expected EBITDA growth was by 10% lower, the impairment charge would increase to TCZK 130 435. When the sensitivity analysis was calculated, only 1 parameter was changed.

4.12. INVENTORIES

Inventories	31.12.2017 CZK´000	31.12.2016 CZK´000
Inventories not impaired	**494 218**	**485 307**
Material	218 685	249 964
Goods	56 626	54 604
Work in progress	4 242	4
Finished products	214 665	180 735
Impaired inventories	**13 265**	**12 066**
Material	9 885	8 284
Goods	1 660	981
Finished products	1 720	2 801
Provision for impairment of inventories	**(12 975)**	**(11 933)**
Inventories total	**494 508**	**485 440**

Provision for impairment of slow-moving inventories	2017 CZK´000	2016 CZK´000
As at 1 January	**11 933**	**17 370**
Acquired through business combination	-	50
Increase due to creation	8 359	7 290
Decrease due to usage/release	(7 271)	(12 438)
Exchange differences	(46)	(339)
As at 31 December	**12 975**	**11 933**

4.13. TRADE AND OTHER RECEIVABLES

Trade receivables and other receivables	31.12.2017		31.12.2016	
	Current CZK´000	Non-current CZK´000	Current CZK´000	Non-current CZK´000
Financial assets within Trade and other receivables				
Trade receivables	839 272	388	910 977	651
Provision for impairment of trade receivables	(53 219)	-	(73 493)	-
Other receivables	55 906	65 551	152 969	51 019
Provision for impairment of other receivables	(484)	(6 856)	(83 167)	(6 856)
Total	**841 475**	**59 083**	**907 286**	**44 814**
Non-financial assets within Trade and other receivables				
VAT receivable	24 939	-	28 645	-
Deferred expenses	73 315	4 156	63 752	1 629
Prepayments	49 276	7 464	64 360	4 484
Other	9 212	-	17 637	215
Provision for impairment of other non-financial receivables	(4 062)	-	-	-
Total	**152 680**	**11 620**	**174 394**	**6 328**
Trade and other receivables total	**994 155**	**70 703**	**1 081 680**	**51 142**

Provision for impairment of trade and other receivables	2017		2016	
	Trade receivables CZK´000	Other financial receivables CZK´000	Trade receivables CZK´000	Other financial receivables CZK´000
As at 1 January	**73 493**	**90 023**	**84 472**	**81 380**
Exchange differences	(2 252)	796	2 602	(2 634)
Acquisition of subsidiary	31	-	-	-
Increase due to creation	-	-	-	11 277
Decrease due to usage/release	(18 053)	(83 479)	(13 581)	-
As at 31 December	**53 219**	**7 340**	**73 493**	**90 023**

Further information on transactions with related parties are presented in section 4.23.

Trade receivables are not interest bearing and are usually payable within 30-60 days of recognition.

The risks associated with trade and other receivables, as well as the Group's policy relating to managing such risks, are described in section 4.24.

Information on liens established on receivables to secure credits and loans is presented in section 4.18.

4.14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents	31.12.2017	31.12.2016
	CZK´000	CZK´000
Cash in bank and in hand	289 273	1 420 944
Other	321	70
Total cash and cash equivalents	**289 594**	**1 421 014**

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

Split by currency	31.12.2017	31.12.2016
	CZK´000	CZK´000
in CZK	112 584	1 258 480
in EUR	88 234	93 278
in PLN	69 502	66 105
in USD	-	351
in HRK	18 457	2 800
other	817	-
Total cash and cash equivalents	**289 594**	**1 421 014**

4.15. EQUITY

4.15.1 SHARE CAPITAL, SHARE PREMIUM AND CAPITAL REORGANISATION RESERVE

SHARE CAPITAL STRUCTURE

Share capital structure	2017		2016	
Type of shares	Shares	Par value	Shares	Par value
	pcs	CZK´000	pcs	CZK´000
Ordinary shares of Kofola ČeskoSlovensko a.s.	22 295 000	2 229 500	22 295 000	2 229 500
Total	**22 295 000**	**2 229 500**	**22 295 000**	**2 229 500**

Ordinary shares of Kofola ČeskoSlovensko a.s. have a par value of CZK 100. Rights attached to the shares are described in A 7.1.3.

All of the issued shares have been fully paid up.

MOVEMENTS IN ORDINARY SHARES

Movements in ordinary shares	Number of shares	Par value	Share premium	Capital reorganisation reserve	Total
	thousands	CZK'000	CZK'000	CZK'000	CZK'000
As at 31 December 2016	**22 295**	**2 229 500**	**5 494 517**	**(7 457 386)**	**266 631**
As at 31 December 2017	**22 295**	**2 229 500**	**5 494 517**	**(7 457 386)**	**266 631**

4.15.2 OTHER RESERVES

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

4.15.3 FOREIGN CURRENCY TRANSLATION RESERVE

Foreign currency translation reserve comprises the exchange differences arising out of the currency translation of the financial statements of subsidiaries and associates with different functional currencies than is the presentation currency. This reserve is not distributed.

4.15.4 OWN SHARES

The Company owns 3 052 (2016: 1 956) of own shares (which represent 0.0002 % of the Company´s share capital, 2016: 0.0001%) in total value of CZK 1 357 thousand (2016: CZK 915 thousand).

RADENSKA d.o.o. owns 1 114 109 (2016: 0) shares of the Company (which represents 5.0 % of the Company´s share capital) in total value of CZK 490 208 thousand.

Purchases of own shares during the financial year 2017:

a) Shares of the value CZK 442 acquired by the Company represent purchase of 1 096 shares (which represents 0.0001 % of the Company´s share capital) traded on the Warsaw Stock Exchange before the Company´s delisting from WSE. The shares have nominal value of CZK 100.

b) RADENSKA d.o.o. purchased in a public tender offer 1 114 109 shares of the Company (which represents 5.0 % of the Company´s share capital) in the total value of CZK 490 208 thousand (CZK 440 per share). The shares have nominal value of CZK 100.

During the financial year 2016, the Company purchased 8 000 of own shares (accounting value CZK 3 743 thousand, nominal value CZK 100, representing 0.002 % of the Company´s share capital) and transferred 6 044 of own shares (accounting value CZK 2 828 thousand, nominal value CZK 100, representing 0.001 % of the Company´s share capital) leading to closing balance of 1 956 shares in accounting value of CZK 915 thousand. The shares were purchased at PSE for the winners of the “Zlaté prasátko” competition and employees of the Group.

The shares are intended for the management incentive programme.

4.15.5 RETAINED EARNINGS

Retained earnings	31.12.2017 CZK´000	31.12.2016 CZK´000
Retained earnings excluding profit for the period	(42 184)	142 566
Profit for the period attributable to owners of Kofola ČeskoSlovensko a.s.	158 775	86 373
Retained earnings	**116 591**	**228 939**

4.15.6 NON-CONTROLLING INTERESTS

Non-controlling interests (NCI)	2017 CZK´000	2016 CZK´000
As at 1 January	**2 896**	**49 233**
NCI acquired	-	(43 364)
NCI share of profit for period	(6 580)	(2 973)
As at 31 December	**(3 684)**	**2 896**

4.15.7 DIVIDENDS

Declared dividends	2017 CZK´000	2016 CZK´000
Declared dividend*	300 941	156 051
Dividend per share (CZK/share) **	13.5	7.0

* net of dividend to own shares
** declared dividend divided by the number of shares outstanding as of dividend record date

4.16. PROVISIONS

Movements in provisions	Pension benefits	Provisions for litigation, fines, court cases, damages	Provision for personnel expenses (bonuses)	Other provisions	Total
	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000
Balance as at 1 January 2017	**21 167**	**46 132**	**73 817**	**43 121**	**184 237**
Increase due to creation	2 343	-	20 049	44 700	67 092
Decrease due to usage/release	(2 291)	(9 990)	(70 817)	(36 081)	(119 179)
Exchange differences	(1 170)	(1 918)	(3 208)	449	(5 847)
Balance as at 31 December 2017	**20 049**	**34 224**	**19 841**	**52 189**	**126 303**
Of which:					
Current part	-	-	19 841	20 979	40 820
Non-current part	20 049	34 224	-	31 210	85 483
Balance as at 31 December 2017	**20 049**	**34 224**	**19 841**	**52 189**	**126 303**

MOST SIGNIFICANT PROVISIONS

Most significant provisions include the provision for denationalisation process (within Provisions for litigation) and the provision for water concession fees (within Other provisions), both recorded in RADENSKA d.o.o.

The uncertainties about the amount or timing of most significant litigation provisions are stated in section 4.21.

4.17. BONDS

On 4 October 2013, according to the resolution of the Board of Directors from 12 August 2013, amended on 25 September 2013, KOFOLA S.A. issued 110 pieces of bonds denominated in Czech crowns with total nominal value of CZK 330 000 thousand.

Bonds issued:

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

Bonds issued have been put on the regulated market of the Prague Stock Exchange, the first listing took place on 7 October 2013.

Own bonds issued	Currency	31.12.2017	31.12.2016	Interest terms	Maturity date
		CZK´000	CZK´000		
Bonds issued KOFOLA VAR/18	CZK	332 513	330 740	12M PRIBOR + margin	10/2018
Bonds issued total		**332 513**	**330 740**		

INDEBTEDNESS OF THE GROUP FROM ISSUED BONDS

As at 31 December 2017, the Group has a liability from issued bonds in the total amount of CZK 332 513 thousand. Liabilities from interests and obligations from bonds maturing in October 2018 are disclosed in current liabilities. In 2018, the bonds will be refinanced by a bank loan.

4.18. BANK CREDITS AND LOANS

INDEBTEDNESS OF THE GROUP FROM THE CREDITS AND LOANS

As at 31 December 2017, the Group's total bank loans and credits amounted to CZK 2 162 513 thousand (2016: CZK 2 553 041 thousand) and decreased by CZK 390 528 thousand compared to 31 December 2016.

The new Facility loan agreement (which refinanced current loans and a loan for financing RADENSKA d.o.o. acquisition) with carrying amount of CZK 1 644 571 thousand as at 31 December 2017 is a main component of Group´s liabilities. The reason for the execution of the Facility loan agreement was a consolidation of group financing to ensure strategic development, taking advantage of the favourable conditions of financial market and reduction of total financial cost.

CREDIT TERMS AND TERMS AND CONDITIONS

Based on credit agreements, the Company is required to meet specified covenants. In accordance with the requirements of IAS 1, a breach of credit terms that may potentially limit unconditional access to credits in the nearest year makes it necessary to classify such liabilities as current.

All bank loan covenants were met.

Financing entity	Credit currency	Credit / limit amount FCY´000	Face value CZK´000	Carrying amount* CZK´000	Interests terms	Maturity date	Collateral
Česká spořitelna, a.s.	CZK	500 000	-	-	margin	8/2020	buildings, receivables, movable assets
Česká spořitelna, a.s.	CZK	500 000	345 923	345 923	margin	8/2020	buildings, receivables, movable assets
ČSOB, a.s. + Česká spořitelna, a.s.	CZK	500 000	-	-	1M PRIBOR + margin	8/2020	buildings, receivables, movable assets
ČSOB Leasing, a.s. (5pcs.)	CZK	29 492	29 492	29 492	margin	2/2022	funded property
ČSOB, a.s. + Česká spořitelna, a.s.	CZK	1 662 905	1 662 905	1 644 571	margin	8/2024	buildings, receivables, movable assets
mBank S.A.	PLN	1 838	7 866	7 866	margin	6/2021	Blank bill of exchange, Mortgage on properties
mBank S.A.	PLN	1 000	6 112	6 112	margin	6/2018	Blank bill of exchange, Mortgage on properties
mBank S.A.	PLN	500	2 878	2 878	margin	6/2018	Blank bill of exchange, Mortgage on properties
s Autoleasing, a. s.	CZK	199	199	199	margin	6/2019	funded property
s Autoleasing, a. s.	CZK	105	105	105	margin	8/2019	funded property
s Autoleasing, a.s. (12pcs.)	CZK	3 730	1 188	1 188	margin	8/2019	funded property
s Autoleasing, a.s. (2pcs.)	CZK	1 398	579	579	margin	12/2019	funded property
s Autoleasing, a.s. (3pcs.)	CZK	909	376	376	margin	12/2019	funded property
s Autoleasing, a.s. (5pcs.)	CZK	5 343	2 213	2 213	margin	12/2019	funded property
s Autoleasing, a.s. (8pcs.)	CZK	5 169	1 704	1 704	margin	7/2019	funded property
SG Equipment Finance CR s.r.o.	CZK	7 475	7 475	7 475	margin	11/2020	funded property
SG Equipment Finance CR s.r.o.	CZK	2 996	2 996	2 996	margin	7/2020	funded property
UniCredit Bank Czech Republic and Slovakia, a.s.	EUR	5 500	19 771	19 771	1M EURIBOR +margin	4/2018	Blank bill of exchange, Agreement of the right of lien on receivables
Všeobecná úverová banka, a.s.	EUR	4 000	89 065	89 065	1M EURIBOR +margin	4/2018	Blank bill of exchange, Agreement of the right of lien on receivables
Total credits and loans			**2 180 847**	**2 162 513**			
Out of it non-current				1 480 488			
Out of it current				682 025			

** Carrying amount of borrowings on variable interest rate approximates fair value.*

31.12.2016

Financing entity	Credit currency	Credit / limit amount FCY´000	Face value CZK´000	Carrying amount * CZK´000	Interests terms	Maturity date	Collateral
Bank BPH S.A.	PLN	7 500	-	-	1M WIBOR + margin	6/2019	Mortgage on properties in Grodzisk Wielkopolski. Lien on items and rights. Assignment of receivables from selected sale contracts. Assignment of rights from all insurance policies. Lien and power of attorney to all bank accounts. Voluntary submission to collection.
Bank Millennium S.A.	PLN	7 500	-	-	1M WIBOR + margin	6/2020	Mortgage on properties in Grodzisk Wielkopolski. Lien on items and rights. Assignment of receivables from selected sale contracts. Assignment of rights from all insurance policies. Lien and power of attorney to all bank accounts. Voluntary submission to collection.
Česká spořitelna, a.s.	CZK	100 000	-	-	3M PRIBOR + margin	12/2017	receivables, bill of exchange
Česká spořitelna, a.s.	CZK	40 000	39 954	39 954	3M PRIBOR + margin	12/2017	receivables, bill of exchange
Česká spořitelna, a.s.	CZK	37 000	2 721	2 721	1M PRIBOR + margin	4/2017	buildings, bill of exchange, receivables
Česká spořitelna, a.s.	CZK	200 000	50 000	50 000	1M PRIBOR + margin	12/2017	receivables, bill of exchange, buldings
Česká spořitelna, a.s.	CZK	20 000	7 368	7 368	1M PRIBOR + margin	8/2018	buildings, receivables, technology
Česká spořitelna, a.s.	CZK	50 000	23 276	23 276	1M PRIBOR + margin	2/2019	buildings, receivables, bill of exchange
Česká spořitelna, a.s.	CZK	100 000	91 670	91 670	1M PRIBOR + margin	6/2021	buildings, bill of exchange, receivables
ČSOB, a.s.	CZK	50 000	30 702	30 702	1M PRIBOR + margin	11/2019	buildings
ČSOB, a.s.	CZK	290 000	290 000	290 000	1M PRIBOR + margin	notice of termination	inventories, receivables, bill of exchange, buldings
ČSOB, a.s.	CZK	20 000	4 667	4 667	1M PRIBOR + margin	2/2018	buildings, receivables, bill of exchange
ČSOB, a.s.	CZK	50 000	22 881	22 881	1M PRIBOR + margin	3/2019	buildings, receivables, bill of exchange
ČSOB, a.s.	CZK	30 000	-	-	O/N PRIBOR + margin	notice of termination	inventories, receivables, bill of exchange, buldings
ČSOB, a.s. + Česká spořitelna, a.s.	CZK	1 712 914	1 718 914	1 714 160	3M PRIBOR + margin	3/2024	bill of exchange, pledge of shares, receivables
Komerční banka a.s.	CZK	50 000	38 547	38 547	margin	12/2020	funded property
Komerční banka, a. s.	CZK	20 000	20 000	20 000	1M PRIBOR + margin	notice of termination	Blank bill of exchange
Komerční banka, a. s.	CZK	3 125	3 125	3 125	1M PRIBOR + margin	1/2019	Blank bill of exchange
Oberbank Leasing spol. s r.o.	CZK	484	32	32	margin	3/2017	funded property
Oberbank Leasing spol. s r.o.	CZK	1 004	111	111	margin	5/2017	funded property
Oberbank Leasing spol. s r.o.	CZK	1 020	157	157	margin	7/2017	funded property
Oberbank Leasing spol. s r.o.	CZK	11 542	518	518	1M PRIBOR + margin	2/2017	funded property
Oberbank Leasing spol. s r.o.	CZK	5 180	233	233	1M PRIBOR + margin	2/2017	funded property
Oberbank Leasing spol. s r.o.	CZK	1 286	283	283	1M PRIBOR + margin	10/2017	funded property
Oberbank Leasing spol. s r.o. (5ks)	CZK	5 024	223	223	margin	2/2017	funded property
s Autoleasing, a. s.	CZK	327	327	327	margin	6/2019	funded property

Financing entity	Credit currency	Credit / limit amount FCY´000	Face value CZK´000	Carrying amount * CZK´000	Interests terms	Maturity date	Collateral
s Autoleasing, a. s.	CZK	167	167	167	margin	8/2019	funded property
s Autoleasing, a.s. (12ks)	CZK	3 730	1 877	1 877	margin	8/2019	funded property
s Autoleasing, a.s. (3ks)	CZK	909	558	558	margin	12/2019	funded property
s Autoleasing, a.s. (5ks)	CZK	5 343	3 279	3 279	margin	12/2019	funded property
s Autoleasing, a.s. (8ks)	CZK	5 169	2 745	2 745	margin	7/2019	funded property
sAutoleasing	CZK	397	244	244	margin	12/2019	funded property
sAutoleasing	CZK	1 001	614	614	margin	12/2019	funded property
SG Equipment Finance CR s.r.o.	CZK	2 890	2 890	2 890	margin	7/2020	funded property
SG Equipment Finance CR s.r.o.	CZK	1 229	1 229	1 229	margin	7/2020	funded property
SG Equipment Finance CR s.r.o.	CZK	9 948	9 948	9 948	margin	11/2020	funded property
UniCredit Bank Czech Republic and Slovakia, a.s.	EUR	3 000	64 848	64 848	1M EURIBOR +margin	12/2020	Blank bill of exchange, Agreement of the right of lien on receivables no. 000622A/CORP/2015 of 15 December 2015.
Všeobecná úverová banka, a.s.	EUR	4 000	68 036	68 036	1M EURIBOR +margin	indefinite	Blank bill of exchange Kofola, a.s., Agreement of filling of blank bill of exchange no. 301/2007/D + receivables
Všeobecná úverová banka, a.s.	EUR	4 500	55 651	55 651	1M EURIBOR +margin	3/2019	Blank bill of exchange, Agreement of the right of lien on fixed no. 52/ZZ/2014 of 26 March 2014.
Total credits and loans			**2 557 795**	**2 553 041**			
Out of it non-current				880 318			
Out of it current				1 672 723			

** Carrying amount of borrowings on variable interest rate approximates fair value.*

PLEDGES OF THE GROUP

Pledges of the Group	31.12.2017		31.12.2016	
	Cost	Net book value	Cost	Net book value
	CZK´000	CZK´000	CZK´000	CZK´000
Property, plant and equipment	1 487 665	836 361	1 458 946	858 768
Intangible assets (brands)	603 965	346 407	605 151	347 087
Inventories	480 092	480 092	370 906	370 906
Receivables	369 815	369 815	634 782	593 255
Cash in bank	92 128	92 128	-	-
Total	**3 033 665**	**2 124 803**	**3 069 785**	**2 170 016**

Trade and other payables

Trade and other payables	31.12.2017		31.12.2016	
Other financial liabilities	Current	Non-current	Current	Non-current
	CZK´000	CZK´000	CZK´000	CZK´000
Financial liabilities within trade payables and other financial liabilities				
Trade liabilities	1 050 200	-	1 214 103	-
Liabilities for purchased property, plant and equipment	53 175	-	109 825	-
Liabilities for purchased intangible assets	69	-	5 571	-
Dividend payable	183	-	11 591	-
Derivatives (i)	-	-	-	15 655
Advances received	203 257	-	181 622	-
Accrued liabilities, other creditors and other financial liabilities	165 958	-	94 747	-
Total	**1 472 842**	**-**	**1 617 459**	**15 655**
Non-financial liabilities within trade and other payables				
VAT	17 955	-	28 349	-
Payables to employees	86 689	-	93 110	-
Deferred revenue	3 440	-	2 518	-
Other	50 073	-	48 831	270
Total	**158 157**	**-**	**172 808**	**270**
Trade payables and other financial liabilities total	**1 630 999**	**-**	**1 790 267**	**15 925**

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

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

(i) Derivatives

The Group has concluded interest rate swap and commodity swap for diesel price. These derivatives are classified as held for trading and accounted for at fair value through profit or loss.

4.19. FUTURE COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

As at 31 December 2017 the Group companies provided the following guarantees for third party entities:

Entity providing guarantees	Entity receiving guarantees	Currency	Guarantee amount FCY´000	Guarantee amount CZK´000	Guarantee period	Guarantees provided for	Relationship
Kofola ČeskoSlovensko a.s.	Unicredit Bank a.s.	EUR	3 787	96 720	12/2022	Santa-Trans.SK s.r.o.	third party*
Total guarantees issued as at 31.12.2017				**96 720**			

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

4.19.1 COMMITMENTS FROM OPERATING LEASES – GROUP AS A LESSEE

The future minimum payments arising out of non-revocable operating lease agreements (lease of equipment) are as follows:

Commitments from operating leases - Group as a lessee	31.12.2017 CZK´000	31.12.2016 CZK´000
In one year period	52 067	40 252
In period from one to five years	125 797	116 950
Over five years	56 995	50 805
Total	234 859	208 007

4.20. FINANCE LEASE

The Group uses items of property, plant and equipment (mainly vehicles and various types of machines and equipment) based on finance lease agreements.

Net book value of finance lease assets	Leased assets with purchase option CZK´000	Leased assets without purchase option CZK´000	Total CZK´000
As at 31 December 2017	24 321	136 546	160 867
As at 31 December 2016	36 896	176 464	213 360

The net carrying amount at the end of the reporting period by classes of assets is provided below:

Net carrying amount by classes of assets	31.12.2017 CZK´000	31.12.2016 CZK´000
Plant and equipment	93 049	115 771
Vehicles	67 818	97 589

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

Future minimum lease payments	31.12.2017 CZK´000	31.12.2016 CZK´000
Nominal value of minimum lease payment		
In one-year period	59 319	63 411
In period from one to five years	121 037	158 645
Over five years	-	22 377
Total finance lease liabilities - total minimum lease payments	**180 356**	**244 433**
Finance costs of finance lease	9 916	18 535
Present value of minimum lease payments		
In one-year period	57 573	58 603
In period from one to five years	112 867	146 615
Over five years	-	20 680
Total present value of minimum lease payments	**170 440**	**225 898**

4.21. LEGAL AND ARBITRATION PROCEEDINGS

DENATIONALISATION PROCEEDINGS AGAINST RADENSKA

There are pending denationalisation proceedings with respect to denationalisation claims of the legal successors of the former owners of RADENSKA d.o.o. – Wilhelmina Höhn Šarič and Ante Šarič. Although the denationalisation claims have been in the process of being decided on for many years (some for more than two decades), the competent authorities have still not ruled. Although the current decisions are favourable for RADENSKA d.o.o., there is a possible risk that they are ill-founded and could therefore be reversed as there is no relevant case law. Therefore, the legal outcome of these proceedings remains highly unclear and uncertain. The value of net assets in RADENSKA d.o.o. as of 31 December 2017 is CZK 713 mil.

OTHER PROCEEDINGS

Some of the Group companies are routinely involved in legal proceedings which arise in the ordinary course of the Group's business but which are not material to the Group. The Company is not involved in any judicial, administrative or arbitration proceedings and has not conducted such proceedings in the past.

Apart from the above denationalisation proceedings, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Company and/or Group is aware, including any claims against the directors of the Company) which may have, or have had during the 12 months prior to the date of these financial statements, an effect on the financial position or profitability of the Company and/or the Group.

4.22. RELATED PARTY TRANSACTIONS

4.22.1 SHAREHOLDERS STRUCTURE

Share capital structure			31.12.2017			31.12.2016
Name of entity	Number of shares	% in share capital	% in voting rights	Number of shares	% in share capital	% in voting rights
AETOS a.s.	15 159 204	68.00	71.58	-	-	-
KSM Investment S.A.	-	-	-	11 321 383	50.78	50.78
CED GROUP S. a r.l.	4 673 445	20.96	22.07	8 311 196	37.28	37.28
René Musila	-	-	-	581 231	2.61	2.61
Tomáš Jendřejek	-	-	-	581 190	2.61	2.61
RADENSKA d.o.o.	1 114 109	5.00	0.00	-	-	-
Others	1 348 242	6.04	6.35	1 500 000	6.72	6.72
Total	**22 295 000**	**100.00**	**100.00**	**22 295 000**	**100.00**	**100.00**

As of 31 December 2017, the ultimate controlling party is KSM Investment S.A., with registered office Rue de Neudorf 560A, L-2220 Luxembourg.

KSM Investment S.A. ("KSM"), René Musila and Tomáš Jendřejek restructured their shareholdings in Kofola ČeskoSlovensko a.s. (“Kofola”) and transfered their shares in Kofola to AETOS a.s., a newly established wholly owned subsidiary of KSM. René Musila and Tomáš Jendřejek became shareholders of AETOS a.s. As of 10 August 2017, AETOS a.s. purchased 2 675 400 shares of Kofola representing 12 % of Kofola's share capital from CED GROUP S.à r.l. AETOS a.s., owned by the Samaras family and other founders owns 68 % of Kofola´s shares as of 31 December 2017.

Purchase of 5 % of Kofola´s shares by RADENSKA d.o.o. is described in section B 4.15.4.

Subsequently, KSM (which is currently owned by Czech nationals) intends to merge into AETOS a.s.

4.22.2 SUBSIDIARIES AND ASSOCIATES

Interests in subsidiaries and associates are set out in section 2.2.

4.22.3 REMUNERATION OF THE GROUP'S KEY MANAGEMENT PERSONNEL

Presented below is the structure of the remuneration paid out to persons with executive authority in 2017.

Remuneration of the Group´s key management personnel	compensation	Members of the Company´s Board of Directors CZK´000	Members of the Company´s Supervisory board CZK´000	Members of the Company´s Audit committee CZK´000	Other key management personnel of the Group CZK´000	Total CZK´000
Amounts paid for activities in the Company´s Board of Directors	Financial	6 822	-	-	-	**6 822**
	Non-financial	471	-	-	-	**471**
Amounts paid for activities in the Company´s Supervisory board	Financial	-	1 195	-	-	**1 195**
	Non-financial	-	-	-	-	**-**
Amounts paid for activities in the Company´s Audit committee	Financial	-	-	177	-	**177**
	Non-financial	-	-	-	-	**-**
Amounts paid for other activities within the Group	Financial	17 934	6 269	-	19 176	**43 379**
	Non-financial	544	420	-	282	**1 246**
Expense from equity settled transactions (Option scheme)	A 7.2 (k)	1 755	211	-	843	**2 809**
Number of Pair shares vested on 31.12.2017 [pcs.]	A 7.2 (k)	12 244	1 430	-	5 706	**19 380**

4.22.4 OTHER RELATED PARTY TRANSACTIONS

Presented below are the total amounts of transactions concluded with the Group's related parties:

Other related party transactions	Balance as at 31.12.2017 CZK´000	Balance as at 31.12.2016 CZK´000
Liability to shareholders of KSM Investment S.A.	-	(10 916)
Total	**-**	**(10 916)**

All transactions with related parties have been concluded at market terms and represent dividends.

4.23. FINANCIAL RISK MANAGEMENT

The Group's primary financial instruments consist of bank credits, bonds, lease payables, derivatives, cash and cash equivalents, deposits and loans granted and received. The main goal of holding such financial instruments is to obtain funds for business operations, or to invest the Group's available funds. In addition, the Group has other financial instruments, such as trade receivables and payables that arise as part of its operations. The accounting methods relating to those instruments are described above (section 3.5).

It is the Group's policy – now and throughout the reporting periods presented in these financial statements – not to trade in financial instruments.

The Group's activities are exposed to several types of financial risk: market risk (including foreign exchange risk, and cash-flow risk relating to changes in interest rates), credit risk and liquidity risk. In addition, the Group monitors the market prices risk relating to all of its financial instruments. Risks are managed by the Group's management, which recognises and assesses the above financial risks. The general risk management process is focused on the unpredictability of financial markets, and the Group tries to minimise any potential adverse effects on its financial results. The Group uses derivative financial instruments to hedge against certain types of risk, providing that the hedging instruments are considered to be cost effective. Management verifies and agrees the risk management methods with regard to every type of risk. A short description of these methods is presented below.

4.23.1 INTEREST RATE RISK

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

Management of the Group monitors its exposure to interest rate risk and interest rate forecasts. In order to protect against changes in interest rates, the Group has fixed part of the interest rate on loan for financing Radenska acquisition. The swap covers approximately one third of the loan principal outstanding.

If interest rates at the balance sheet date had been 100 basis points lower with all other variables held constant, profit for the year 2017 would have been CZK 6 164 thousand (2016: CZK 23 155 thousand) higher, mainly as a result of lower interest expense on variable interest for financial liabilities. If interest rates had been 100 basis points higher with all other variables held constant, profit for 2017 would have been CZK 6 164 thousand (2016: CZK 23 155 thousand) lower, mainly as a result of higher interest expense on variable interest financial liabilities.

4.23.2 CURRENCY RISK

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

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

Currency risk impact on profit or loss	31.12.2017	31.12.2016
	CZK´000	CZK´000
EUR strengthening by 3%	(578)	(30 226)
EUR weakening by 3%	578	30 226
PLN strengthening by 3%	(11)	(333)
PLN weakening by 3%	11	333
USD strengthening by 10%	(189)	(4)
USD weakening by 10%	189	4

4.23.3 CREDIT RISK

Credit risk arises from cash deposits in banks along with other short-term deposits, as well as from trade and other financial receivables.

The Group undertakes activities aimed at limiting credit risk, consisting of checking the creditworthiness of its customers, setting credit limits, insuring selected receivables and monitoring the customers' financial position. An analysis of ageing structure of trade and other financial receivables as well as of the division of trade and other financial receivables by customers' size assist with the credit risk management.

TRADE AND OTHER FINANCIAL RECEIVABLES

The Group is exposed to credit risk, defined as a risk that its debtors will not meet their obligations and thus cause the Group to incur losses.

Presented below is the ageing structure of receivables:

Credit risk	31.12.2017		31.12.2016	
	Trade receivables	Other financial receivables	Trade receivables	Other financial receivables
Neither past due nor impaired	CZK´000	CZK´000	CZK´000	CZK´000
Large retails chains	235 800	-	350 434	5 623
Medium sized companies	97 629	8 625	48 106	-
Small companies	183 545	104 058	156 364	108 321
Total neither past due nor impaired	**516 974**	**112 683**	**554 904**	**113 944**
Past due but not impaired				
- less than 30 days overdue	166 172	56	217 507	21
- 30 to 90 days overdue	43 707	-	36 491	-
- 91 to 180 days overdue	41 425	-	19 871	-
- 181 to 360 days overdue	10 374	-	6 561	-
- over 360 days overdue	9 391	-	973	-
Total past due but not impaired	**271 069**	**56**	**281 403**	**21**
Individually determined to be impaired (gross)				
- less than 30 days overdue	-	1 824	-	-
- 30 to 90 days overdue	-	-	-	-
- 91 to 180 days overdue	-	-	-	10 997
- 181 to 360 days overdue	8 323	-	16 918	71 837
- over 360 days overdue	43 294	6 894	58 403	7 189
Total individually impaired (gross)	**51 617**	**8 718**	**75 321**	**90 023**
Less impairment provision (-)	**(53 219)**	**(7 340)**	**(73 493)**	**(90 023)**
Total	**786 441**	**114 117**	**838 135**	**113 965**

Subject to the above, management believes that the credit risk has been accounted for in the financial statements through the creation of appropriate allowances.

CASH AND CASH EQUIVALENTS

With regard to the Group's other financial assets, such as cash and cash equivalents, credit risk arises as a result of the other party's inability to pay, and the maximum amount of the Group's exposure to this risk is equal to the balance sheet value of these amounts.

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

Credit quality of cash in bank and in hand Credit rating	31.12.2017 CZK´000	31.12.2016 CZK´000
A1	1 086	3 355
A2	142 314	1 266 702
A3	1 093	-
Aa3	-	12 995
Ba1	61 269	45 957
Ba2	-	19 253
Ba3	-	58 201
Baa1	2 949	-
Baa2	-	2 483
Baa3	44 914	-
Caa1	34	440
Not on watch	26 204*	1 170
Cash in hand	9 731	10 458
Total cash in bank and in hand	**289 594**	**1 421 014**

* mainly Zagrebačka banka d.d.

4.23.4 LIQUIDITY RISKS

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

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

It is the Group's objective to maintain a balance between financing continuity and flexibility, by using various financing sources, such as credits, bonds, loans and finance lease agreements. The Group controls its financial liabilities so that in each given period the amount of liabilities due within the next 12 months does not pose a threat for the Group's ability to meet its financial obligations. Despite the excess of current liabilities over current assets the Group's management believes that the value of cash and cash equivalents as at the balance sheet date, the available credit lines of CZK 1 288 052 thousand as at 31 December 2017 and the Group's financial position are such that the risk of losing liquidity may be assessed as not significant.

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

Future cash outflows related to financial liabilities:

Contractual cashflows of financial liabilities as at 31 December 2017	Less than 3 months CZK´000	Between 3-12 months CZK´000	Between 1-2 years CZK´000	Between 2-5 years CZK´000	Over 5 years CZK´000	Total contractual cash-flows CZK´000	Total carrying amount CZK´000
Trade liabilities	1 046 322	3 878	-	-	-	1 050 200	1 050 200
Bank credits and loans	183 199	560 569	255 418	759 613	696 984	2 455 783	2 162 513
Bonds issued	-	345 840	-	-	-	345 840	332 513
Finance lease liabilities	15 248	44 071	68 311	52 726	-	180 356	170 440
Advances received	201 724	1 737	-	-	-	203 461	203 461
Other financial liabilities	218 773	612	-	-	-	219 385	219 385
Total	**1 665 266**	**956 707**	**323 729**	**812 339**	**696 984**	**4 455 025**	**4 138 512**

Contractual cashflows of financial liabilities as at 31 December 2016	Less than 3 months CZK´000	Between 3-12 months CZK´000	Between 1-2 years CZK´000	Between 2-5 years CZK´000	Over 5 years CZK´000	Total contractual cash-flows CZK´000	Total carrying amount CZK´000
Trade liabilities	1 200 482	13 621	-	-	-	1 214 103	1 214 103
Bank credits and loans	159 433	1 554 726	247 686	698 470	-	2 660 315	2 553 041
Bonds issued	-	18 706	341 370	-	-	360 076	330 740
Finance lease liabilities	15 061	45 633	53 277	95 999	20 998	230 968	225 898
Advances received	181 622	-	-	-	-	181 622	181 622
Other financial liabilities	220 703	1 031	-	-	15 655	237 389	237 389
Total	**1 777 301**	**1 633 717**	**642 333**	**794 469**	**36 653**	**4 884 473**	**4 742 793**

The cash outflows schedules above do not include financial guarantees, fair value of which was determined to be close to zero and are listed in section 4.20.

4.24. CAPITAL MANAGEMENT

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

The Group manages net debt and monitors the net debt / adjusted EBITDA ratio.

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

Net debt / Adjusted EBITDA calculation	2017 CZK´000	2016 CZK´000
Bank credits and loans	2 162 513	2 553 041
Bonds issued	332 513	330 740
Finance lease liabilities	170 440	225 898
Cash and cash equivalents	(289 594)	(1 421 014)
Net debt	**2 375 872**	**1 688 665**
Operating profit	291 722	263 897
Adjusted for:		
Profit on sale of buildings (i)	(14 514)	-
Costs on SAP implementation (ii)	6 319	-
Subsidiary liquidation (iii)	1 832	-
Profit on sale of production lines (iv)	(37 816)	-
Closure of Na Grillu operation in Ugo (v)	4 409	-
Cost of restructuring in Poland (vi)	47 670	-
Product complaints revenue (vii)	(41 588)	-
Acquisition costs (viii)	14 527	-
Impairment costs (ix)	112 386	-
One off´s 2016 (x)	-	277 460
Depreciation and amortisation	565 228	523 003
Adjusted EBITDA	**950 175**	**1 064 360**
Net debt / Adjusted EBITDA	**2.50**	**1.59**

(i) Profit on sale of buildings of CZK (14 514) thousand (in Slovenian segment).
(ii) Costs connected with SAP implementation of CZK 6 319 thousand (in Slovenian segment).
(iii) Costs of liquidation of Sicheldorfer of CZK 1 832 thousand (in Slovenian segment).
(iv) Profit on sale of production lines of CZK (37 816) thousand (in Polish segment).
(v) Costs of CZK 4 409 thousand connected with closure of Na Grillu operation in Ugo (in Czech segment).
(vi) Cost of CZK 47 670 thousand connected with restructuring in Poland.
(vii) Revenue of CZK (41 588) thousand connected with prior years qualitative product complaints (in Polish segment).
(viii) Acquisition costs of CZK 14 527 thousand (in Czech segment).
(ix) Impairment costs of CZK 112 386 thousand (in Polish segment).

(x) One off´s 2016:

- Loss on sale of financial receivable – Czech operation incurred net costs of CZK 20 315 thousand relating to the sold financial receivable from an e-shop project.
- Merger costs - Czech operation incurred costs of CZK 7 451 thousand relating to the cross-border merger advisory.
- Acquisition costs – Slovenian operation incurred costs of CZK 16 029 thousand relating to the acquisition advisory and costs of CZK 9 363 thousand related to building of new sales team in Croatia, with tax effect of CZK 3 857 thousand.
- Due diligence costs – Polish operation incurred costs of CZK 2 186 thousand.
- Closure of Bielsk operation and reorganization costs – Polish operation incurred total costs of CZK 35 524 thousand. 19% tax applies.
- Net other operating income in Polish operation from insurance income associated with the qualitative product complaints of 11 684 thousand, 19% tax applies.
- Release of provision – Slovenian operation released the provision for legal case of CZK 17 571, tax 17% applies.
- Czech operation incurred costs of CZK 19 010 thousand, out of it CZK 2 511 connected with ongoing process of delisting from WSE, CZK 4 062 thousand connected with an impairment of financial asset, remaining part is connected with one-off acquisition services and court litigation legal services.
- Impairment costs – in Polish operation of CZK 70 368 thousand (tax 19% applies) and CZK 126 469 thousand connected with an investment in Russian associate.

4.24.1 CASH AND NON–CASH FINANCIG ACTIVITIES

Net debt reconciliation	Liabilities from financing activities			Cash and cash equivalents	Net debt
	Bank credits and loans	Bonds	Financial Leasing		
As at 1.1.2017	**2 553 041**	**330 740**	**225 898**	**(1 421 014)**	**1 688 665**
Proceeds from loans and bank credits received	2 664 454	-	-	-	2 664 454
Repayment of loans and bank credits	(3 078 898)	-	-	-	(3 078 898)
Change in amortized costs	(13 580)	-	-	-	(13 580)
Repayment of financial leasing liabilities	-	-	(62 345)	-	(62 345)
Financial leasing additions	-	-	16 566	-	16 566
Foreign exchange adjustments	37 496	-	(9 679)	29 605	57 422
Bond interest paid	-	(15 180)	-	-	(15 180)
Bond interest accrued	-	16 953	-	-	16 953
Cash flows	-	-	-	1 101 815	1 101 815
As at 31.12.2017	**2 162 513**	**332 513**	**170 440**	**(289 594)**	**2 375 872**

4.25. FINANCIAL INSTRUMENTS

4.25.1 FINANCIAL INSTRUMENTS CATEGORIES

Fair value of Trade receivables, Other financial receivables, Cash and cash equivalents, Trade liabilities and Other financial liabilities is close to carrying amounts since the interest payable on them is either close to market rates or they are short-term.

31.12.2017	Financial assets at amortised cost	Derivatives at fair value through profit or loss	Financial liabilities at amortised cost	Total
	CZK´000	CZK´000	CZK´000	CZK´000
Trade and other receivables	895 938	-	-	895 938
Cash and cash equivalents	289 594	-	-	289 594
Derivatives (i)	-	4 620	-	4 620
Bank credits and loans	-	-	(2 162 513)	(2 162 513)
Bonds issued	-	-	(332 513)	(332 513)
Trade and other payables	-	-	(1 472 842)	(1 472 842)
Total	**1 185 532**	**4 620**	**(3 967 868)**	**(2 777 716)**

(i) Fair value of derivatives

The Group has concluded interest rate swap and commodity swap for diesel price. These derivatives are classified as held for trading and accounted for at fair value through profit or loss.

Measured derivatives are not traded in active markets, however all significant inputs required for fair value measurement are observable and as such the Group has included this instrument in Level 2 of fair value hierarchy levels.

31.12.2016	Financial assets at amortised cost	Derivatives at fair value through profit or loss	Financial liabilities at amortised cost	Total
	CZK´000	CZK´000	CZK´000	CZK´000
Trade and other receivables	951 105	-	-	951 105
Cash and cash equivalents	1 421 014	-	-	1 421 014
Derivatives (ii)	-	(14 691)	-	(14 691)
Bank credits and loans	-	-	(2 553 041)	(2 553 041)
Bonds issued	-	-	(330 740)	(330 740)
Trade and other payables	-	-	(1 617 459)	(1 617 459)
Total	**2 372 119**	**(14 691)**	**(4 501 240)**	**(2 143 812)**

(ii) Fair value of derivatives

Measured derivatives are not traded in active markets, however all significant inputs required for fair value measurement are observable and as such the Group has included this instrument in Level 2 of fair value hierarchy levels.

4.26. HEADCOUNT

The average headcount in the Group was as follows:

Average headcount	2017	2016
Management Board of the Company	6	6
Management Boards of the Group entities	10	8
Administration	207	207
Sales, Marketing and Logistic department	1 123	1 059
Production division	792	723
Other	44	52
Total	**2 182**	**2 055**

Total number of employees as of 31 December 2017, was 2 091 persons (2016: 2 129 persons).

4.27. ACQUISITION OF SUBSIDIARY

ACQUISITION OF SUBSIDIARY PREMIUM ROSA

Kofola ČeskoSlovensko a.s. acquired on 10 July 2017 a 100% business share in the company Premium Rosa Sp. z o.o based in Złotokłos, Poland. The company operates in the premium segment and produces high quality natural products such as syrups, juices and jams.

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the date of acquisition.

Fair value of assets and liabilities	Book value CZK´000	Fair value adjustments CZK´000	Fair value CZK´000
Property, plant and equipment	18 161	-	18 161
Intangible assets	1 909	57 657	59 566
Other financial assets	127	-	127
Deferred tax assets	-	-	-
Inventories	24 678	-	24 678
Trade receivables and other receivables	13 989	-	13 989
Cash and cash equivalents	4 951	-	4 951
Provisions	-	-	-
Bank credits and loans	(13 192)	-	(13 192)
Income tax liability	-	-	-
Trade liabilities and other liabilities	(13 507)	-	(13 507)
Other financial liabilities	(32 793)	-	(32 793)
Total identifiable net assets acquired	**4 323**	**57 657**	**61 980**

The following table summarizes the consideration transferred, non-controlling interest, net assets acquired and goodwill.

Goodwill calculation	CZK´000
Consideration transferred	55 782
Deffered payment	6 198
Non-controlling interest	-
Net assets acquired	61 980
Goodwill	**-**

The valuation of net assets was prepared on the provisional basis due to the timing of the transaction. If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised.

4.28. SUBSEQUENT EVENTS

ACQUISITION OF SUBSIDIARY LEROS

On March 13, 2018, the Company concluded an agreement to purchase a 100% stake in LEROS, s.r.o., producer of high quality products from medicinal plants and quality natural teas.

No other events have occurred after the end of the reporting period that would require adjusting the amounts recognised and disclosures made in the consolidated financial statements.

23.3.2018	**Janis Samaras**	**Chairman of the Board of Directors**	
date	*name and surname*	*position/role*	*signature*
23.3.2018	**René Musila**	**Member of the Board of Directors**	
date	*name and surname*	*position/role*	*signature*
23.3.2018	**Tomáš Jendřejek**	**Member of the Board of Directors**	
date	*name and surname*	*position/role*	*signature*
23.3.2018	**Daniel Buryš**	**Member of the Board of Directors**	
date	*name and surname*	*position/role*	*signature*
23.3.2018	**Jiří Vlasák**	**Member of the Board of Directors**	
date	*name and surname*	*position/role*	*signature*
23.3.2018	**Marián Šefčovič**	**Member of the Board of Directors**	
date	*name and surname*	*position/role*	*signature*

SEPARATE FINANCIAL STATEMENTS 2017

KOFOLA ČESKOSLOVENSKO A.S.

1. SEPARATE FINANCIAL STATEMENTS

1.1. SEPARATE STATEMENT OF PROFIT OR LOSS

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

Separate statement of profit or loss	Note	2017 CZK´000	2016 CZK´000
Revenue from the sale of finished products and services		407 546	330 291
Revenue from the sale of goods and materials		58	108
Revenue		**407 603**	**330 399**
Cost of products and services sold	4.2	(36 998)	(33 561)
Cost of goods and materials sold		-	-
Cost of sales		(36 998)	**(33 561)**
Gross profit		**370 606**	**296 838**
Selling, marketing and distribution costs	4.2	(196 577)	(174 747)
Administrative costs	4.2	(206 769)	(217 574)
Dividends		616 978	679 882
Other operating income	4.3	2 133	5 131
Other operating expenses	4.4	(3 278)	(3 165)
Impairment	4.9.1	(195 365)	(283 430)
Operating result		**387 727**	**302 935**
Finance income	4.5	32 589	13 527
Finance costs	4.6	(68 852)	(75 829)
Profit before income tax		**351 465**	**240 633**
Income tax (expense)/benefit	4.7	(798)	5 073
Profit for the period		**350 667**	**245 706**
Earnings/ (loss) per share (in CZK)			
Basic earnings per share	4.8	15.73	11.02
Diluted earnings per share	4.8	15.73	11.02

The above separate statement of profit or loss should be read in conjunction with the accompanying notes.

1.2. SEPARATE STATEMENT OF OTHER COMPREHENSIVE INCOME

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

Separate statement of other comprehensive income	Note	2017 CZK´000	2016 CZK´000
Profit for the period		**350 667**	**245 706**
Other comprehensive income for the period		-	-
Total comprehensive income for the period		**350 667**	**245 706**

The above separate statement of other comprehensive income should be read in conjunction with the accompanying notes.

1.3. SEPARATE STATEMENT OF FINANCIAL POSITION

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

Assets		31.12.2017 CZK´000	31.12.2016 CZK´000
Non-current assets		**4 283 072**	**3 882 962**
Property, plant and equipment	4.10	60 193	68 706
Goodwill	4.11	30 675	30 675
Intangible assets	4.11	350 158	374 709
Investments in subsidiaries	4.9	2 745 452	3 365 198
Other receivables	4.12	47 388	42 663
Loans provided to related parties	4.12	1 049 006	811
Other non-financial assets		200	200
Current assets		**306 200**	**473 056**
Trade and other receivables	4.12	292 263	442 505
Income tax receivables		1 172	2 802
Cash and cash equivalents	4.13	12 765	27 749
Total assets		**4 589 272**	**4 356 018**

Liabilities and equity	Note	31.12.2017 CZK´000	31.12.2016 CZK´000
Total equity		**2 130 090**	**2 077 996**
Share capital	1.5	2 229 500	2 229 500
Other reserves	1.5	(493 456)	(496 266)
Own shares	1.5	(1 357)	(915)
Retained earnings	1.5	395 403	345 677
Non-current liabilities		**1 489 890**	**1 066 970**
Bank credits and loans	4.17	1 444 883	676 268
Bonds issued	4.16	-	327 072
Finance lease liabilities	4.20	5 907	9 665
Other liabilities	4.18	-	15 655
Deferred tax liabilities	4.7	39 100	38 310
Current liabilities		**969 292**	**1 211 052**
Bank credits and loans	4.17	550 716	1 077 018
Bonds issued	4.16	332 513	3 668
Finance lease liabilities	4.20	3 664	4 957
Trade and other payables	4.18	75 454	78 516
Other financial liabilities	4.18	-	10 916
Provisions	4.15	6 945	35 977
Total liabilities		**2 459 182**	**2 278 022**
Total liabilities and equity		**4 589 272**	**4 356 018**

The above separate statement of financial position should be read in conjunction with the accompanying notes.

1.4. SEPARATE STATEMENT OF CASH FLOWS

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

Separate statement of cash flows	Note	2017 CZK ´000	2016 CZK ´000
Cash flows from operating activities			
Profit / (loss) before income tax	1.1	351 465	240 633
Adjustments for:			
Non-cash movements			
Depreciation and amortisation	4.2	53 222	57 690
Net interest	4.5, 4.6	43 017	45 801
Dividends		(616 978)	(679 882)
Change in the balance of provisions and adjustments		(29 032)	(10 092)
Impairment		195 365	283 430
Revaluation of derivatives	4.5, 4.6	(20 275)	7 863
Gain on sale of PPE and intangible assets	4.4	(195)	(803)
Net exchange differences	4.5	7 559	5 962
Other		(2 344)	21 969
Cash movements			
Income tax		1 623	4 358
Change in operating assets and liabilities			
Change in receivables		(107 407)	(17 946)
Change in payables		184 255	(27 351)
Net cash (outflow) from operating activities		**60 274**	**(68 368)**
Cash flows from investing activities			
Sale of property, plant and equipment		464	103
Acquisition of property, plant and equipment and intangible assets		(29 813)	(75 055)*
Purchase of financial assets		-	(118 500)
Acquisition of subsidiary		(61 962)	(38 756)**
Dividends and interest received		502 398	509 189
Proceeds from loans		43 093	-
Loans granted		(890 950)	(112 221)
Decrease of share capital in subsidiary		474 915***	-
Net cash inflow / (outflow) from investing activities		**38 145**	**164 760**
Cash flows from financing activities			
Finance lease payments		(5 051)	(4 676)
Proceeds from loans and bank credits		2 579 482	46 475
Repayment of loans and bank credits		(2 323 589)	(144 975)
Dividends paid to the shareholders of the Company		(311 857)	(156 051)
Interest and bank charges paid		(51 946)	(51 674)
Purchase of own shares		(442)	(3 743)
Change of cash due to merger		-	106 667
Net cash inflow / (outflow) from financing activities		**(113 403)**	**(207 977)**
Net increase/(decrease) in cash and cash equivalents		(14 984)	(111 585)
Cash and cash equivalents at the beginning of the period		**27 749**	**139 334**
Cash and cash equivalents at the end of the period	1.3	**12 765**	**27 749**

** including the brands Inka, Nara, Voćko, Studena, Studenac, Lero*
*** squeeze out of Radenska NCI*
**** decrease of share capital in RADENSKA d.o.o. (4.9. and 4.12.)*

The above separate statement of cash flows should be read in conjunction with the accompanying notes.

1.5. SEPARATE STATEMENT OF CHANGES IN EQUITY

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

Separate statement of changes in equity	Note	Share capital CZK´000	Share premium CZK´000	Other reserves CZK´000	Own shares CZK´000	Retained earnings / (Acumulated losses) CZK´000	Total equity CZK´000
Balance as at 1 January 2016		**2 229 500**	**5 494 517**	**-**	**-**	**(12 277)**	**7 711 740**
Profit for the period	1.1	-	-	-	-	245 706	245 706
Total comprehensive income for the period	1.2	**-**	**-**	**-**	**-**	**245 706**	**245 706**
Own shares purchase	4.14.3	-	-	-	(3 743)	-	**(3 743)**
Own shares transfer	4.14.3	-	-	-	2 828	-	2 828
Dividends	4.14.5	-	-	-	-	(156 051)	(156 051)
Effect of merger	4.14.6	-	(5 494 517)	(496 266)	-	268 299	(5 722 484)
Balance as at 31 December 2016		**2 229 500**	**-**	**(496 266)**	**(915)**	**345 677**	**2 077 996**
Balance as at 1 January 2017		**2 229 500**	**-**	**(496 266)**	**(915)**	**345 677**	**2 077 996**
Profit for the period	1.1	-	-	-	-	350 667	350 667
Total comprehensive income for the period	1.2	**-**	**-**	**-**	-	350 667	350 667
Own shares purchase	4.14.3	**-**	-	-	(442)	-	(442)
Dividends	4.14.5	**-**	**-**	-	-	(300 941)	(300 941)
Option scheme	4.14.2	**-**	**-**	2 810	-	-	2 810
Balance as at 31 December 2017		**2 229 500**	**-**	**(493 456)**	**(1 357)**	**395 403**	**2 130 090**

The above separate statement of changes in equity should be read in conjunction with the accompanying notes.

2. GENERAL INFORMATION

2.1. CORPORATE INFORMATION

GENERAL INFORMATION

Kofola ČeskoSlovensko a.s. (“the Company”) is a joint-stock company registered on 12 September 2012. Its registered office is Nad Porubkou 2278/31a, Ostrava, 708 00, Czech Republic and the identification number is 24261980. The Company is recorded in the Commercial Register kept by the Regional Court in Ostrava, section B, Insert No. 10735. The Company´s websites are http://www.firma.kofola.cz and the phone number is +420 595 601 030. LEI: 3157005DO9L5OWHBQ359.

Main area of activity of Kofola ČeskoSlovensko a.s. in 2017 was holding of the subsidiaries.

Kofola ČeskoSlovensko a.s. is the parent of the Kofola Group, one of the leading producers and distributors of non-alcoholic beverages in Central and Eastern Europe. Besides the traditional markets of the Czech Republic and Slovakia where the Group is a leader, the Group is also present in Poland, Slovenia and in Croatia with limited activities in Russia. The Group produces drinks with care and love in seven production plants (incl. Croatia) and key brands include Kofola, Hoop Cola, Jupí, Jupík, Rajec, Radenska, Paola, Semtex and Vinea. On selected markets, the Group distributes among others Rauch, Evian or Badoit products and under the licence produces RC Cola or Orangina.

CROSS BORDER MERGER

The Board of Directors of Kofola ČeskoSlovensko a.s. approved on 12 March 2016 the cross-border merger.

As a result of the merger, the following companies were dissolved (“Dissolving Companies”):

- Kofola CS a.s. (CZ),
- PINELLI spol. s r.o. (CZ),
- Kofola S.A. (PL),
- Kofola, holdinška družba d.o.o. (SI).

All assets and liabilities of the Dissolving Companies have been transferred to Kofola ČeskoSlovensko a.s. under universal succession.

STOCK EXCHANGE LISTING

Kofola ČeskoSlovensko a.s. is listed on Prague Stock Exchange (ticker KOFOL).

MANAGEMENT

BOARD OF DIRECTORS

- Janis Samaras – Chairman
- René Musila
- Tomáš Jendřejek
- Daniel Buryš
- Jiří Vlasák
- Marián Šefčovič

SUPERVISORY BOARD

- René Sommer – Chairman
- Jacek Woźniak
- Pavel Jakubík
- Moshe Cohen-Nehemia
- Petr Pravda
- Bartosz Kwiatkowski

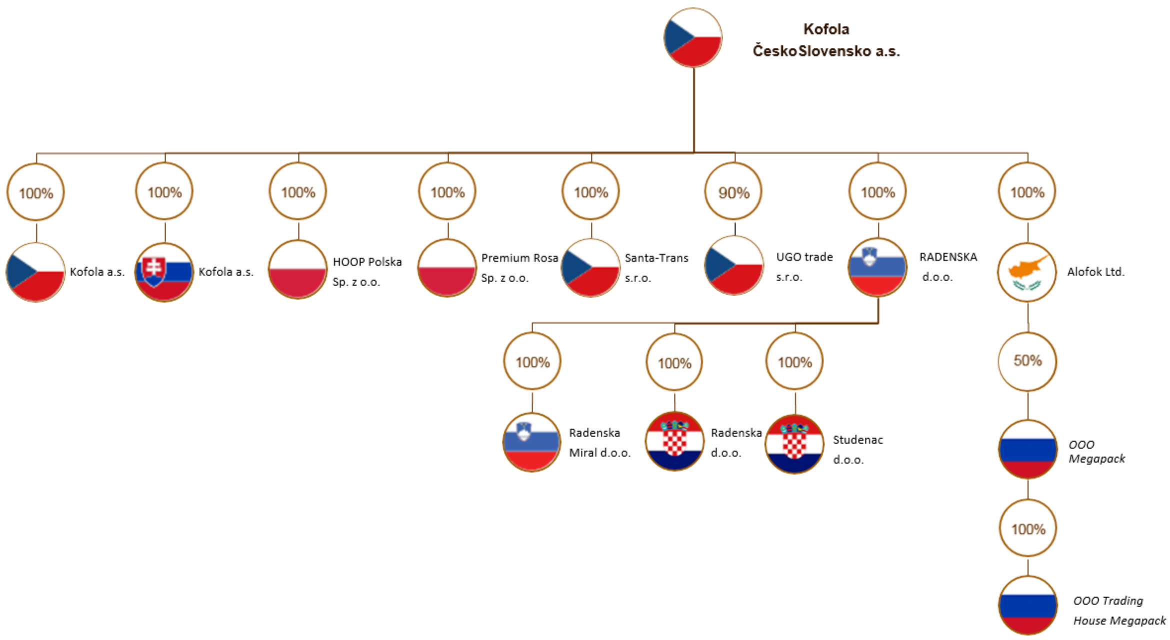
AUDIT COMMITTEE

- Petr Šobotník – Chairman
- Pavel Jakubík
- Bartosz Kwiatkowski

2. GENERAL INFORMATION

2.2. GROUP STRUCTURE

GROUP STRUCTURE CHART AS AT 31 DECEMBER 2017



DESCRIPTION OF THE GROUP COMPANIES

Name of entity	Place of business	Principal activities	Ownership interest and voting rights 31.12.2017	31.12.2016
Holding companies				
Kofola ČeskoSlovensko a.s.	Czech Republic	top holding company		
Alofok Ltd.	Cyprus	holding	100.00%	100.00%
Production and trading				
Kofola a.s.	Czech Republic	production and distribution of non-alcoholic beverages	100.00%	100.00%
Kofola a.s.	Slovakia	production and distribution of non-alcoholic beverages	100.00%	100.00%
Hoop Polska Sp. z o.o.	Poland	production and distribution of non-alcoholic beverages	100.00%	100.00%
UGO trade s.r.o.	Czech Republic	operation of fresh bars chain	90.00%	90.00%
RADENSKA d.o.o.	Slovenia	production and distribution of non-alcoholic beverages	100.00%	100.00%
Studenac d.o.o.	Croatia	production and distribution of non-alcoholic beverages	100.00%	100.00%
Radenska d.o.o.	Croatia	sales support and administration	100.00%	100.00%
Radenska d.o.o.	Serbia	closed	n/a	100.00%
Radenska Miral d.o.o.	Slovenia	trademark licensing	100.00%	100.00%
Premium Rosa Sp. z o.o.	Poland	production and distribution of syrups and jams	100.00%	n/a
Sicheldorfer GmbH	Austria	closed	n/a	100.00%
Transportation				
SANTA-TRANS s.r.o.	Czech Republic	road cargo transport	100.00%	100.00%
Associated companies				
OOO Megapack	Russia	production of non-alcoholic and low-alcoholic beverages	50.00%	50.00%
OOO Trading House Megapack	Russia	sale and distribution of non-alcoholic and low-alcoholic beverages	50.00%	50.00%

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

BASIS OF PREPARATION

The separate financial statements have been prepared in accordance with the laws binding in the Czech Republic and with International Financial Reporting Standards ("IFRS"), as well as the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") adopted by the European Union, published and effective for reporting periods beginning 1 January 2017.

The separate financial statements have been prepared on a going concern basis and in accordance with the historical cost method, except for financial assets and liabilities measured at fair value, and the assets, liabilities and contingent liabilities of the acquiree, which were stated at fair value as at the date of the acquisition as required by IFRS 3.

The separate financial statements include the separate statement of the financial position, separate statement of profit or loss, separate statement of other comprehensive income, separate statement of changes in equity, separate statement of cash flows and explanatory notes.

The separate financial statements cover the period ended 31 December 2017 and contains comparatives for the period ended 31 December 2016.

The separate financial statements are presented in Czech crowns ("CZK"), and all values, unless stated otherwise, are presented in CZK thousand.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires that management exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the separate financial statements as disclosed in section C 3.5.

ADOPTION OF CHANGES TO STANDARDS

The Company has not changed its accounting policies as a result of standards and interpretations adopted by the European Union effective for the reporting periods starting from 1 January 2017. The Company has not early-adopted any standard.

In May 2014, the International Accounting Standards Board ("IASB") issued IFRS 15 - Revenue from Contracts with Customers which was subsequently endorsed by the European Union in September 2016. IFRS 15 establishes a framework for determining whether, how much and when revenue is recognised from contracts with customers. IFRS 15 supersedes existing standards and interpretations related to revenue. It defines a new five-step model to recognise revenue from customer contracts. The standard will not have effect on accounting of revenues in the Company.

In July 2014, the IASB issued IFRS 9 – Financial Instruments which was subsequently endorsed ty the EU in November 2016. The standard addresses the accounting principles for the financial reporting of financial assets and financial liabilities, including classification, measurement, impairment, derecognition and hedge accounting. The standard contains three classification categories: measured at amortised cost, fair value through other comprehensive income (FVTOCI) and fair value through profit and loss (FVTPL) and eliminates the existing IAS 39 categories: loans and receivables, held to maturity and available for sale. It is mandatory for the accounting period beginning on 1 January 2018. The Company has assessed the impact of IFRS 9 and concluded that it would not have a material effect on the financial statements.

IFRS 16 Leases – the new standard will be applied for the accounting period beginning on 1 January 2019. The Company is in the process of assessing the impact of the standard which is likely to result in changes to EBITDA and finance cost but is not expected to have a material impact on profit before tax. In addition, there is expected to be an increase in property, plant and equipment with a corresponding increase in liabilities as applicable leases are brought onto the balance sheet.

Other new standards and amendments are not relevant to the Company or will not have material effect on its financial statements.

3.2. FUNCTIONAL AND PRESENTATION CURRENCY

The separate financial statements are presented in Czech crowns (CZK), which is the Company´s functional and presentation currency.

3.3. FOREIGN CURRENCY TRANSLATION

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions.

Monetary assets and liabilities expressed as at the balance sheet date in foreign currencies are translated using the closing exchange rate announced by the Czech National Bank for the end of the reporting period, and all foreign exchange gains or losses are recognized in profit or loss under:

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

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

The following exchange rates were used for the preparation of the financial statements:

Closing exchange rates	31.12.2017	31.12.2016
CZK/EUR	25.540	27.020
CZK/PLN	6.114	6.126
CZK/RUB	0.368	0.420
CZK/USD	21.291	25.639
CZK/HRK	3.439	3.575

Average exchange rates	1.1.2017 - 31.12.2017	1.1.2016 - 31.12.2016
CZK/EUR	26.330	27.033
CZK/PLN	6.185	6.198
CZK/RUB	0.401	0.366
CZK/USD	23.382	24.432
CZK/HRK	3.528	3.589

3.4. ACCOUNTING METHODS

3.4.1 TANGIBLE FIXED ASSETS

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

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

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

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

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

DEPRECIATION

Tangible fixed assets, or their significant and separate components, are depreciated using the straight-line method to allocate their costs to their residual values over their economic useful lives. Land is not depreciated. The Company assumes the following economic useful lives for the following categories of fixed assets:

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

3.4.2 LEASES

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

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

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

3.4.3 GOODWILL

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

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

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

3.4.4 INTANGIBLE ASSETS

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

The Company determines whether the economic useful life of an intangible asset is finite or indefinite. A significant part of the Company's intangible assets constitutes trademarks, for most of them, the Company has determined that they have an indefinite useful life. The Company is the owner of some of the leading trademarks in non-alcoholic beverages in Central Europe. As a result, these brands are generating positive cash flow and the Company owns the brands for the long term. The Board considered several factors and circumstances in concluding that these trademarks have indefinite useful lives, such as size, diversification and market share of each brand, the brand's past performance, long-term development strategy, any laws or other local regulations which may affect the life of the assets and other economic factors, including the impact of competition and market conditions. The Company's Management expects that it will acquire, hold and promote trademarks for an indefinite period through marketing and promotional support. The trademarks with indefinite useful lives are tested for impairment at least annually. The trademarks with definite useful lives are amortized.

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

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

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

3.4.5 INVESTMENTS IN SUBSIDIARIES

The Company accounts for investments in subsididaries at cost.

3.4.6 RECOVERABLE VALUE OF FIXED ASSETS

The Company evaluates its assets whether indicators of impairment are present as at each balance sheet date. If there are indications of impairment for goodwill and indefinite life intangible assets, the Company performs a formal estimate of the recoverable amount annually. If the carrying value of a given asset or cash-generating unit exceeds its recoverable amount, it is considered impaired and written down to its recoverable amount. The recoverable amount corresponds to the higher of the following two values: the fair value less cost of disposal, or the value in use of a given asset or cash generating unit. The impairment loss recognised, except for impairment of goodwill, may be reversed in future periods if the asset's value recovers.

3.4.7 FINANCIAL INSTRUMENTS

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

The most significant assets that are subject to the financial instruments accounting policies are:

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

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

The most significant liabilities that are subject to the financial instruments accounting policies:

- loan payables, bonds issued,
- credit payables,
- derivative instruments (options, forward contracts, futures, swap contracts, embedded derivative instruments),
- other financial liabilities.

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

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

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

Financial liabilities are divided into:

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

Classification is based on the nature of the asset and management intention. The Company classifies its assets at their initial recognition, with subsequent reassessment performed as at each reporting date.

FINANCIAL ASSETS

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

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This category includes two groups of assets: financial assets held for trading and financial assets designated initially at fair value through profit or loss. A financial asset is included in the held for trading category if it was acquired in order to be sold in the near term, or if it is part of a portfolio in which a pattern or short-term trading exists, or if it is a derivative instrument with a positive fair value.

This category includes primarily derivative instruments in the Company's balance sheet, as well as debt and equity instruments acquired in order to be resold in the near term.

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

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. Depending on their maturity date, they are included in non-current assets (assets due in more than 1 year after the end of the reporting period) or current assets (assets due within 1 year after the end of the reporting period). Loans and receivables are stated at amortised cost. Included in this category are primarily trade receivables and bank deposits and other cash funds, as well as loans and acquired unlisted debt instruments not included in the other financial assets categories.

FINANCIAL LIABILITIES

Financial liabilities are initially recognised at fair value. Transaction costs are deducted from the amount at initial recognition, except for financial liabilities at fair value through the profit or loss. The transaction costs payable upon a transfer of a financial liability are not added to the subsequent valuation of financial liabilities. The financial liabilities are recognised in the balance sheet when the Company becomes a party to the agreement, out of which the financial liability arises.

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

This category includes two groups of liabilities: financial liabilities held for trading and financial liabilities designated at fair value through profit or loss. Financial liabilities held for trading are liabilities that: have been issued primarily to be transferred or repurchased in near term or are a component of a portfolio of financial instruments that are managed together with a purpose of generating a profit from short-term fluctuations in price or trader's margin or constitute derivative instruments.

The Company's financial liabilities at fair value through profit or loss include primarily derivative instruments with a negative fair value. Financial liabilities at fair value through profit or loss are measured at their fair value at the end of each reporting period, and all gains or losses are recognised as finance income or costs. Derivative instruments are measured at fair value at the end of each reporting period based on valuations performed by the banks realising the transactions. The fair value of debt instruments represents future cash flows discounted at the current market interest rate applicable to similar instruments.

FINANCIAL LIABILITIES STATED AT AMORTISED COST

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

DERECOGNITION OF FINANCIAL ASSETS

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

DERECOGNITION OF FINANCIAL LIABILITIES

The Company derecognises financial liability (or part of a financial liability) when it extinguishes, i.e. when the obligation is discharged, cancelled or expires. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

OFFSETTING

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

3.4.8 TRADE AND OTHER RECEIVABLES

Trade and other financial receivables are carried at amortised cost (i.e. present value discounted using the effective interest rate) net of impairment write downs.

In cases when the effect of the time value of money is significant, the carrying value of a receivable is determined by discounting the expected future cash flows to the present value, using a discounted rate that reflects the current market assessments of the time value of money. Unwinding of the effects of discounting increasing the receivable is recorded as finance income.

Receivables not classified at fair value through profit or loss, are assessed at each reporting date to determine whether there is objective evidence of impairment. Such evidence includes:

- significant financial difficulties of the debtor,
- probability that the debtor will enter bankruptcy or financial reorganisation,
- default or delinquency by the debtor.

An impairment loss is recognised in profit or loss at the difference between an asset´s carrying amount and the present value of the estimated cash flows discounted at the asset´s original effective interest rate.

Receivables not individually impaired are assessed for impairment collectively, grouping receivables with similar risk characteristics. Generally, the Company creates bad debt provision at 100% for receivables overdue by more than 360 days and at 50% for receivables overdue by more than 180 but less than 360 days.

3.4.9 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash at bank and in hand, as well as highly liquid investments that can be readily convertible to known amount of cash and are subject to insignificant changes in the value.

The balance of cash and cash equivalents presented in the separate cash flow statement consists of cash at bank and in hand, as well as short-term deposits with original maturity up to 3 months.

3.4.10 EQUITY

Equity is classified by category and in accordance with binding legal regulations and the Company's Statute.

Share capital is carried at the amount stated in the Statute and in the National Court Register.

Declared but unpaid capital contributions are recorded as unpaid share capital. Treasury shares and unpaid share capital are deducted from the Company's equity.

Other elements of equity are: Share premium, Other reserves, Own shares and Retained earnings/Accumulated deficit.

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

Retained earnings/Accumulated deficit consist of accumulated profit or uncovered loss from previous years (accumulated profit/loss from previous years) and the profit/loss for the period.

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

3.4.11 INTEREST-BEARING BANK CREDITS, LOANS AND ISSUED BONDS

At initial recognition, all bank credits, loans and issued bonds are recorded at their fair value, which corresponds to the received cash funds, less the costs of obtaining the credit or loan or emission of bonds.

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

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

3.4.12 TRADE LIABILITIES AND OTHER LIABILITIES

Financial liabilities constitute a current obligation arising out of past events, the fulfilment of which is expected to result in an outflow of cash or other financial assets.

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

Exchange rate differences resulting from the balance sheet remeasurement of trade payables are recognised in cost of sales.

Non-financial current liabilities are measured at amounts due.

3.4.13 PROVISIONS

Provisions are created when the Company has a present obligation (legal or constructive) arising out of past events, and when it is likely that the fulfilment of this obligation will result in an outflow of economic benefits, and that the amount of the obligation can be reliably measured. If the Company expects that the costs covered by the provision will be refunded, for example based on an insurance policy, then the refund is recognised as a separate asset, but only if it is virtually certain that the refund will be received. The costs relating to a given provision are presented in the income statement net of any refunds. If the time value of money is material, the carrying amount of the provision is determined by discounting the forecasted future cash flows to their present values using a pre-tax discount rate reflecting the current market assessments of the time value of money and any risks associated with the given obligation. Subsequent increases of the provision due to unwinding of discount are presented as interest expense.

3.4.14 EMPLOYEE BENEFITS

PENSION OBLIGATIONS

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

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

3.4.15 REVENUE

Revenue is recognised at the amount of the economic benefits the Company is likely to obtain from a given transaction, and when the amount of revenue can be measured reliably. Revenue is measured excluding value added tax (VAT), excise tax and rebates (discounts, bonuses and other price reductions).

The amount of revenue is measured at the fair value of the consideration received or receivable. Revenue is stated at net present value when the effect of the time value of money is material (in case of payment after 360 days). If revenue is measured at discounted amount, the discount is recognised using the effective interest method as an increase in receivables, and as financial income in profit or loss.

Foreign exchange rate differences resulting from the realisation or the remeasurement of trade receivables are recognised in profit or loss.

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

PROVISION OF SERVICES

Revenue from the provision of services is recognised at the end of the month in which the service was performed with reference to the percentage of completion of the service obligation.

INTEREST

Interest income is recognised gradually using the effective interest method.

DIVIDENDS

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

3.4.16 INCOME TAX

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted as at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by tax authorities.

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

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

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

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

3.4.17 EARNINGS PER SHARE

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

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

3.5. SIGNIFICANT ESTIMATES

Since some of the information contained in the separate financial statements cannot be measured precisely, the Company´s management must perform estimates to prepare the separate financial statements. Management verifies the estimates based on changes in the factors taken into account at their calculation, new information or past experiences. For this reason, the estimates made as at 31 December 2017 may be changed in the future. The main estimates pertain to the following matters:

Estimates	Type of information	Section
Impairment of goodwill and individual tangible and intangible assets	Key assumptions used to determine the recoverable amount: Impairment indicators, used models, discount rates, growth rates.	4.11.1
Impairment of investments in subsidiaries and associates	Key assumptions used to determine the recoverable amount: Impairment indicators, used models, discount rates, growth rates.	4.9.1
Income tax	Assumptions used to recognise deferred income tax assets.	4.7

3.6. APPROVAL OF SEPARATE FINANCIAL STATEMENTS

The Board of Directors approved the present separate financial statements for publication on 23 March 2018.

4. NOTES TO THE SEPARATE FINANCIAL STATEMENTS

4.1. SEGMENT INFORMATION

The Board of Directors of the Company, as the chief decision maker, does not use segment results of the Company, neither in the decision-making process nor in the allocation of resources and assessment of the performance.

4.2. EXPENSES BY NATURE

Expenses by nature	2017 CZK´000	2016 CZK´000
Depreciation of Property, plant and equipment and amortisation of Intangible assets	53 222	57 690
Employee benefits expenses (i)	198 699	166 815
Consumption of materials and energy	9 664	8 203
Services	164 984	158 738
Rental costs	7 372	8 229
Taxes and fees	2 144	2 410
Insurance costs	1 304	2 038
Change in allowances	-	(5 574)
Other costs/(income)	2 995	27 333
Total expenses by nature*	**440 344**	**425 882**
Reconciliation of expenses by nature to expenses by function	**440 344**	**425 882**
Selling, marketing and distribution costs	196 577	174 747
Administrative costs	206 769	217 574
Costs of products and services sold	36 998	33 561
Total costs of products sold, merchandise and materials, sales costs and administrative costs	**440 344**	**425 882**

* excluding Other operating income, Other operating expenses and Impairment

(i) Employee benefits expenses

Employee benefits expenses	2017 CZK´000	2016 CZK´000
Salaries	149 139	119 347
Social security and other benefit costs	17 979	21 575
Pension benefit plan expenses	31 581	25 893
Total employee benefits expenses	**198 699**	**166 815**

Costs in the 2016 period include originally presented costs of Kofola ČeskoSlovensko a.s. and costs of merged companies described in the note 2.1 for the period beginning 12 March 2016.

4.3. OTHER OPERATING INCOME

Other operating income	2017 CZK´000	2016 CZK´000
Net gain from the sale of PPE and intangible assets	195	803
Received penalties and damages	1 238	32
Release of provision	-	411
Compensation claims	-	1 483
Other	699	2 402
Total other operating income	**2 133**	**5 131**

4.4. OTHER OPERATING EXPENSES

Other operating expenses	2017 CZK´000	2016 CZK´000
Provided donations, sponsorship	3 045	2 948
Paid penalties and damages	233	217
Total other operating expenses	**3 278**	**3 165**

4.5. FINANCE INCOME

Finance income	2017 CZK´000	2016 CZK´000
Interest from:		
– bank deposits	1	1 703
– credits and loans granted	10 701	10 130
Exchange gains	-	-
Gain from revaluation of derivatives	20 275	-
Gain from guarantees	1 612	1 694
Total finance income	**32 589**	**13 527**

4.6. FINANCE COSTS

Finance costs	2017 CZK´000	2016 CZK´000
Interest from:		
– bank loans and credits, finance lease and bonds	53 719	57 634
Exchange losses	7 559	5 962
Loss from the sale of shares and other securities	-	10
Bank costs and charges	7 574	4 360
Loss from revaluation of derivatives	-	7 863
Total finance costs	**68 852**	**75 829**

4.7. INCOME TAX

4.7.1 INCOME TAX RECOGNISED IN PROFIT OR LOSS

Main income tax elements for the twelve-month period ended 31 December 2017 and 31 December 2016 were as follows:

Income tax expense	2017 CZK´000	2016 CZK´000
Current income tax	**(7)**	**-**
Deferred income tax	**(791)**	**(5 073)**
Related to arising and reversing of temporary differences	(791)	7 390
Related to tax losses	-	(12 463)
Income tax expense/(benefit)	**(798)**	**(5 073)**

The income tax rate applicable to the Company in 2017 and 2016 income is 19%.

4.7.2 EFFECTIVE TAX RECONCILIATION

Effective tax	2017 CZK´000	2016 CZK´000
Profit / (loss) before income tax	351 465	240 633
Tax at the rate of 19% valid in the Czech Republic	(66 778)	(45 720)
Tax effect of:		
Non-deductible expenses	(46 496)	(62 474)
Non-recognition of deferred tax assets	(5 329)	(21 173)
Non-taxable income*	117 804	129 176
Change in tax status as a result of merger	-	5 264
Income tax (expense)/ benefit	**(798)**	**5 073**
Effective tax rate (%)	**0.23 %**	**(2.11 %)**

* mostly from dividends

4.7.3 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities	31.12.2017		
	Deferred tax assets CZK´000	Deferred tax liabilities CZK´000	Net amount CZK´000
Temporary differences attributable to:			
Property, plant and equipment and Intangible assets	-	(54 573)	(54 573)
Tax losses	13 227	-	13 227
Provisions and payables	2 246	-	2 246
Deferred tax assets / (liabilities)	**15 473**	**(54 573)**	**(39 100)**
Presentation offsetting	(15 473)	15 473	-
Non-current deferred tax assets / (liabilities)	**-**	**(39 100)**	**(39 100)**

Deferred tax assets and liabilities	31.12.2016		
	Deferred tax assets CZK´000	Deferred tax liabilities CZK´000	Net amount CZK´000
Temporary differences attributable to:			
Property, plant and equipment and Intangible assets	-	(59 005)	(59 005)
Tax losses	13 227	-	13 227
Provisions and payables	7 468	-	7 468
Deferred tax assets / (liabilities)	**20 695**	**(59 005)**	**(38 310)**
Presentation offsetting	(20 695)	20 695	-
Non-current deferred tax assets / (liabilities)	**-**	**(38 310)**	**(38 310)**

4.8. EARNINGS PER SHARE

The basic earnings per share ratio is calculated by dividing the profit for the period attributable to owners of Kofola ČeskoSlovensko a.s. by the weighted average number of ordinary shares outstanding during the period.

The diluted earnings per share ratio is calculated by dividing the profit for the period attributable to ordinary shareholders (after deducting the interest on redeemable preferred shares convertible to ordinary shares) by the weighted average number of ordinary shares outstanding during the period (adjusted by the effect of diluting options and own shares not subject to dividends).

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

	2017 CZK´000	2016 CZK´000
Profit for the period attributable to owners of Kofola ČeskoSlovensko a.s.	350 667	245 706

	2017 pcs	2016 pcs
Weighted average number of ordinary shares for EPS calculation	22 295 000	22 295 000
Effect of own shares	(2 708)	(2 341)
Weighted average number of ordinary shares used to calculate basic earnings per share	**22 292 292**	**22 292 659**
Dilution adjustments	-	-
Adjusted weighted average number of ordinary shares used to calculate diluted earnings per share	**22 292 292**	**22 292 659**

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

Basic earnings per share (CZK/share)	2017 CZK´000	2016 CZK´000
Profit for the period attributable to owners of Kofola ČeskoSlovensko a.s.	350 667	245 706
Weighted average number of ordinary shares used to calculate basic earnings per share (pcs)	22 292 292	22 292 659
Basic earnings per share attributable to owners of Kofola ČeskoSlovensko a.s. (CZK)	**15.73**	**11.02**

Diluted earnings per share (CZK/share)	2017 CZK´000	2016 CZK´000
Profit for the period attributable to owners of Kofola ČeskoSlovensko a.s.	350 667	245 706
Adjusted weighted average number of ordinary shares used to calculate diluted earnings per share (pcs)	22 292 292	22 292 659
Diluted earnings per share attributable to owners of Kofola ČeskoSlovensko a.s. (CZK)	**15.73**	**11.02**

4.9. INVESTMENT IN SUBSIDIARIES

Investment in subsidiaries	Ownership interest		Cost		Carrying amount	
Name of entity	31.12.2017 %	31.12.2016 %	31.12.2017 CZK´000	31.12.2016 CZK´000	31.12.2017 CZK´000	31.12.2016 CZK´000
Kofola a.s. (CZ)	100.00%	100.00%	197 498	197 498	197 498	197 498
Kofola a.s. (SK)	100.00%	100.00%	51 023	51 023	51 023	51 023
Hoop Polska Sp. z o.o.	100.00%	100.00%	2 460 176	2 460 176	872 209	1 067 574
SANTA-TRANS s.r.o.	100.00%	100.00%	8 760	8 760	8 760	8 760
UGO Trade s.r.o.	90.00%	90.00%	154 401	111 401	154 401	111 401
RADENSKA d.o.o.	100.00%	100.00%	1 324 280	1 860 411	1 324 280	1 860 411
Premium Rosa Sp.z o.o.	100.00%	100.00%	68 160	-	68 160	-
Alofok Ltd.	100.00%	100.00%	354 450	354 450	68 531	68 531
Option scheme (Kofola a.s. (SK))	n/a	n/a	590	-	590	-
Total investment in subsidiaries			**4 619 338**	**5 043 719**	**2 745 452**	**3 365 198**

The investment in RADENSKA d.o.o. was decreased by CZK 536 131 thousand due to decreased share capital.

4.9.1 IMPAIRMENT TESTING

Investments in subsidiaries were subject of impairment testing.

The Company recorded an impairment of CZK 195 365 thousand (2016: CZK 245 258 thousand) to the financial investment in Hoop Polska, Sp. z o.o., as its recoverable amount calculated as fair value less cost of disposal was below the carrying value. The assumptions of the impairment test model (value in use) were as follows:

- WACC: 9.7% (2016: 10%)
- Infinite growth: 2% (2016: 2%)
- Average EBITDA margin: 5.7% for 2017-2023 (2016: 7.5% for 2016-2022)

Sensitivity analysis: the impairment could be hypothetically reversed by the decrease of annual WACC by 1.3 p.p. (2016: 1.4 p.p.) or increased average EBITDA margin by 1.01 p.p. (2016: 2.03 p.p.)

In 2016, the Company recorded an impairment of CZK 38 172 thousand to the financial investment in Alofok Ltd., as its recoverable amount calculated as fair value less cost to sell was below the carrying value. The assumptions of the impairment test model were as follows:

- WACC: 14.6%
- Infinite growth: 2%
- Average growth: 9.41%

Sensitivity analysis: if the average growth was lower by 10%, the effect on the impairment charged would be CZK 3 966 thousand, if the WACC was higher by 2 p.p., the effect on the impairment charged would be CZK 8 852 thousand.

4.10. PROPERTY, PLANT AND EQUIPMENT

In the reporting period of twelve-months ended 31 December 2017, the additions to tangible assets were of CZK 11 950 thousand. The most significant additions were purchases of cars, computers, land and low-cost equipment.

1.1.2017 - 31.12.2017

Movements in Property, plant and equipment	Land	Plant and equipment	Vehicles	FA under construction	Total
	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000
Cost - opening	**1 699**	**56 126**	**61 521**	**19 347**	**138 693**
Additions	705	5 574	1 975	3 697	**11 950**
Transfers from Fixed assets under construction	-	2 183	-	(2 183)	**-**
Finance lease additions	-	-	-	-	**-**
Sale	-	(652)	(321)	-	**(973)**
Disposal	-	(7 082)	-	-	**(7 082)**
Other decreases	-	-	(4 032)	-	**(4 032)**
Cost - closing	**2 404**	**56 119**	**59 171**	**20 861**	**138 555**
Accumulated depreciation - opening	**-**	**(37 166)**	**(32 821)**	**-**	**(69 987)**
Depreciation charge	-	(8 976)	(10 834)	-	**(19 810)**
Sale	-	603	100	-	**703**
Disposal	-	7 078	-	-	**7 078**
Other movements	-	-	3 653	-	**3 653**
Accumulated depreciation - closing	**-**	**(38 461)**	**(39 901)**	**-**	**(78 362)**
Impairment allowance - opening	**-**	**-**	**-**	**-**	**-**
Impairment allowance - closing					
Net book value – opening	**1 699**	**18 960**	**28 700**	**19 347**	**68 706**
Net book value - closing	**2 404**	**17 658**	**19 271**	**20 861**	**60 193**

1.1.2016 - 31.12.2016

Movements in Property, plant and equipment	Land CZK´000	Plant and equipment CZK´000	Vehicles CZK´000	FA under construction CZK´000	Total CZK´000
Cost - opening	-	-	-	-	-
Merger	1 699	50 899	52 182	412	**105 192**
Additions	-	9 123	10 274	19 214	**38 611**
Transfers from Fixed assets under construction	-	279	-	(279)	-
Finance lease additions	-	-	7 813	-	**7 813**
Sale	-	(283)	-	-	**(283)**
Disposal	-	(3 892)	(935)	-	**(4 827)**
Other decreases	-	-	(7 813)	-	**(7 813)**
Cost - closing	**1 699**	**56 126**	**61 521**	**19 347**	**138 693**
Accumulated depreciation - opening	-	-	-	-	-
Merger	-	(33 082)	(22 981)	-	**(56 063)**
Depreciation charge	-	(8 141)	(11 656)	-	**(19 797)**
Sale	-	143	-	-	**143**
Disposal	-	3 914	341	-	**4 255**
Other movements	-	-	1 475	-	**1 475**
Accumulated depreciation - closing	-	**(37 166)**	**(32 821)**	-	**(69 987)**
Impairment allowance - opening	-	-	-	-	-
Impairment allowance - closing	-	-	-	-	-
Net book value – opening	-	-	-	-	-
Net book value - closing	**1 699**	**18 960**	**28 700**	**19 347**	**68 706**

The investment projects realised by the Company in 2016 comprise primarily new vehicles and sales support equipment.

4.11. INTANGIBLE ASSETS

Movements in Intangible assets (IA) 2017	Goodwill CZK´000	Software CZK ´000	Trademarks and other rights CZK ´000	IA under development CZK ´000	Total CZK ´000
Cost – opening	**30 675**	**143 189**	**382 301**	**16 203**	**572 368**
Additions	-	5 793	-	3 069	8 862
Transfer from IA under development	-	134	13 512	(13 646)	-
Disposal	-	(14 169)	-	-	(14 169)
Cost – closing	**30 675**	**134 947**	**395 813**	**5 626**	**567 060**
Accumulated amortisation - opening	-	**(121 602)**	**(45 382)**	-	**(166 984)**
Amortisation charge	-	(16 394)	(17 019)	-	(33 413)
Disposal	-	14 169	-	-	14 169
Accumulated amortisation - closing	-	**(123 827)**	**(62 401)**	-	**(186 228)**
Impairment allowance – opening	-	-	-	-	-
Impairment allowance – closing	-	-	-	-	-
Net book value – opening	**30 675**	**21 587**	**336 919**	**16 203**	**405 384**
Net book value - closing	**30 675**	**11 120**	**333 412**	**5 626**	**380 833**
Of which:					
Goodwill					**30 675**
Intangible assets					**350 158**

The Goodwill arose on merger with Pinelli spol. s r.o. Amortisation of trademarks and other rights is charged to Selling, marketing and distribution costs.

The value of trademarks includes, among others, the value of such trademarks as: Kofola, Citrocola, Semtex and Erektus.

In the reporting period of twelve-months ended 31 December 2017, the additions to intangible assets were of CZK 8 862 thousand. The most significant additions were purchases of software licence.

Movements in Intangible assets (IA) 2016	Goodwill	Software	Trademarks and other rights	IA under development	Total
	CZK´000	CZK ´000	CZK ´000	CZK ´000	CZK ´000
Cost – opening	-	-	-	-	-
Merger	30 675	134 817	363 298	204	528 994
Additions	-	8 526	19 003	15 999	43 528
Disposal	-	(154)	-	-	(154)
Cost – closing	**30 675**	**143 189**	**382 301**	**16 203**	**572 368**
Accumulated amortisation - opening	-	-	-	-	-
Merger	-	(99 485)	(29 760)	-	(129 245)
Amortisation charge	-	(22 271)	(15 622)	-	(37 893)
Disposal	-	154	-	-	154
Accumulated amortisation - closing	-	**(121 602)**	**(45 382)**	-	**(166 984)**
Impairment allowance – opening	-	-	-	-	-
Impairment allowance – closing	-	-	-	-	-
Net book value – opening	-	-	-	-	-
Net book value - closing	**30 675**	**21 587**	**336 919**	**16 203**	**405 384**
Of which:					
Goodwill					**30 675**
Intangible assets					**374 709**

In the reporting period of twelve-months ended 31 December 2016, the additions to intangible assets were of CZK 43 528 thousand. The most significant additions were purchased brands Inka, Nara, Voćko (within category Trademarks) and Studenac, Studena, Lero (within category Intangibles under development).

4.11.1 IMPAIRMENT TESTING

In impairment testing of trademarks, management of the Company has decided to use fair value less cost to sell method. For the purpose of market valuation, the brand royalty’s method was used. Due to the fact that management is not aware of comparable market transactions, the calculation of fair value less cost to sell for trademarks is based on discounted free cash flows and used the estimated cash-flow projections based on financial plans approved by management of the Company on the basis of plans drawn up by management of the Company for the period until 2022. Costs to sell were assumed as 2% of the fair value of the cash generating unit.

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

TRADEMARKS

THE MAIN TRADEMARK WITH INDEFINITE USEFUL LIVE

Kofola	2017	2016
Royalty rate	6.00%	6.00%
Infinite growth rate	2.00%	2.00%
Discount rate pre-tax	9.10%	7.80%

CARRYING VALUE OF ALL TRADEMARKS

	CZK´000
2017	333 414
2016	350 431

GOODWILL

The Goodwill arose on merger with Pinelli spol. s r.o.

	2017	2016
	CZK´000 / %	CZK´000 / %
Carrying value	30 675	30 675
EBITDA margin	24.72%	21.07%
Infinite growth rate	2.00%	2.00%
Discount rate pre-tax	8.10%	6.90%

Main assumptions adopted by the Management are based on past experience and expectations as for the future market development. Interest rates used are in line with those used when preparing Company's results assumptions. Discount rates are post-tax and include risk related to respective operating segments and trademarks. The Company's management believes that the main assumptions used in impairment tests of cash generating units as at 31 December 2017 are rational and based on the past experience, the Company's development strategy and on market forecasts. The Company's forecasts of future financial results are based on series of assumptions, where those relating to macroeconomic factors and actions taken by the competition, such as foreign exchange rates, prices of raw materials and interest rates are beyond the Company's control.

SENSITIVITY ANALYSIS

Management believes that, in relation to fair value less cost to sell for trademarks Kofola, Citrocola and cash generating unit related to goodwill of Pinelli spol. s r.o., no rational change in the above-adopted assumptions would result in their recoverable amounts being lower than their carrying amounts.

4.12. TRADE AND OTHER RECEIVABLES

Trade receivables and other receivables	31.12.2017		31.12.2016	
	Current	Non-current	Current	Non-current
	CZK´000	CZK´000	CZK´000	CZK´000
Financial assets within Trade and other receivables				
Trade receivables	143 370	-	154 369	-
Other receivables	124 232***	1 098 630**	271 676*	50 329
Provision for impairment of other receivables	(484)	(6 856)	(484)	(6 856)
Principals and bails	1 931		1 803	-
Derivatives	-	4 620	-	-
Total	**269 050**	**1 096 394**	**427 364**	**43 473**
Non-financial assets within Trade and other receivables				
VAT receivable	867	-	6 403	-
Deferred expenses	22 346	-	8 738	-
Prepayments	4 062			
Provision for impairment of other non-financial receivables	(4 062)	-	-	-
Total	**23 213**	**-**	**15 141**	**-**
Trade and other receivables total	**292 263**	**1 096 394**	**442 505**	**43 473**

** mainly short-term loans to related parties (HOOP Polska Sp. z o.o., RADENSKA d.o.o.)*
*** mainly long-term loans to related parties (Loans to related parties are described in 4.23.4)*
**** includes receivables from dividends (CZK 42 882 thousand) and a receivable from a decrease share capital in RADENSKA d.o.o. (CZK 61 216 thousand).*

Provision for impairment of trade and other receivables	2017		2016	
	Trade receivables	Other financial receivables	Trade receivables	Other financial receivables
	CZK´000	CZK´000	CZK´000	CZK´000
As at 1 January	**-**	**7 340**	**-**	**-**
Merger	-	-	5 725	7 189
(Recovery)/Increase of the provision	-	-	(5 725)	151
As at 31 December	**-**	**7 340**	**-**	**7 340**

Further information on transactions with related parties are presented in section 4.23.

Trade receivables are not interest bearing and are usually payable within 30-60 days of recognition.

The risks associated with trade and other receivables, as well as the Company's policy relating to managing such risks, are described in section 4.21.

Information on liens established on receivables to secure credits and loans is presented in section 4.17.

4.13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents	31.12.2017 CZK´000	31.12.2016 CZK´000
Cash in bank and in hand	12 765	27 747
Other	-	2
Total cash and cash equivalents	**12 765**	**27 749**

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

Split by currency	31.12.2017 CZK´000	31.12.2016 CZK´000
in CZK	12 153	20 722
in EUR	550	5 842
in PLN	62	1 181
in USD	-	4
Total cash and cash equivalents	**12 765**	**27 749**

4.14. EQUITY

4.14.1 SHARE CAPITAL AND SHARE PREMIUM

SHARE CAPITAL STRUCTURE

Share capital structure		2017		2016	
Type of shares	Series	Shares pcs	Par value CZK´000	Shares pcs	Par value CZK´000
Ordinary shares of Kofola ČeskoSlovensko a.s.	-	22 295 000	2 229 500	22 295 000	2 229 500
Total		**22 295 000**	**2 229 500**	**22 295 000**	**2 229 500**

Ordinary shares of Kofola ČeskoSlovensko a.s. have a par value of CZK 100. Rights attached to the shares are described in A 7.1.3.

All of the issued shares have been fully paid up.

4.14.2 OTHER RESERVES

Other reserves are created based on statutory requirements (in accordance with binding legal regulations) or voluntarily (in accordance with the entity's by-laws) using funds from generated profits, share premium and contributions made by the shareholders. It is used to cover losses, refund capital contributions, and redeem shares.

Other reserves originated in the cross-border merger from:

- the elimination of investments between the merging entities (described in section 2.1.), and
- the goodwill related to acquisition of Pinelli spol. s r.o.

Other reserves originated from the Option scheme (equity settled transaction - described in A.7.2. (k)):

- the Company granted own shares to own employees and employees of a subsidiary in amount of CZK 2 810 thousand.

4.14.3 OWN SHARES

The Company owns 3 052 (2016: 1 956) of own shares (which represent 0.0002 % of the Company´s share capital, 2016: 0.0001%) in total value of CZK 1 357 thousand (2016: CZK 915 thousand).

Purchases of own shares during the financial year 2017: shares of the value CZK 442 acquired by the Company represent purchase of 1 096 shares (which represents 0.0001 % of the Company´s share capital) traded on the Warsaw Stock Exchange before the Company´s delisting from WSE. The shares have nominal value of CZK 100.

During the financial year 2016, the Company purchased 8 000 of own shares (accounting value CZK 3 743 thousand, nominal value CZK 100, representing 0.002 % of the Company´s share capital) and transferred 6 044 of own shares (accounting value CZK 2 828 thousand, nominal value CZK 100, representing 0.001 % of the Company´s share capital) leading to closing balance of 1 956 shares in accounting value of CZK 915 thousand. The shares were purchased at PSE for the winners of the "Zlaté prasátko" competition and employees of the Group.

4.14.4 RETAINED EARNINGS

Retained earnings	31.12.2017 CZK´000	31.12.2016 CZK´000
Retained earnings excluding profit for the period	44 736	99 971
Profit for the period attributable to owners of Kofola ČeskoSlovensko a.s.	350 667	245 706
Retained earnings	**395 403**	**345 677**

4.14.5 DIVIDENDS

Declared dividends	2017 CZK´000	2016 CZK´000
Declared dividend*	300 941	156 051 ***
Dividend per share (CZK/share) **	13.5	7.0

* net of dividend to own shares
** declared dividend by the number of shares outstanding as of dividend record date
*** interim dividend

4.14.6 EFFECT OF MERGER

The structure of the equity as of 12 March 2016 was formed by consolidation of the equity components of the merging entities (described in section 2.1).

Merger adjustments in 2016 equity movements represent mainly:

- the elimination of investments between the merging entities in the amount of (CZK 6 021 458 thousand),
- the goodwill related to acquisition of Pinelli spol. s r.o. in the amount of CZK 30 675 thousand,
- the reclassification from Other reserves to Retained earnings relating to the dividend fund created from prior period profits at Kofola S.A. in the amount of CZK 37 392 thousand, and
- retained earnings of merged companies in the amount of CZK 230 907 thousand.

4.15. PROVISIONS

Movements in provisions	Provision for personnel expenses (bonuses) CZK´000	Total CZK´000
Balance as at 1 January 2017	**35 977**	**35 977**
Increase due to creation	6 945	6 945
Decrease due to usage/release	(35 977)	(35 977)
Balance as at 31 December 2017	**6 945**	**6 945**
Of which:		
Current part	6 945	6 945
Non-current part	-	-
Balance as at 31 December 2017	**6 945**	**6 945**

4.16. BONDS

On 4 October 2013, according to the resolution of the Board of Directors from 12 August 2013, amended on 25 September 2013, KOFOLA S.A. issued 110 pieces of bonds denominated in Czech crowns with total nominal value of CZK 330 000 thousand.

Bonds issued:

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

Bonds issued have been put on the regulated market of the Prague Stock Exchange, the first listing took place on 7 October 2013.

Own bonds issued	Currency	31.12.2017 CZK´000	31.12.2016 CZK´000	Interest terms	Maturity date
Bonds issued KOFOLA VAR/18	CZK	332 513	330 740	12M PRIBOR + margin	10/2018
Bonds issued total		**332 513**	**330 740**		

INDEBTEDNESS OF THE COMPANY FROM ISSUED BONDS

As at 31 December 2017, the Company has a liability from issued bonds in the total amount of CZK 332 513 thousand. Liabilities from interests and obligations from bonds maturing in October 2018 are disclosed in current liabilities. In 2018, the bonds will be refinanced by a bank loan.

4.17. BANK CREDITS AND LOANS

INDEBTEDNESS OF THE COMPANY FROM THE CREDITS AND LOANS

As at 31 December 2017, the Company's total bank loans and credits amounted to CZK 1 995 599 thousand.

The new Facility loan agreement (which refinanced current loans and a loan for financing RADENSKA d.o.o. acquisition) with carrying amount of CZK 1 644 571 thousand as at 31 December 2017 is a main component of Company´s liabilities. The reason for the execution of the Facility loan agreement was a consolidation of group financing to ensure strategic development, taking advantage of the favourable conditions of financial market and reduction of total financial cost.

CREDIT TERMS AND TERMS AND CONDITIONS

Based on credit agreements, the Company is required to meet specified covenants. Credit agreements ended in the current reporting period have been extended for the next periods. In accordance with the requirements of IAS 1, a breach of credit terms that may potentially limit unconditional access to credits in the nearest year makes it necessary to classify such liabilities as current.

All bank loan covenants were met.

31.12.2017

Financing entity	Credit currency	Credit / limit amount FCY´000	Face value CZK´000	Carrying amount * CZK´000	Interests terms	Maturity date	Collateral
Česká spořitelna, a.s.	CZK	500 000	345 923	345 923	margin	8/2020	buildings, receivables, movable asset
ČSOB, a.s. + Česká spořitelna, a.s.	CZK	1 662 905	1 662 905	1 644 571	margin	8/2024	buildings, receivables, movable asset
s Autoleasing, a.s. (12pcs)	CZK	3 730	1 188	1 188	margin	8/2019	funded property
s Autoleasing, a.s. (5 pcs)	CZK	5 343	2 213	2 213	margin	12/2019	funded property
s Autoleasing, a.s. (8 pcs)	CZK	5 169	1 704	1 704	margin	7/2019	funded property
Total credits and loans			**2 013 993**	**1 995 599**			
Out of it non-current				1 444 883			
Out of it current				550 716			

** Carrying amount of borrowings on variable interest rate approximates fair value.*

31.12.2016

Financing entity	Credit currency	Credit / limit amount FCY´000	Face value CZK´000	Carrying amount * CZK´000	Interests terms	Maturity date	Collateral
ČSOB, a.s.	CZK	50 000	30 702	30 702	1M PRIBOR + margin	11/2019	buildings
ČSOB, a.s. + Česká spořitelna, a.s.	CZK	1 712 914	1 718 914	1 714 160	3M PRIBOR + margin	3/2024	bill of exchange, pledge of shares, receivables
Oberbank Leasing spol. s r.o.	CZK	484	32	32	margin	3/2017	funded property
Oberbank Leasing spol. s r.o.	CZK	1 004	111	111	margin	5/2017	funded property
Oberbank Leasing spol. s r.o.	CZK	1 020	157	157	margin	7/2017	funded property
Oberbank Leasing spol. s r.o. (5pcs)	CZK	5 024	223	223	margin	2/2017	funded property
s Autoleasing, a.s. (12pcs)	CZK	3 730	1 877	1 877	margin	8/2019	funded property
s Autoleasing, a.s. (5 pcs)	CZK	5 343	3 279	3 279	margin	12/2019	funded property
s Autoleasing, a.s. (8 pcs)	CZK	5 169	2 745	2 745	margin	7/2019	funded property
Total credits and loans			**1 758 040**	**1 753 286**			
Out of it non-current				676 268			
Out of it current				1 077 018			

** Carrying amount of borrowings on variable interest rate approximates fair value.*

4. NOTES TO THE SEPARATE FINANCIAL STATEMENTS

PLEDGES OF THE COMPANY

Pledges of the Company	31.12.2017		31.12.2016	
	Cost	Net book value	Cost	Net book value
	CZK´000	CZK´000	CZK´000	CZK´000
Investment in subsidiaries	3 938 857	2 350 890	-	-
Cash in bank	12 575	12 575	-	-
Total	**3 951 432**	**2 363 465**	**-**	**-**

4.18. TRADE AND OTHER PAYABLES

Trade and other payables Other financial liabilities	31.12.2017		31.12.2016	
	Current	Non-current	Current	Non-current
	CZK´000	CZK´000	CZK´000	CZK´000
Financial liabilities within trade payables and other financial liabilities				
Trade liabilities	33 654	-	32 582	-
Liabilities for purchased property, plant and equipment	6 381	-	10 340	-
Liabilities for purchased intangible assets	-	-	5 043	-
Derivatives (i)	-	-	-	15 655
Accrued liabilities, other creditors and other financial liabilities	16 473	-	22 719	-
Total	**56 509**	**-**	**70 684**	**15 655**
Non-financial liabilities within trade and other payables				
Payables to employees	14 261	-	10 449	-
Other	4 684	-	8 299	-
Total	**18 945**	**-**	**18 748**	**-**
Trade, other payables and other financial liabilities total	**75 454**	**-**	**89 432**	**15 655**

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

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

(i) Derivatives

The Company has concluded interest rate swaps. These derivatives are classified as held for trading and accounted for at fair value through profit or loss.

4.19. FUTURE COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

As at 31 December 2017 the Company provided the following guarantees for other entities:

Entity providing guarantees	Entity receiving guarantees	Currency	Guarantee amount FCY´000	Guarantee amount CZK´000	Guarantee period	Guarantees provided for	Relationship
Kofola ČeskoSlovensko a.s.	Unicredit Bank a.s.	EUR	3 787	96 720	12/2022	Santa-Trans.SK s.r.o.	third party*
	City-Arena PLUS a.s.	EUR	7	179	8/2020	UGO Trade s.r.o.	subsidiary
Total guarantees issued				**96 899**			

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

4.20. FINANCE LEASE

The Company uses items of property, plant and equipment (mainly vehicles and various types of machines and equipment) based on finance lease agreements.

Net book value of finance lease assets	Leased assets with purchase option	Leased assets without purchase option	Total
	CZK´000	CZK´000	CZK´000
As at 31 December 2017	9 620	-	9 620
As at 31 December 2016	14 656	-	14 656

The net carrying amount at the end of the reporting period by classes of assets is provided below:

Net carrying amount by classes of assets	31.12.2017	31.12.2016
	CZK´000	CZK´000
Plant and equipment	-	1 186
Vehicles	9 620	13 470

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

Future minimum lease payments	31.12.2017	31.12.2016
	CZK´000	CZK´000
Nominal value of minimum lease payment		
In one-year period	3 737	5 102
In period from one to five years	6 024	9 950
Total finance lease liabilities - total minimum lease payments	**9 761**	**15 052**
Finance costs of finance lease	190	430
Present value of minimum lease payments		
In one-year period	3 664	4 957
In period from one to five years	5 907	9 665
Total present value of minimum lease payments	**9 571**	**14 622**

4.21. FINANCIAL RISK MANAGEMENT

The Company's primary financial instruments consist of cash and cash equivalents and loans. The main goal of holding such financial instruments is to obtain funds for business operations, or to invest the Company's available funds. In addition, the Company has other financial instruments, such as trade receivables and payables that arise as part of its operations. The accounting methods relating to those instruments are described in section 3.4.

It is the Company's policy – now and throughout the reporting periods presented in these financial statements – not to trade in financial instruments.

The Company's activities are exposed to several types of financial risk: market risk (including foreign exchange risk, and cash-flow risk relating to changes in interest rates), credit risk and liquidity risk. In addition, the Company monitors the market prices risk relating to all of its financial instruments. Risks are managed by the Company's management, which recognises and assesses the above financial risks. The general risk management process is focused on the unpredictability of financial markets, and the Company tries to minimise any potential adverse effects on its financial results. The Company uses derivative financial instruments to hedge against certain types of risk, providing that the hedging instruments are considered to be cost effective. Management verifies and agrees the risk management methods with regard to every type of risk. A short description of these methods is presented below.

4.21.1 INTEREST RATE RISK

Interest rate risk is a risk that the fair value or future cash flows from a financial instrument will change due to changes in interest rates. The Company places its free funds on variable interest rate deposits, which would bring the profits down if the interest rates fall. Trade receivables and payables are not interest bearing and have due dates of up to one year.

Management of the Company monitors its exposure to interest rate risk and interest rate forecasts.

If interest rates at the balance sheet date had been 100 basis points lower with all other variables held constant, profit for the year 2017 would have been CZK 5 449 thousand higher (2016: CZK 17 182 thousand higher), mainly as a result of lower interest expense on variable interest for financial liabilities. If interest rates had been 100 basis points higher with all other variables held constant, profit for 2017 would have been CZK 5 449 thousand lower (2016: CZK 17 182 thousand lower), mainly as a result of higher interest expense on variable interest financial liabilities.

4.21.2 CURRENCY RISK

The Company is exposed to the risk of changes in foreign exchange rates, mainly due to foreign exchange payables. The currency risk relates primarily to the EUR and PLN exchange rate in relation to CZK. The Company's exposure associated with other currencies is immaterial.

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

Currency risk impact on profit or loss	31.12.2017 CZK´000	31.12.2016 CZK´000
EUR strengthening by 3%	2 326	3 711
EUR weakening by 3%	(2 326)	(3 711)
PLN strengthening by 3%	792	4 643
PLN weakening by 3%	(792)	(4 643)

4.21.3 CREDIT RISK

Credit risk arises from cash deposits in banks along with other short-term deposits, as well as from trade and other financial receivables.

The Company undertakes activities aimed at limiting credit risk, consisting of checking the creditworthiness of its customers, setting credit limits, insuring selected receivables and monitoring the customers' financial position. An analysis of ageing structure of trade and other financial receivables as well as of the division of trade and other financial receivables by customers' size assist with the credit risk management.

TRADE AND OTHER FINANCIAL RECEIVABLES

The Company is exposed to credit risk, defined as a risk that its debtors will not meet their obligations and thus cause the Company to incur losses.

Presented below is the ageing structure of receivables:

Credit risk	31.12.2017		31.12.2016	
	Trade receivables	Other financial receivables	Trade receivables	Other financial receivables
Neither past due nor impaired	CZK´000	CZK´000	CZK´000	CZK´000
Third parties	2 108	67 317	684	75 362
Small companies	2 108	67 317	684	75 362
Intercompany	30 497	1 154 757	153 337	241 106
Total neither past due nor impaired	**32 605**	**1 222 074**	**154 021**	**316 468**
Past due but not impaired				
- over 180 days overdue	15	-	-	-
- over 360 days overdue	270	-	348	-
Intercompany	110 480	-	-	-
Total past due but not impaired	**-**	**-**	**348**	**-**
Individually determined to be impaired (gross)				
- 181 to 360 days overdue	-	-	-	151
- over 360 days overdue	-	7 340	-	7 189
Total individually impaired (gross)	**-**	**7 340**	**-**	**7 340**
Less impairment provision (-)	**-**	**(7 340)**	**-**	**(7 340)**
Total	**143 370**	**1 222 074**	**154 369**	**316 468**

Subject to the above, management believes that the credit risk has been accounted for in the financial statements through the creation of appropriate allowances. Intercompany receivables do not carry credit risk.

CASH AND CASH EQUIVALENTS

With regard to the Company's other financial assets, such as cash and cash equivalents, credit risk arises as a result of the other party's inability to pay, and the maximum amount of the Company's exposure to this risk is equal to the balance sheet value of these amounts.

The credit risk associated with bank deposits is considered to be immaterial, as the Company has concluded transactions with institutions that have a sound financial position.

Credit quality of cash in bank and in hand	31.12.2017	31.12.2016
Credit rating	CZK´000	CZK´000
A2	11 477	26 606
Not on watch	1 099	1 100
Cash in hand	189	41
Total cash in bank and in hand	**12 765**	**27 747**

4.21.4 LIQUIDITY RISKS

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

Management of the Company monitors the risk of insufficient funds by adjusting the structure of financing to prediction of future cash flows (planned investment included), diversifying of sources of financing and by keeping sufficient level of available credit lines. Current liabilities exceed current assets, neverhless, the Company´ s business plan is based on future cash inflows from dividends, licence fees, shared service fees and repayments of loans to related parties. The management is not aware of any going concern risk.

It is the Company's objective to maintain a balance between financing continuity and flexibility, by using various financing sources, such as credits, bonds, loans and finance lease agreements. The Company controls its financial liabilities so that in each given period the amount of liabilities due within the next 12 months does not pose a threat for the Company's ability to meet its financial obligations.

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

Future cash outflows related to financial liabilities:

Contractual cashflows of financial liabilities as at 31 December 2017	Less than 3 months	Between 3-12 months	Between 1-2 years	Between 2-5 years	Over 5 years	Total contractual cash-flows	Total carrying amount
	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000
Trade liabilities	33 605	50	-	-	-	33 655	33 655
Bank credits and loans	67 720	542 654	240 404	735 772	696 984	2 283 534	1 995 599
Bonds issued	-	345 840	-	-	-	345 840	332 513
Finance lease liabilities	916	2 748	3 316	2 781	-	9 761	9 571
Other financial liabilities	22 854	-	-	-	-	22 854	22 854
Total	**125 095**	**891 292**	**243 720**	**738 553**	**696 984**	**2 695 644**	**2 394 192**

Contractual cashflows of financial liabilities as at 31 December 2016	Less than 3 months	Between 3-12 months	Between 1-2 years	Between 2-5 years	Over 5 years	Total contractual cash-flows	Total carrying amount
	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000
Trade liabilities	23 901	8 681	-	-	-	32 582	32 582
Bank credits and loans	41 260	1 082 677	135 106	572 387	-	1 831 430	1 753 286
Bonds issued	-	18 706	341 370	-	-	360 076	330 740
Finance lease liabilities	1 352	3 646	3 771	6 283	-	15 052	14 622
Other financial liabilities	38 102	-	-	-	15 655	53 757	53 757
Total	**104 615**	**1 113 710**	**480 247**	**578 670**	**15 655**	**2 292 897**	**2 184 987**

4.22. FINANCIAL INSTRUMENTS

4.22.1 FINANCIAL INSTRUMENTS CATEGORIES

Fair value of Trade receivables, Other financial receivables, Cash and cash equivalents, Trade liabilities and Other financial liabilities is close to carrying amounts since the interest payable on them is either close to market rates or they are short-term.

31.12.2017	Financial assets at amortised cost CZK´000	Derivatives at fair value through profit or loss CZK´000	Financial liabilities at amortised cost CZK´000	Total CZK´000
Trade and other financial receivables	1 360 824	-	-	1 360 824
Cash and cash equivalents	12 765	-	-	12 765
Derivatives (i)	-	4 620	-	4 620
Bank credits and loans	-	-	(1 995 599)	(1 995 599)
Bonds issued	-	-	(332 513)	(332 513)
Trade and other financial payables	-	-	(56 509)	(56 509)
Total	**1 373 589**	**4 620**	**(2 384 621)**	**(1 006 412)**

(i) Fair value of derivatives

The Company has concluded interest rate swap. These derivatives are classified as held for trading and accounted for at fair value through profit or loss.

Measured derivatives are not traded in active markets, however all significant inputs required for fair value measurement are observable and as such the Company has included this instrument in Level 2 of fair value hierarchy levels.

31.12.2016	Financial assets at amortised cost CZK´000	Derivatives at fair value through profit or loss CZK´000	Financial liabilities at amortised cost CZK´000	Total CZK´000
Trade and other financial receivables	470 837	-	-	470 837
Cash and cash equivalents	27 749	-	-	27 749
Derivatives (ii)	-	(15 655)	-	(15 655)
Bank credits and loans	-	-	(1 753 286)	(1 753 286)
Bonds issued	-	-	(330 740)	(330 740)
Trade and other financial payables	-	-	(70 684)	(70 684)
Total	**498 586**	**(15 655)**	**(2 154 710)**	**(1 671 779)**

(ii) Fair value of derivatives

The Company has concluded interest rate swap. These derivatives are classified as held for trading and accounted for at fair value through profit or loss.

Measured derivatives are not traded in active markets, however all significant inputs required for fair value measurement are observable and as such the Company has included this instrument in Level 2 of fair value hierarchy levels.

4. NOTES TO THE SEPARATE FINANCIAL STATEMENTS

4.23. RELATED PARTY TRANSACTIONS

4.23.1 SHAREHOLDERS STRUCTURE

Share capital structure	2017			2016		
Name of entity	Number of shares	% in share capital	% in voting rights	Number of shares	% in share capital	% in voting rights
AETOS a.s.	15 159 204	68.00	71.58	-	-	-
KSM Investment S.A.	-	-	-	11 321 383	50.78	50.78
CED GROUP S. a r.l.	4 673 445	20.96	22.07	8 311 196	37.28	37.28
René Musila	-	-	-	581 231	2.61	2.61
Tomáš Jendřejek	-	-	-	581 190	2.61	2.61
RADENSKA d.o.o.	1 114 109	5.00	-	-	-	-
Others	1 500 000	6.04	6.35	1 500 000	6.72	6.72
Total	**22 295 000**	**100.00**	**100.00**	**22 295 000**	**100.00**	**100.00**

As of 31 December 2017, the ultimate controlling party is KSM Investment S.A., with registered office Rue de Neudorf 560A, L-2220 Luxembourg.

KSM Investment S.A. ("KSM"), René Musila and Tomáš Jendřejek restructured their shareholdings in Kofola ČeskoSlovensko a.s. (“Kofola”) and transfered their shares in Kofola to AETOS a.s., a newly established wholly owned subsidiary of KSM. René Musila and Tomáš Jendřejek became shareholders of AETOS a.s. As of 10 August 2017, AETOS a.s. purchased 2 675 400 shares of Kofola representing 12 % of Kofola's share capital from CED GROUP S.à r.l. AETOS a.s., owned by the Samaras family and other founders owns 68 % of Kofola´s shares as of 31 December 2017.

Purchase of 5 % of Kofola´s shares by RADENSKA d.o.o. is described in section B 4.15.4.

Subsequently, KSM (which is currently owned by Czech nationals) intends to merge into AETOS a.s.

4.23.2 SUBSIDIARIES AND ASSOCIATES

Interests in subsidiaries and associates are set out in section 2.2.

4.23.3 REMUNERATION OF THE COMPANY'S KEY MANAGEMENT PERSONNEL

Presented below is the structure of the remuneration of Company´s key management personnel in 2017.

Remuneration of the Company´s key management personnel	compensation	Members of the Company´s Board of Directors CZK´000	Members of the Company´s Supervisory board CZK´000	Members of the Company´s Audit committee CZK´000	Other key management personnel CZK´000	Total CZK´000
Amounts paid for activities in the Company´s Board of Directors	Financial	6 822	-	-	-	**6 822**
	Non-financial	471	-	-	-	**471**
Amounts paid for activities in the Company´s Supervisory board	Financial	-	1 195	-	-	**1 195**
	Non-financial	-	-	-	-	**-**
Amounts paid for activities in the Company´s Audit committee	Financial	-	-	177	-	**177**
	Non-financial	-	-	-	-	**-**
Amounts paid for other activities	Financial	15 162	5 437	-	8 799	**29 398**
	Non-financial	544	420	-	202	**1 166**
Expense from equity settled transactions	Option scheme	1 168	211	-	841	**2 221**
Number of Pair shares vested on 31.12.2017 [pcs.]	Option scheme	7 908	1 430	-	5 695	**15 033**

4.23.4 OTHER RELATED PARTY TRANSACTIONS

Presented below are the total amounts of transactions concluded with the Company's related parties:

Other related party transactions	Profit or loss impact 2017		Balance as at 31.12.2017	
	Revenues*	Costs	Assets**	Liabilities
	CZK´000	CZK´000	CZK´000	CZK´000
Alofok Ltd.	-	-	1 200	-
Hoop Polska Sp. z o.o.	13 598	(3 522)	260 275	-
Kofola a.s. (CZ)	186 366	-	574 850	-
Kofola a.s. (SK)	157 693	(18 042)	145 258	-
Premium Rosa Sp. z o.o.	-	-	30 944	-
RADENSKA d.o.o.	34 010	(800)	179 644	-
Radenska, d.o.o. (HR)	25	-	-	-
SANTA-TRANS s.r.o.	1 373	(766)	21 791	(152)
Studenac d.o.o.	11 938	(5 436)	11 839	(5 436)
UGO trade s.r.o.	10 360	(68)	69 934	(3)
Total	**415 363**	**(28 634)**	**1 295 735**	**(5 591)**

* including financial revenues
** including Loans provided to related parties (described below)

Other related party transactions	Profit or loss impact 2016		Balance as at 31.12.2016	
	Revenues*	Costs	Assets**	Liabilities
	CZK´000	CZK´000	CZK´000	CZK´000
Alofok Ltd.	-	-	811	-
Hoop Polska Sp. z o.o.	6 113	(3 153)	207 954	-
Kofola a.s. (CZ)	185 954	(3 327)	1 174	(143)
Kofola a.s. (SK)	151 579	(30 426)	132 267	-
KSM Investment S.A.	-	-	-	(10 916)
Radenska, d.o.o.	46 167	(68)	46 466	(28)
SANTA-TRANS s.r.o.	2 749	(822)	615	-
UGO Trade s.r.o.	1 880	(14)	5 156	(14)
Total	**394 442**	**(37 810)**	**394 443**	**(11 101)**

* including financial revenues
** including Loans provided to related parties (described below)

The Company acts as a holding company and as such, provides certain services for the other companies in Kofola Group. This comprises, in particular, the provision of:

- strategic services, including: cooperation in the preparation of business, marketing, production, investment and financing plans, management of subsidiaries, including their financing;
- services related to products (quality department), including: central product development, innovation process management, costing and pricing, production and logistics planning, quality control;
- shared services, including: preparation and management of accounting and reporting methods, controlling and reporting, IT services, legal services, back office services, internal audit; and
- licenses and trademarks: Kofola ČeskoSlovensko a.s. owns most licenses, trademarks for branded beverages and similar copyrights for the products distributed on the CzechoSlovak market, for which the other Group Companies pay royalties.

Receivables from Loans provided to related parties *	31.12.2017 Long-term CZK´000	Short-term CZK´000	Maturity	31.12.2016 Long-term CZK´000	Short-term** CZK´000	Maturity
Alofok Ltd.	766	-	9/2019	811	-	9/2019
Hoop Polska Sp. z o.o.	255 679	-	12/2020	-	198 615	12/2017
Kofola a.s. (CZ)	355 373	-	12/2020	-	-	n/a
Kofola a.s. (CZ)	134 608	-	8/2024	-	-	n/a
Kofola a.s. (SK)	80 491	-	8/2024	-	-	n/a
Premium Rosa Sp. z o.o.	30 570	-	12/2022	-	-	n/a
RADENSKA d.o.o.	114 769	-	12/2020	-	37 898	12/2017
SANTA-TRANS s.r.o.	20 035	-	12/2020	-	-	n/a
SANTA-TRANS s.r.o.	1 754	-	8/2024	-	-	n/a
UGO trade s.r.o.	54 961	-	12/2020	-	-	n/a
Total	**1 049 006**	**-**		**811**	**236 513**	

* including interest
** presented in Trade and other receivables

Interest rates from loans provided to related parties are concluded at market terms and fixed. The loans are not pledged. Loans provided to related parties are connected with the new Facility loan agreement (described in A4.1.4.) which refinanced current loans and a loan for financing RADENSKA d.o.o. acquisition. The reason for the excecution of the Facility Loan Agreement was a consolidation of Group financing. Current bank loans in Company´s subsidiaries were repaid and refinanced by a loan from the Company. All transactions with related parties have been concluded at market terms.

4.24. CASH AND NON-CASH FINANCIG ACTIVITIES

Net debt reconciliation	Liabilities from financing activities: Bank credits and loans	Bonds	Financial Leasing	Cash and cash equivalents	Net debt
As at 1.1.2017	**1 753 286**	**330 740**	**14 622**	**(27 749)**	**2 070 899**
Proceeds from loans and bank credits received	2 579 482	-	-	-	2 579 482
Repayment of loans and bank credits	(2 323 589)	-	-	-	(2 323 589)
Change in amortized costs	(13 580)	-	-	-	(13 580)
Repayment of financial leasing liabilities	-		(5 051)	-	(5 051)
Bond interest paid	-	(15 180)	-	-	(15 180)
Bond interest accrued	-	16 953	-	-	16 953
Cash flows	-	-	-	14 984	14 984
As at 31.12.2017	**1 995 599**	**332 513**	**9 571**	**(12 765)**	**2 324 918**

4.25. ACQUISITION OF SUBSIDIARY

ACQUISITION OF SUBSIDIARY PREMIUM ROSA

Kofola ČeskoSlovensko a.s. acquired on 10 July 2017 a 100% business share in the company Premium Rosa Sp. z o.o based in Złotokłos, Poland. The company operates in the premium segment and produces high quality natural products such as syrups, juices and jams. The Cost of acquisition was in amount of CZK 61 980 thousand. The acquisition is described in section B.4.19.

On 12 July 2017, Kofola increased the financial investment in Premium Rosa Sp. z o.o. by increase of equity outside the share capital in amount of CZK 6 180 thousand.

4.26. SUBSEQUENT EVENTS

ACQUISITION OF SUBSIDIARY LEROS

On March 13, 2018, the Company concluded an agreement to purchase a 100% stake in LEROS, s.r.o., producer of high quality products from medicinal plants and quality natural teas.

No other events have occurred after the end of the reporting period that would require adjusting the amounts recognised and disclosures made in the separate financial statements.

23.3.2018	**Janis Samaras**	**Chairman of the Board of Directors**	
date	*name and surname*	*position/role*	*signature*
23.3.2018	**René Musila**	**Member of the Board of Directors**	
date	*name and surname*	*position/role*	*signature*
23.3.2018	**Tomáš Jendřejek**	**Member of the Board of Directors**	
date	*name and surname*	*position/role*	*signature*
23.3.2018	**Daniel Buryš**	**Member of the Board of Directors**	
date	*name and surname*	*position/role*	*signature*
23.3.2018	**Jiří Vlasák**	**Member of the Board of Directors**	
date	*name and surname*	*position/role*	*signature*
23.3.2018	**Marián Šefčovič**	**Member of the Board of Directors**	
date	*name and surname*	*position/role*	*signature*


Chito
jupí
RAJEC
kofola
Vinea