KOFOLA ČESKOSLOVENSKO A.S.
CONSOLIDATED ANNUAL REPORT 2016

kofola ČeskoSlovensko

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RAJEC
kofola


RAJEC.
kofola

KOFOLA GROUP

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

CZK 7.0 BN 2016
REVENUES

7
PRODUCTION PLANTS

2 100
EMPLOYEES

LISTED ON
PRAGUE STOCK EXCHANGE
WARSAW STOCK EXCHANGE

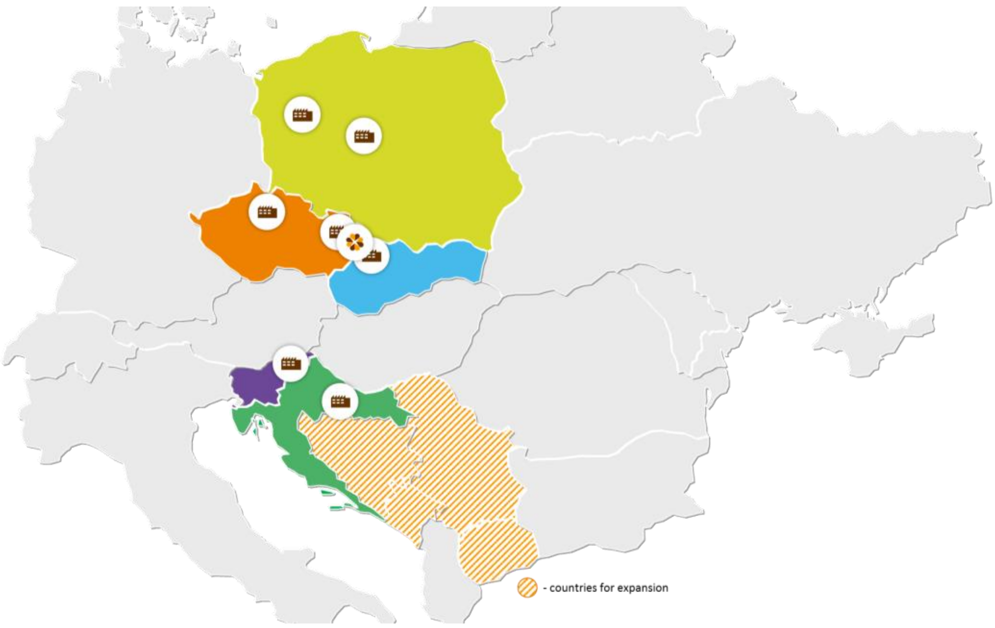
- no. 2 player in the soft drinks market
- Kofola and Jupí the most trustful brands in 2016 survey
- 3rd most admired company in 2016 survey

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

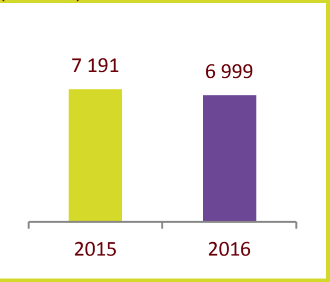
- no. 1 player in the soft drinks market in both Retail & HoReCa

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

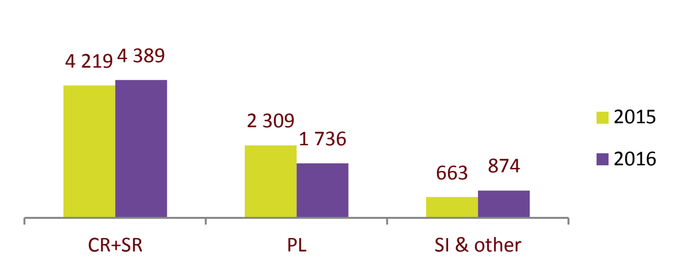
- production and distribution of PepsiCo products
- no. 2 water brand
- no.2 syrup brand



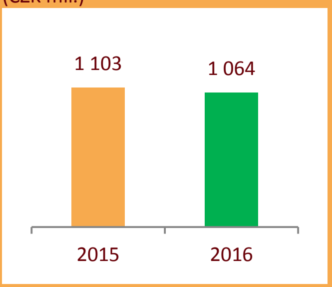
Revenue
(CZK mil.)



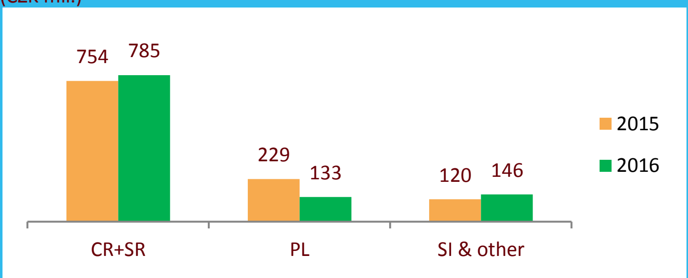
Revenue per countries
(CZK mil.)



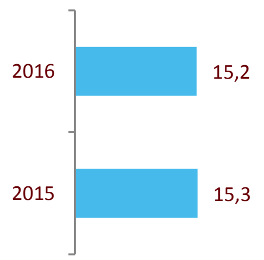
EBITDA
(CZK mil.)



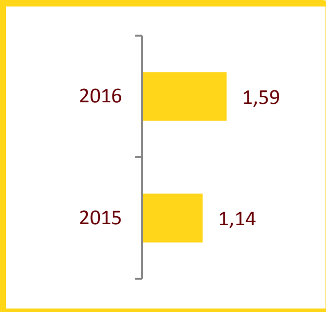
EBITDA per countries
(CZK mil.)



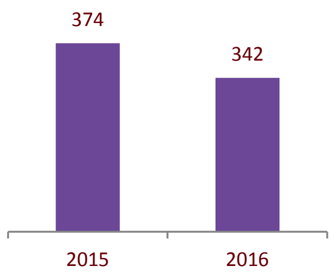
EBITDA margin
(%)



Net debt / EBITDA



Profit for the period
(CZK mil.)



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 3.1.

2. CHAIRMAN´S STATEMENT

Dear shareholders,

I would like to introduce you the results of our work in 2016. We imaginarily plan to achieve very high results. The year 2015 was quite successful due to contribution of extremely hot summer, which naturally can´t be repeated. Due to that, the expectations for 2016 were really high. We set ourselves the objective to confirm the results from previous year. The imaginary line was trembling for a very long time, but finally we evaluate the achieved result positively. We maintained our economic performance and made significant steps to support our long-term vision. I consider the year 2016 as the challenging one, which required extraordinary demands for all employees and I would like to thank to them this way.

I am very pleased that we can report to the shareholders Net Profit in amount of CZK 342.1 million. Although this amount is lower by 8.5 % than in 2015, it confirms high profitability and good health of our Company. The adjusted operating indicator EBITDA reached to CZK 1 064.4 million which was almost the historical maximum from 2015 amounted to CZK 1 102.6 million. We reported a yearly decrease by 3.5 %. The look at the results and performance of the year 2016 is influenced by radical change of our business model in Poland. If we take into consideration the EBITDA of the Group without Poland, we may see increase by 6.6 %. But, here, in Kofola we are not playing on any „if“. In the 2017 the project of changes will be accomplished and Poland will come a part of group´s growth.

From macroeconomic perspective, our region is enjoying a successful period. The economies of the Central and Southeastern Europe are growing faster than the EU average. This positive development is transferred into the consumption of non-alcoholic drinks. Growth of the market can be measured by the whole units of percentage. More accurately we can speak about situation of stabilizing than about real increase in consumption. Based on our experience in the customer´s behavior and shopping preferences in soft drinks, we may see that the growth of consumption in compare with overall recovery of the economy is slightly delayed. We register repeated increase in the ratio of sales promotions as unpleasant fact. We do not expect any change in this long-term trend. Especially in the retail segment where environment is extraordinarily competitive. Our receipt to deal with it are strong brands, innovations, sophisticated promotion management and increase in our market share by sales outside of retail.

Our drinks became more and more popular for the customers. We earned for them beautiful amount of CZK 6.999 million. Please do not ask me why we did not add a one million more. Total sales are showing a decrease by 2.7 %. In compare to extraordinary hot summer in last year it is a very positive result. Total sales of acquisition in Adriatic region, the expansion of the concept of healthy drinks UGO and growth in sales on the main Czechoslovak market are behind of this positive result. Changes made in Poland cost more than 20 % of the local sales. Abstracting sales in Poland, the Group´s sales increased by 7.8 %. We are continuing in our strategy and invest considerable effort and financial resources to the segment of On Premise (HoReCa) and On-the-go. Total sales of these special formats reached a record volume of 1.8 bil. CZK and the growth of almost 8%. Our strategic objective is to become a leader in this segment. This is continuously transferring also to the Adriatic region. Consumers in HoReCa segment require unique products and experience which Kofola complete fulfils. The right example is a limited edition of our brand Vinea - Moravian Muscat produced from local varieties of wine.

Year 2016 fully confirmed the correctness of our acquisition strategy. Mineral water Radenska in combination with other brands brings significant growth in sales. In 2016 are sales of this region amounted to CZK 816.7 million, which represents an increase by 11.9 %. The acquisition of Radenska has not only commercial importance for the Group. Thanks to this acquisition, Kofola learned how to entrance to distant foreign markets and is ready for further international expansion. At the very end of 2016 we could welcome a very tasty brand of mineral water Studenac, which has tradition since 1875 and moving us to Croatia. With support of Studenac and other Croatian brands we assume that we double turnover in Adriatic region by next year.

Already mentioned changes in Polish business model will bring us the maximum promotion of own brands together with the optimal setting of production capacities. In 2016, due to this fact we were forced to shut down one factory. The change of management was implemented and the Company is undergoing process of significant changes.

2. CHAIRMAN´S STATEMENT

We are more and more pleased with UGO brand which has already established a place on the market and became the preferred healthy opposite to the classic fast foods chains. Fresh fruit and vegetable juices, fresh bars and salad bars have continued in expansion last year. Year to year growth of sales represents 53 %. At the end of 2016 we were running 73 bars and it´s not over yet, this healthy ride continues.

Long term investments into modern technology and production processes are positively reflected in cost area. Cost management system is ready to face the adverse market developments in the area of raw materials. Repeated price fluctuations of sugar were successfully eliminated. The level of gross margin remained unchanged and reaches level of 39.8%.

The financial position of Company is highly stable and Net Debt reaches CZK 1 688.7 million which represents the level of indebtedness as ratio Net Debt/EBITDA figure of 1.59. Total amount of dividend paid to shareholders in 2016 was CZK 156 million. We accomplished the acquisition in Croatia and invested into production and to our brands.

During the 2016 we successfully completed the project of streamlining of the group structure through cross boarder merger of Kofola ČeskoSlovensko, Kofola S. A., Kofola družba, Pinelli and Kofola CS.

For the following period, we expect further positive effect of growing macroeconomic indicators in our region. We are ready to deal with increasing prices of sugar and PET granulate. We have prepared a major innovation and marketing strategies to support our market position. We will integrate the Croatian acquisition and complete the project of business model in Poland. We will develop the largest strategic Central European network of fresh bars and salad bars. As well we are actively seeking for another acquisition opportunities in the region.

Dear Shareholders and colleagues, while the year 2015 was for the Group literally the „winning one“. The year 2016 should be called "the confirming one". The Classic says „hard to win it once and even harder to repeat“. The Classic has right once again.

I would hereby like to thank to shareholders for their patience and all co-workers for effort they put into our Kofola.

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.

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 successes in the 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 types including kegs, which enables the HoReCa channel clients to serve the widely popular drink of "Kofola Draught" while preserving its high-quality standard. The Group distributes its products through many distribution channels, including the retail channel (both the modern channel - retail chains, and the traditional channel - wholesalers and distributors serving convenience stores), as well as in the HoReCa and impulse channel, where the direct distribution concept has successfully been implemented 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 or fresh juices and bars UGO. On 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.

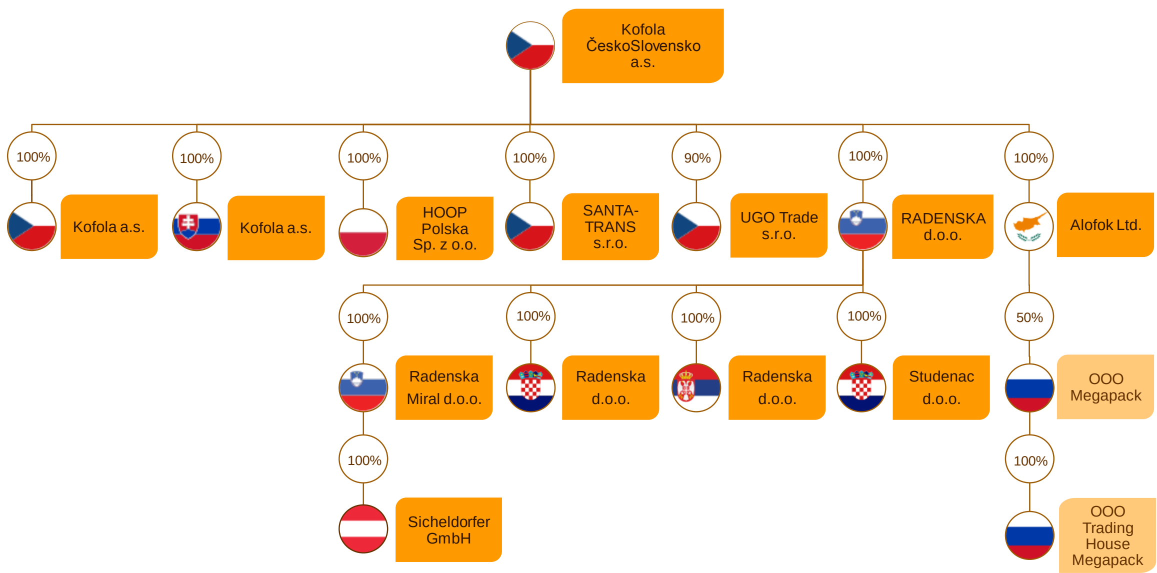
Despite the fact that the Group’s portfolio includes more than 30, mostly well-established and recognisable brands with a wide market, the Group's key brand is Kofola.

3. KOFOLA GROUP

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

3.3. GROUP STRUCTURE

GROUP STRUCTURE CHART AS AT 31 DECEMBER 2016



On 12 March 2016, the Board of Directors of the Company approved the cross-border merger of Kofola ČeskoSlovensko a.s., Kofola CS a.s., Kofola S.A., Kofola holdinška družba d.o.o. and PINELLI spol. s r.o.

3. KOFOLA GROUP

DESCRIPTION OF THE GROUP COMPANIES

Name of entity	Place of business	Principal activities	Ownership interest and voting rights 31.12.2016	31.12.2015
Holding companies				
Kofola ČeskoSlovensko a.s.	Czech Republic	top holding company		
Alofok Ltd.	Cyprus	holding	100.00%	100.00%
Kofola CS a.s.	Czech Republic	holding	- *	100.00%
Kofola holdinška družba d.o.o.	Slovenia	holding	- *	100.00%
KOFOLA S.A.	Poland	holding	- *	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%
PINELLI spol. s r.o.	Czech Republic	trademark licensing	- *	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% **	97.62%
Studenac d.o.o. ****	Croatia	production and distribution of non-alcoholic beverages	100.00%	n/a
Radenska d.o.o.	Croatia	inactive	100.00% **	97.62%
Radenska d.o.o.	Serbia	inactive	100.00% **	97.62%
Radenska Miral d.o.o.	Slovenia	trademark licensing	100.00% **	97.62%
Sicheldorfer GmbH	Austria	inactive	100.00% **	97.62%
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%

* *On 12 March 2016, the BoD of the Company approved the cross-border merger of Kofola ČeskoSlovensko a.s., Kofola CS a.s., Kofola S.A., Kofola holdinška družba d.o.o. and PINELLI spol. s r.o*

** *On 25 July 2016, the Slovenian court approved the squeeze-out of Radenska d.d.´s minority shareholders. On 28 July 2016, Slovenian Central securities clearing corporation registered the squeeze-out and Kofola holdinška družba d.o.o. became the sole shareholder of Radenska d.d.*

*** *On 2 September 2016, the Slovenian court approved the change of legal form of Radenska from Radenska d.d. to RADENSKA d.o.o.*

****On 20 December 2016, RADENSKA d.o.o. successfully finalized the previously announced acquisition of Studenac d.o.o.*

3.4. SUCCESSES AND AWARDS IN 2016

Czech TOP 100 – Kofola ČeskoSlovensko a.s. the third most admired company in the Czech Republic in 2016. Repeatedly in top 5 since 2007.

Agra 2016 - Radenska awarded 7 medals in an international quality assessment of fruit juices, soft drinks and bottled waters Agra, part of 54. International Fair of Agriculture and Food, Gornja Radgona.


ABSOLUTNÍ VÍTĚZ

soutěže IIK GRAND PRIX 2016

IIK GRAND PRIX 2016 – Kofola ČeskoSlovensko a.s. is the absolute winner of the Grand Prix of Internal Communications in 2016 for a project related to the entry of Kofola ČeskoSlovensko a.s. to the Prague Stock Exchange.

"Hit Handlu" 2016 - Hoop Polska Sp. z o.o. was awarded a "Hit Handlu" 2016 title for Paola Strawberry syrup.

Czech TOP 100 – Kofola named as a Brand, which communication in 2016 impressed the most.

Kofola and Jupí awarded „**The most trustful brands**" in their categories in the Czech Republic and Kofola and Rajec in Slovakia.

Golden Euro Effie 2016 - for Kofola Brand advertising campaign "Fofola".

Popai awards 2016 – Kofola awarded Popai Awards in the soft drinks category for the POP presentation with Jupík Trains.

4. BOARD OF DIRECTORS REPORT

4.1. BUSINESS OVERVIEW

OVERALL PERFORMANCE IN 2016

Although this summer did not favour sales of soft drinks such as last year's, Kofola Group managed to increase sales in the Czech Republic, the Slovak Republic and Adriatic region by 7.8 %, including export to other countries.

The Group continues performing well on its core CzechoSlovak market, where its sales grew by 4 %. The growth was coming from all channels and the Group further strengthened its market share. Traditionally strong performance of key brands was supported in 2016 by healthy and fresh UGO products, which are gaining on their importance in the Group. We are happy to see that our activities in direct distribution, sales support and marketing in CzechoSlovakia are attracting new consumers and related costs are reflected in the sales growth.

Similar picture is visible in Adriatic region (Slovenia+Ex-Yugo), where revenues grew by almost 12 % (12.9 % in local currency) like-to-like. We continue in building our presence in Adriatic countries outside of Slovenia through own sales and distribution organisation while extending the brand support for these countries. Thanks to this positive development CzechoSlovak and Adriatic markets are significantly growing their share on overall Group revenue (74.4 % in 2016) and adjusted EBITDA (88 % in 2016).

To strengthen our competitiveness in the Polish market, we started the consolidation of production capacities and invest in new product development. We remain acquisitive in all relevant markets.

ADJUSTMENTS OF REPORTED PERFORMANCE AND POSITION

Presented below is a description of the financial performance and financial position of Kofola Group in 2016. 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 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 result	**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 result 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.
- Revenue and 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.

Adjusted consolidated financial results 2015	**2015**	**One-off adjustments**	**2015 adjusted**
	CZK´000	CZK´000	CZK´000
Revenue	7 156 732	34 106	7 190 838
Cost of sales	(4 330 504)	(21 598)	(4 352 102)
Gross profit	**2 826 228**	**12 508**	**2 838 736**
Selling, marketing and distribution costs	(1 898 428)	14 029	(1 884 399)
Administrative costs	(446 855)	61 364	(385 491)
Other operating income/(expenses), net	(46 266)	66 833	20 567
Operating result	**434 679**	**154 734**	**589 413**
Depreciation and amortisation	513 201	-	513 201
EBITDA	**947 880***	**154 734**	**1 102 614****
Finance costs, net	(112 418)	-	(112 418)
Income tax	(93 260)	(9 812)	(103 072)
Profit for the period	**229 001**	**144 922**	**373 923**
- attributable to owners of Kofola ČeskoSlovensko a.s.	227 657	144 575	372 232

* EBITDA refers to operating result 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 2015 was affected by the following one-off items:

- Product complaints - Polish operations incurred net costs of CZK 102 641 thousand relating to the qualitative product complaints connected with the poor quality of packaging material.
- Group reorganisation - Czech operations incurred costs of CZK 11 754 thousand relating to group reorganisation advisory and further costs of CZK 13 372 thousand relating to IPO promotion. These promotion costs include mainly IPO marketing activities and a provision for employee shares.
- WAD Group acquisition - Slovak operations incurred costs of CZK 9 076 thousand relating to advisory for WAD Group acquisition.
- Radenska acquisition - Slovenian and Polish operations incurred costs of CZK 27 284 thousand relating to advisory for Radenska acquisition.
- Implementation costs - Slovenian operations incurred costs of CZK 8 341 thousand relating mainly to implementation of the Group IT standards.
- Release of provision - Slovenian operations released the provision for legal case of CZK 17 734 thousand.

4.1.2 FINANCIAL PERFORMANCE

Adjusted consolidated financial results	2016	2015	Change	Change
	CZK´000	CZK´000	CZK´000	%
Revenue	6 998 960	7 190 838	(191 878)	(2.7%)
Cost of sales	(4 211 593)	(4 352 102)	140 509	(3.2%)
Gross profit	**2 787 367**	**2 838 736**	**(51 369)**	**(1.8%)**
Selling, marketing and distribution costs	(1 876 854)	(1 884 399)	7 545	(0.4%)
Administrative costs	(403 059)	(385 491)	(17 568)	4.6%
Other operating income, net	33 903	20 567	13 336	64.8%
Operating result	**541 357**	**589 413**	**(48 056)**	**(8.2%)**
EBITDA	**1 064 360**	**1 102 614**	**(38 254)**	**(3.5%)**
Finance costs, net	(93 497)	(112 418)	18 921	(16.8%)
Income tax	(105 769)	(103 072)	(2 697)	2.6%
Profit for the period	**342 091**	**373 923**	**(31 832)**	**(8.5%)**
- attributable to owners of Kofola ČeskoSlovensko a.s.	345 064	372 232	(27 168)	(7.3%)

REVENUE

In 2016, the Group´s revenue amounted to CZK 6 998 960 thousand and decreased by CZK 191 878 thousand or 2.7% from CZK 7 190 838 thousand in 2015.

The decrease was caused by lower sales in Poland that was partially offset by the increase in CzechoSlovakia that came from Rauch, Vinea and Kofola, branded products as well as from growing network of UGO bars and increased sales in Slovenia and Croatia. The sales reflect the impact of the acquisition of Radenska at the end of 1Q15 (in 2015 figures, Radenska is included since 1 April). If Radenska was consolidated from 1 January 2015, revenue in CzechoSlovakia and Adriatic region in 2016 would show a growth of 5.2% compared to 2015.

In 2016, the Group's revenue from sales of finished products and services amounted to CZK 6 506 401 thousand and decreased by CZK 283 010 thousand or 4.0% from adjusted CZK 6 789 411 thousand in 2015.

In 2016, the Group's revenue from sales of goods and materials amounted to CZK 492 559 thousand and increased by CZK 91 132 thousand (22.7%) from CZK 401 427 thousand in 2015. The increase in revenue from sale of goods and materials was attributable mostly to sales of Rauch products.

The following table sets forth revenues from sales split by category of products for 2016 and 2015.

Product segments	2016		2015	
	Revenue	Share	Revenue	Share
	CZK´000	%	CZK´000	%
Carbonated beverages	3 274 473	46.79%	3 513 686	48.86%
Non-carbonated beverages	544 145	7.77%	559 905	7.79%
Waters	1 873 846	26.77%	1 854 530	25.79%
Syrups	725 663	10.37%	870 539	12.11%
Other	580 833	8.30%	392 178	5.45%
Total	**6 998 960**	**100.00%**	**7 190 838**	**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 almost 92% of the Group’s sales revenue in 2016. In comparison with 2015, the structure of sales by products changed mainly due to lower revenues from carbonated beverages in Poland, an increase in revenue of ‘Other’ category products are caused by growing revenues from UGO fresh bars and higher sales of the energy drink Semtex. Syrups category is under pressure of competition.

The following table sets forth revenue from sales split by countries for 2016 and 2015. The allocation of revenue to a particular country segment is based on the geographical location of the customers.

Geographical segments	2016		2015	
	Revenue	Share	Revenue	Share
	CZK´000	%	CZK´000	%
Czech Republic	2 807 961	40.12%	2 639 380	36.70%
Slovakia	1 581 430	22.60%	1 579 771	21.97%
Poland	1 736 417	24.81%	2 309 410	32.12%
Slovenia	673 230	9.62%	523 936	7.29%
Other*	199 922	2.85%	138 341	1.92%
Total	**6 998 960**	**100.00%**	**7 190 838**	**100.00%**

***** *including Croatia (2016: 143 518, 2015: 71 290)*

Kofola grew its sales and market share in the Czech Republic, Slovakia, Slovenia and Croatia. In total, the like-to-like sales increased by 5.2% in comparison with 2015 in these countries despite standard summer that did not bring so many tropical days like in 2015. This positive sales development was recorded in our most profitable HoReCa and impulse channels and confirmed continuous attractiveness of the Group product offer.

In CzechoSlovakia, the UGO fresh bars´ revenue grew by CZK 101 662 thousand to CZK 294 116 thousand (53% year-on-year) and are becoming more important part of the Group´s revenues. The results were achieved by continuous roll out of own fresh bars and salad bars from 27 to 37 (37 %) and franchised fresh and salad bars from 30 to 36 (20 %). The Group operated 73 fresh bars and salad bars as at 31 December 2016.

In Adriatic region, Kofola continues in its acquisition strategy. In February 2016, 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 year, we acquired Studenac in Croatia.

In comparison with 2015, 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 7.8% (CZK 381 115 thousand) in comparison with 2015.

COST OF SALES

In 2016, the Group's adjusted cost of sales amounted to CZK 4 211 593 thousand and decreased by CZK 140 509 thousand or 3.2% from adjusted CZK 4 352 102 thousand in 2015.

In 2016, the Group's adjusted cost of products and services sold amounted to CZK 3 793 460 thousand and decreased by CZK 196 908 thousand or 5 % from adjusted CZK 3 990 368 thousand in 2015.

In 2016, the Group's cost of goods and materials sold amounted to CZK 418 133 thousand and increased by CZK 56 399 thousand or 16% from CZK 361 734 thousand in 2015. The significant increase in the cost of goods and materials sold was attributable mostly to the sale of Rauch products.

GROSS PROFIT

In 2016, the Group's gross profit amounted to CZK 2 787 367 thousand and decreased by CZK 51 369 thousand or 1.8% from CZK 2 838 736 thousand in 2015, this was mainly influenced by decreased gross profit in Poland, which was partially compensated by increased gross profit in Radenska, Ugo and other group companies in CzechoSlovakia.

SELLING, MARKETING AND DISTRIBUTION COSTS

In 2016, the Group's adjusted selling, marketing and distribution costs amounted to CZK 1 876 854 thousand and decreased by CZK 7 545 thousand or 0.4% from CZK 1 884 399 thousand in 2015. Net effect of this small decrease is influenced by increased costs of cca CZK 53 000 thousand in Radenska (acquired at the end of 1Q15 and as such the comparative period includes only its costs for 9 months in 2015), where the costs increased in connection with building the sales and marketing team for the whole Adriatic region, decreased costs in Poland of cca CZK 138 000 thousand, increased costs in UGO of cca CZK 65 000 thousand, the remaining part was driven by continuing development of direct distribution in the Czech Republic and an increase in sales support and marketing costs in CzechoSlovakia.

ADMINISTRATIVE COSTS

In 2016, the Group's administrative costs amounted to CZK 403 059 thousand and increased by CZK 17 568 thousand or 4.6% from CZK 385 491 thousand in 2015, the net increase is driven by increased admin costs in Adriatic region which exceeded decreased costs in Poland.

OTHER OPERATING INCOME, NET

In 2016, the Group's net Other operating income amounted to CZK 33 903 thousand and was higher by CZK 13 336 thousand than net Other operating income of CZK 20 567 thousand in 2015.

EBITDA

The following table sets forth information regarding EBITDA for 2016 and 2015.

Adjusted EBITDA	2016 CZK´000 / %	2015 CZK´000 / %
EBITDA*	1 064 360	1 102 614
EBITDA margin**	15.2%	15.3%

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

The following table sets forth information regarding EBITDA split by countries for 2016 and 2015.

Adjusted EBITDA by countries	2016		2015	
	EBITDA CZK´000	EBITDA margin %	EBITDA CZK´000	EBITDA margin %
Czech Republic	397 388	37.3%	396 605	36.0%
Slovakia	388 169	36.5%	357 328	32.4%
Poland	133 254	12.5%	228 968	20.8%
Slovenia	148 564	14.0%	121 752	11.0%
Other	(3 015)	(0.3%)	(2 039)	(0.2%)
Total	**1 064 360**	**100.00%**	**1 102 614**	**100.00%**

The net decrease of EBITDA is caused by decreased performance in Poland which was not fully compensated by increased performance in all remaining country segments.

The EBITDA achieved by the Group in Poland decreased as a result of decreased sales mainly of private labels. The management decided about the termination of one of three production plants as part of the plan to increase the profitability of Polish operation.

The EBITDA in Slovenia generated by the Radenska Group increased both because of four quarters being included in 2016 (only 2Q-4Q is included in 2015) but also on like-to-like basis. The potential of Slovenian EBITDA profitability is not fully exploited due to the costs related to building of the sales team and increased marketing and admin costs.

The Group's EBITDA margins achieved in the CzechoSlovak market in 2016 continues to be substantially higher than in Poland. This is because of its 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.

The Group´s adjusted EBITDA without Poland increased by CZK 57 460 thousand (6.6%) in comparison with 2015.

OPERATING PROFIT

Due to the reasons described above, in 2016, the Group's operating profit amounted to CZK 541 357 thousand as compared to an operating profit of CZK 589 413 thousand in 2015, showing 8.2% decrease.

FINANCE COSTS, NET

In 2016, the Group's net finance costs amounted to CZK 93 497 thousand and decreased by CZK 18 921 thousand as compared to CZK 112 418 thousand in 2015. Decreased net finance costs are mainly influenced by decreased foreign exchange losses by cca CZK 13 000 thousand and decreased loss from revaluation of derivatives by cca CZK 9 000 thousand when compared with last year. Net finance costs include also the share in the loss of associate that in 2016 amounted to CZK (915) thousand compared to loss of CZK (3 389) thousand in 2015.

PROFIT BEFORE TAX

Due to the reasons described above, in 2016, the Group's profit before tax amounted to CZK 447 860 thousand and decreased by CZK 29 135 thousand as compared to profit before tax of CZK 476 995 thousand in 2015.

INCOME TAX

In 2016, income tax recorded by the Group amounted to CZK 105 769 thousand as compared to CZK 103 072 thousand in 2015. The effective tax in 2016 was (23.6%), in 2015 (21.6%).

NET PROFIT FOR THE PERIOD

Due to the reasons described above, in 2016, the Group's profit for the period amounted to CZK 342 091 thousand as compared to a profit for the period of CZK 373 923 thousand in 2015.

4.1.3 FINANCIAL PERFORMANCE IN 4Q

Adjusted consolidated financial results	4Q16	4Q15	Change	Change
	CZK´000	CZK´000	CZK´000	%
Revenue	1 573 176	1 630 946	(57 770)	(3.5%)
Cost of sales	(973 889)	(1 086 069)	112 180	(10.3%)
Gross profit	**599 287**	**544 877**	**54 410**	**10.0%**
Selling, marketing and distribution costs	(433 536)	(485 859)	52 323	(10.8%)
Administrative costs	(88 940)	(73 040)	(15 900)	21.8%
Other operating income, net	2 514	(5 431)	7 945	(146.3%)
Operating result	**79 325**	**(19 453)**	**98 778**	**(507.8%)**
EBITDA	**213 159**	**114 068**	**99 091**	**86.9%**
Finance costs, net	(23 237)	(38 203)	14 966	(39.2%)
Income tax	(43 400)	(25 277)	(18 123)	71.7%
Profit for the period	**12 688**	**(82 933)**	**95 621**	**(115.3%)**
- attributable to owners of Kofola ČeskoSlovensko a.s.	13 989	(82 299)	96 288	(117.0%)

In 4Q16, the Group´s adjusted revenue decreased by 3.5% compared to 4Q15, this was mainly caused by decreased revenue in Poland in amount of cca CZK 93 000 thousand (21%). The Group´s revenue without Poland increased by CZK 35 290 thousand (3.0%).

Administrative costs increased by CZK 15 900 thousand as compared to 4Q15, mainly in CzechoSlovakia and Slovenia.

Net finance costs decreased by CZK 14 966 thousand, which was caused mainly by decreased foreign exchange losses (lower by CZK 5 000 thousand) and decreased losses from revaluation of derivatives (lower by CZK 12 000 thousand) when compared with 4Q15.

The Group´s adjusted EBITDA without Poland increased by CZK 59 445 thousand (48.4%).

4.1.4 FINANCIAL POSITION

Consolidated statement of financial position	31.12.2016 CZK´000	31.12.2015* CZK´000	Change CZK´000	Change %
Total assets	**8 019 883**	**8 491 014**	**(471 131)**	**(5.5%)**
Non-current assets, out of which:	**4 915 863**	**5 095 724**	**(179 861)**	**(3.5%)**
Property, plant and equipment	*3 442 624*	*3 508 993*	*(66 369)*	(1.9%)
Intangible assets	*1 164 092*	*1 176 524*	*(12 432)*	(1.1%)
Goodwill	*86 302*	*86 302*	-	-
Investment in associates	*67 782*	*155 921*	*(88 139)*	(56.5%)
Deferred tax assets	*101 481*	*96 803*	*4 678*	4.8%
Other	*53 582*	*71 181*	*(17 599)*	(24.7%)
Current assets, out of which:	**3 104 020**	**3 395 290**	**(291 270)**	**(8.6%)**
Inventories	*485 440*	*501 093*	*(15 653)*	(3.1%)
Trade and other receivables	*1 081 680*	*934 452*	*147 228*	15.8%
Cash and cash equivalents	*1 421 014*	*1 940 008*	*(518 994)*	(26.8%)
Assets held for sale	*111 715*	*3 506*	*108 209*	3 086.4%
Other	*4 171*	*16 231*	*(12 060)*	(74.3%)
Total equity and liabilities	**8 019 883**	**8 491 014**	**(471 131)**	**(5.5%)**
Equity	2 739 468	2 859 421	(119 953)	(4.2%)
Non-current liabilities	*1 580 357*	*1 750 669*	*(170 312)*	*(9.7%)*
Current liabilities	*3 700 058*	*3 880 924*	*(180 866)*	*(4.7%)*

** restated*

ASSETS

At the end of 2016, the Group’s Property, plant and equipment amounted to CZK 3 442 624 thousand and decreased by CZK 66 369 thousand or 1.9 % from CZK 3 508 993 thousand at the end of 2015. This change was mainly caused by acquisition of Studenac subsidiary (with effect of acquired property in NBV of CZK 162 223 thousand), reclassification to assets held for sale of CZK 108 209 thousand (assets held for sale from closed Bielsk plant), additions and finance lease additions totalling CZK 481 506 thousand and on the other hand the depreciation charge of CZK 476 019 thousand. The additions comprise mainly a building in the production area and sales support equipment in the Czech Republic.

As at 31 December 2016, Intangible assets were of CZK 1 164 092 thousand and decreased by CZK 12 432 thousand or 1.1 % in comparison with 31 December 2015 mainly because of a purchase of brands Studena, Studenac, Lero, Inka, Nara and Voćko in Croatia and amortization of CZK 46 984 thousand.

The Group’s current assets as at 31 December 2016 amounted to CZK 3 104 020 thousand, of which 46 % is represented by Cash and cash equivalents, 35 % is represented by Trade and other receivables and 16 % is formed by Inventories. The net decrease of CZK 291 270 thousand or 8.6 % is mainly attributable to reclassified assets held for sale and increased trade and other receivables and decreased cash. The increase in current trade and other receivables of CZK 147 228 thousand (15.8%) is influenced by acquisition of Studenac subsidiary and increased trade receivables in CzechoSlovakia. Inventories decreased by CZK 15 653 thousand (3.1 %), the net decrease is influenced by an increase caused by the acquisition of Studenac and decreased inventory in Poland. The decrease of cash is influenced by cash outflow in Poland, increased capital expenditure, acquired Studenac subsidiary and paid dividends. Cash and cash equivalents in RADENSKA d.o.o. accounts for about 72 % of the Group’s total cash and the Group expects its utilisation among others for future acquisition opportunities or loan payout.

Deferred tax asset increased by CZK 4 678 thousand to CZK 101 481 thousand, of which CZK 89 210 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 2016, the Group’s current and non-current liabilities amounted to CZK 5 280 415 thousand, which constitutes a 6.2% (CZK 351 178 thousand) decrease compared to CZK 5 631 593 thousand the end of December 2015. The loan for financing RADENSKA d.o.o. acquisition with carrying amount of CZK 1 714 160 thousand as at 31 December 2016 is a main component of Group´s liabilities.

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 1 688 665 thousand as at 31 December 2016, which represents an increase of CZK 411 783 thousand or 32 % compared to CZK 1 276 882 thousand as at 31 December 2015. This increase is attributable mainly to the decreased cash from payment of CAPEX, dividends and acquired Studenac subsidiary in Croatia.

The Group´s consolidated net debt / Adjusted EBITDA as at 31 December 2016 was of 1.59 compared to 1.14 at the end of 2015.

The Group´s provisions decreased by CZK 37 155 thousand from CZK 221 392 thousand to CZK 184 237 thousand, mainly due to the release of provisions for litigation, fines and damages.

4.1.5 CASHFLOWS

NET CASH FLOW FROM OPERATING ACTIVITIES

In 2016, the Group's net cash flow from operating activities amounted to CZK 655 330 thousand and decreased by CZK 279 911 thousand or 30% from CZK 935 241 thousand in 2015. This was mainly influenced by Polish and Adriatic entities – effect of Polish activity with impact of about CZK 181 000 thousand caused by strong cash-EBITDA in 2015 which was a combination of both very good business result and favourable working capital changes, and on the other hand, decreasing performance in 2016. Additionally, the effect of Slovenian activity with impact of almost CZK 89 000 thousand caused by the acquisition at the end of 1Q15, when less cash favourable 1Q15 (off-season) is not included in 2015, plus 2016 bears increased receivables due to increased sales to PepsiCo and Christmas sales.

NET CASH FLOW FROM INVESTING ACTIVITIES

In 2016, the Group's net cash outflow from investing activities amounted to CZK (748 667) thousand and decreased by CZK 388 108 thousand from CZK (1 136 775) thousand in 2015. The outflow decrease related mainly to the prior year acquisition of Radenska and on the other hand, higher capital expenditure and acquisition of Studenac as compared to the previous period.

NET CASH FLOW FROM FINANCING ACTIVITIES

In 2016, the Group's net cash flow from financing activities amounted to CZK (420 418) thousand and decreased by CZK 1 985 055 thousand from CZK 1 564 637 thousand in 2015. The decrease was mainly a result of the prior year bank loan utilisation for financing the Radenska acquisition and dividends paid in 2016.

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.

The Group will continue in development of the Adriatic region, several new products will be launched – Voćko syrup with a new design and composition (Croatia), new flavour for Radenska Classic (Slovenia and Croatia), water in cans will be introduced (Slovenia and Croatia). The key goal is to finish the takeover of Studenac distribution - by an enlargement of sales team.

Polish segment will carry on its business activities with focus on branded products that will be supported by increased marketing activities. New innovative products will be introduced to enhance its market position.

4.2. MAIN EVENTS

EXPANSION IN ADRIATIC REGION

In January 2016, the Group became an exclusive producer and distributor of PepsiCo portfolio products in the Croatian market. Cooperation with PepsiCo in Slovenian market has functioned for more than 20 years.

In the first quarter of 2016, the Group acquired the brands Voćko, Nara and Inka from the Croatian non-alcoholic drinks producer Badel 1862. The Group also became a distributor of Badel´s drinks in HoReCa segment.

On 20 December 2016, Radenska acquired a Croatian company Studenac, a traditional mineral water brand.

These opportunities represent an extension of the Group´s portfolio in the Croatian market and a further expansion of the Group´s presence in the region.

WITHDRAWAL FROM ACQUISITION OF WAD GROUP, A.S.

Kofola Group decided to withdraw from the acquisition of WAD GROUP, a. s., owner of 40-percent share in WATER HOLDING, a. s. that is a 100% shareholder of Slovenské pramene a žriedla, a.s., Stredoslovenské žriedla, a.s. and Zlatá studňa, s.r.o.

Based on the share purchase agreement concluded on 19 June 2015, Kofola should have entered into WATER HOLDING as a minority shareholder. Kofola regarded the conditions necessary for the approval of the transaction imposed by the Antimonopoly office of the Slovak Republic as currently hardly realisable.

CONSOLIDATION OF PRODUCTION IN POLAND

On 27 July 2016, the Hoop Polska management board announced the restructuring plan, concerning concentration of production in two plants and end of activity in the plant in Bielsk Podlaski. The decision to consolidate capacity will help to maintain high quality, strengthen the competitiveness of the company in the coming years and is a response to increasing price pressure in the Polish market.

SQUEEZE-OUT OF RADENSKA MINORITY SHAREHOLDERS

On 25 July 2016, the Slovenian court approved the squeeze-out of Radenska d.d.´s minority shareholders. On 28 July 2016, Slovenian Central securities clearing corporation registered the squeeze-out and Kofola holdinška družba d.o.o. became the sole shareholder of Radenska d.d.

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.

RADENSKA’S CHANGE OF LEGAL FORM

On 2 September 2016, the Slovenian court approved the change of legal form from Radenska d.d. to RADENSKA d.o.o.

4.3. AUDITORS REMUNERATION

The Group is audited by PricewaterhouseCoopers. The following amounts were charged by auditors in 2016:

Auditors remuneration	Charged to the Company CZK´000	Charged to other group entities CZK´000
Audit	763	2 181
Tax services	1 836	1 324
Total	**2 599**	**3 505**

4.4. 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 or 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.

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.

4.5. RESEARCH AND DEVELOPMENT AND OTHER INFORMATION

In 2016, the Group carried out research and development activities and incurred costs of CZK 6 696 thousand (2015: CZK 6 326 thousand).

The Company does not operate an organisational unit abroad.

4.6. 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 Grodzisk Wielkopolski), 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 1 053 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 it, if necessary, to 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 properties (plots of land) on which these constructions are located and the machinery and equipment in these constructions (e.g. production lines).

4.7. 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	2016 CZK´000	2015 CZK´000
Land	1 083	45
Buildings and costructions	50 110	33 263
Plant and equipment	169 384	378 210
Vehicles	87 706	82 447
Other financial assets	83 875	69 371
Fixed assets under construction	89 348	124 256
Licences	-	79
Software	11 449	17 688
Trademarks	19 003	-
Intangibles under development	15 999	693
Total	**527 957**	**706 052**

ALocation of property, plant, equipment and intangible assets additions	2016 CZK´000	2015 CZK´000
Czech Republic	313 789	284 414
Slovakia	62 298	225 685
Poland	63 716	164 058
Slovenia	80 910	31 895
Other	7 244	-
Total	**527 957**	**706 052**

4.8. SUBSEQUENT EVENTS

No 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. For these risks, preventive actions are taken to reduce their vulnerability and reduce their potential impact on the Group.

THE GROUP'S RESULTS DEPEND ON THE MACROECONOMIC SITUATION IN COUNTRIES IN WHICH THE GROUP OPERATES

Macroeconomic factors in the countries where the Group operates (such as GDP growth, unemployment rate, growth of wages (nominal and real), level of interest rates, and availability of consumer loans and/or the economic outlook) may influence the consumers' behaviour and spending patterns, which in consequence may influence the sales of the Group's products. In addition, the policies adopted by the governments and central banks of the countries where the Group operates could adversely affect access to new sources of financing, extension of short-term credit facilities or the possibility to obtain new facilities to finance investments.

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.

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

End consumer preferences are evolving rapidly. 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.

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, with the economic slowdown 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.

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.

THE GROUP MAY LOSE ITS MAJOR CLIENTS

In recent years, there has been a visible trend of trade volumes moving from independent convenience stores to larger operators of chain stores, with an increasing role of discount store operators and chains of convenience stores. In consequence, those chains are becoming stronger and are increasing their share in the sales of the Group. As such clients are tough negotiators, there is a risk that the Group will not be able to conclude an agreement on mutually reasonable terms and conditions. This in consequence may lead to the loss of a significant client.

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.

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.

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.

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.

THE GROUP IS SUBJECT TO THE RISK AND ASSOCIATED COST OF DOING BUSINESS INTERNATIONALLY

In the future, the Group may expand its presence and operations to other countries and regions. The Group may not be able to market its existing products or develop new products successfully for such new markets. In addition, the Group currently incurs costs in complying with numerous regulatory regimes and these costs may increase as it expands into new countries. The Group may also encounter other risks of doing business internationally.

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.

THE GROUP'S EXTERNAL FINANCING FACILITIES CONTAIN CERTAIN RESTRICTIONS AND COVENANTS AND, IN THE EVENT OF THEIR BREACH, MAY BE REPAYABLE ON DEMAND

The Group uses external financing in the form of bank loans, issued notes, leasing and trade finance instruments such as factoring and receivables discounting. The financing arrangements are concluded for specified time periods and are typically extended at maturity upon the fulfilment by the Group of certain terms and conditions. Operating and financial restrictions and covenants in existing and any future financing agreements could adversely affect the Group’s ability to finance future operations or capital needs, or to pursue and expand its business activities. The Group’s ability to comply with the covenants and restrictions contained in its financing documents may be affected by events beyond its control. Although the Group believes that it has complied and is currently in compliance with the terms and conditions of all outstanding credit facility agreements in all material respects, there can be no guarantee that the Group will not be required to repay such facilities in the future at limited notice and/or at a time when no provision was made for any such repayment in the Group’s budget in the event of any breach or default.

THE GROUP MAY BE UNABLE TO OBTAIN ADDITIONAL FINANCING OR GENERATE SUFFICIENT CASH FLOW TO MAKE ADDITIONAL INVESTMENTS OR FUND POTENTIAL ACQUISITIONS

The Group operates in a FMCG business that generally requires constant use of external financing. The Group may need to raise additional funds in the future in order to invest in or acquire businesses, brands or products. Additional financing may not be available on acceptable terms, or at all. If the Group raises additional funds by issuing debt securities or obtaining loans from third parties, the terms of those debt securities or financing arrangements may include covenants or other restrictions on the Group's business that could impair the Group's operational flexibility and would also require the Group to fund additional interest expense. If financing is not available in part or at all, or is not available on acceptable terms when required, the Group may be unable to successfully develop a further presence in the region, which could adversely affect the Group's business, the results of operations and financial condition.

THE GROUP IS EXPOSED TO THE RISK OF CURRENCY EXCHANGE FLUCTUATIONS

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 most 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.

THE GROUP IS EXPOSED TO INTEREST RATE RISK

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.

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.

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.hravezijzdrave.cz, www.hravozizdravo.sk, www.trzymajforme.pl),
- more healthy beverages (water, children’s beverages) with lower sugar content compared to other competitors and beverages with herbs and tree extracts (Mr. UGO juices, 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).

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 "on-the-go" 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.

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, Mr. UGO, Mangaloo, Radenska, Voćko, Nara, Inka, Studenac, Studena and Lero in the last 8 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, Pickwick Ice Tea, RC Cola, Evian, Badoit),
- 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 and it became 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 activities are not a matter of last few years. They are dated back to times long before CSR became a fashionable thing. We are proud to support local communities, through which we could recently become successful.

In the year 2014 we have become a member of the Association of CSR. 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 supporting a healthy lifestyle (responsible consumption), having a frugal approach to natural resources, protecting the environment, tradition, being a good neighbour, honouring agreements and business rules and very importantly, having employees who are ambassadors of our values.

In 2016 we undertook a customer corporate survey, where Kofola was stated as the most known producer of non-alcoholic beverages with 99 % acquaintance (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.

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. Because we value their loyalty we granted them Kofola ČeskoSlovensko shares, one per each worked year. Since then there are over 1000 new shareholders that can benefit from our success.

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

Our employees across the entire company donated blood during two Kofola´s blood donation days and together we gathered clothing for people in need. In 2016 we started a new internal project called "Donate Happiness" in which we financially supported 7 charity projects suggested directly by our employees.

TRADITION

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 20 years of our existence we have managed to resurrect the forgotten traditional CzechoSlovakian brands like Kofola – cola-type beverage made with 14 herbs, which is nowadays loved by contemporaries as well as the new generation.

RESPONSIBLE CONSUMPTION

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. In the Czech Republic, we are a proud partner of an internet course on healthy living for kids under the "Live healthy and have fun" (Hravě žij zdravě – http://www.hravezijzdrave.cz/) slogan. This program was also started in Slovakia (http://www.hravozizdravo.sk/).

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).

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

We were a proud partner of many running events where we tried to persuade people, including our employees, to abandon their couch and take part in the running contests. In Radenci, Slovenia we organised the international Three Hearts Marathon with 36 years of tradition.

To ensure that our products are as healthy as possible, we develop them in cooperation with leading nutrition specialists and use only proven preferably local suppliers. We follow the trends and innovate our products towards their healthier form.

HEALTHY PRODUCTS

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

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

GOOD NEIGHBOUR

One of the most important aspects for our company is to be a “good neighbour”. This is why we developed a whole series of projects that support the regions in which we operate, from the construction of play grounds, through the development of communications infrastructure or support of local non-government organisations. We supply our local municipalities with our drinks and also many regional projects that support healthy lifestyle of children. In 2016 we supported over 400 regional activities that applied for support.

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.

ENVIRONMENTAL PROTECTION

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

Our goal is to decrease weight of the majority of PET bottles, thanks to which we have can lower usage of granules and thus decrease negative environmental impact. We have also increased usage of granules from recycling.

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

We also limit contamination caused by fumes generated by our vehicles. We currently have one of the most advanced vehicle fleets, which meets Europe’s strictest norms. Our transportation company SANTA-TRANS s.r.o. has 26.5% of CNG run lorries.

7. CORPORATE GOVERNANCE

7.1. SHARES AND SHAREHOLDERS

7.1.1 SHARE CAPITAL

As at 31 December 2016, 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 and the Warsaw Stock Exchange.

7.1.2 SHAREHOLDERS STRUCTURE

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%**

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 vote there, 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.

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 and Warsaw Stock Exchange, the shareholders have certain disclosure requirements arising from the provisions of the Czech Capital Markets Act and Polish Public Offering Act.

7.1.4 SHARES IN POSSESSION OF PERSONS WITH EXECUTIVE AUTHORITY

Shares in possession of persons with executive authority	31.12.2016
	pcs
Members of the Board of Directors	12 484 111
Members of the Supervisory Board	7
Other persons with executive authority	-
Persons related to those with executive authority	-
Total	**12 484 118**

7.1.5 DIVIDEND POLICY

The current dividend policy is to distribute approx. 30% of consolidated annual net profit, after taking into account the fact that the number of dividends is limited to the Kofola ČeskoSlovensko a.s. net profit and freely distributable reserves and dividends may be also influenced by the Company's business prospects, future earnings, cash flow requirements, envisaged costs and expenses as well as expansion and investment plans. We do not expect to fund dividend payments from external sources.

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	31.12.2016 CZK´000
Equity attributable to owners of Kofola ČeskoSlovensko a.s.	**2 736 572**
Share capital	2 229 500
Share premium and capital reorganisation reserve	(1 962 871)
Other reserves	2 075 994
Foreign currency translation reserve	120 323
Own shares	(915)
Retained earnings	274 541
Equity attributable to non-controlling interests	**2 896**
Total equity	**2 739 468**

As at 31 December 2016, 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 and the Warsaw Stock Exchange.

The Company owns 1 956 of own shares (which represent 0.0001% of the Company´s share capital) in total value of CZK 915 thousand, the shares represent the balance of shares purchased at PSE for the winners of the "Zlaté prasátko" competition and employees of the Group. The shares have nominal value of CZK 100. No own shares were owned by the Group as of 31 December 2015.

(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 2016:

Shareholders with stake over 1% of share capital	Participation type	Participation percentage
KSM Investment S.A., 560A, Rue de Neudorf, L-2220, Luxembourg, registration No. B120149	direct	50.78%
CED GROUP S.à.r.l., 2 Avenue Charles de Gaulle, L-1653 Luxembourg, registration No. B141278	direct	37.28%
René Musila, date of birth 7.11.1969, Veleslavínova 370/17, Předměstí, 746 01 Opava	direct	2.61%
Tomáš Jendřejek, date of birth 3.12.1966, Brožíkova 1073/40, Pod Cvilínem, 794 01 Krnov	direct	2.61%
Total		**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 2016 is known to the Company only in the case of the controlling entities KSM Investment S.A., CED GROUP S.à.r.l. and Mr. René Musila and

Mr. Tomáš Jendřejek 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 2016.

Until the end of the year 2016 and throughout the year 2017 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%.

(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. The Company is not aware of any 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.

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, especially the Board of Directors was not authorized to decide on increase in the share capital of the Company, on acquisition of its own shares by the Company or to any other similar decision. 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

As of the date of preparation of the annual report, no scheme 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 is in place.

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.

POLISH CORPORATE GOVERNANCE

In Poland, the principles of corporate governance valid for 2016 are contained in “Best Practices in Public Companies” approved by the Warsaw Stock Exchange (“WSE Corporate Governance Rules”) that can be downloaded at https://static.gpw.pl/pub/files/PDF/RG/DPSN2016__GPW.pdf. The WSE Corporate Governance Rules introduce a “comply or explain” principle, according to which an issuer should provide the market with direct information regarding any non-compliance with the corporate governance code. In accordance with the WSE Corporate Governance Rules, should a specific corporate governance rule set forth in the WSE Corporate Governance Rules not be applied on a permanent basis, or be breached incidentally, an issuer shall publish a report containing information as to which rule is not applied at all or has not been applied on an occasion, under what circumstances and for what reasons, and how an issuer intends to remove the effects, if any, of not having applied a given rule on an occasion or what steps it intends to take to mitigate the risk of the corporate governance rules not being applied in the future. The report should be published on an issuer’s official website and should be submitted as a current report through the EBI system. The report should be published as soon as the issuer becomes reasonably convinced that a given rule will not be applied at all, or on a specific occasion, and in any case, promptly following an event which represents a breach of a corporate governance rule. Furthermore, any issuer listed on the WSE is required to include a report on the extent of compliance with the WSE Corporate Governance Rules in its annual report, or as a separate report.

The Company acknowledges the importance of good corporate governance and intends to apply WSE Corporate Governance Rules as wide as is practicable. However, due to, inter alia, differences between Polish and Czech laws the Company does not comply with the following rules:

Rule I.Z.1.20, according to which the Company should publish on its corporate website a record of the Shareholders' Meeting in audio or video format. The Company does not intend to comply with this rule due to technical difficulties and cost disproportionate to benefits for the shareholders.

Rule I.Z.1.11, according to which the Company should publish on its corporate website information about the content of the Company’s internal rule of changing the Company's auditors authorised to audit the Company's financial statements or information about the absence of such rule. Czech law does not require the establishment of such a policy, and the Company believes it is not necessary to establish such a policy since the potential benefits for the shareholders would not exceed the benefits from continuity of the auditor.

Rule II.Z.11, according to which the Supervisory Board should review suggestions from the Board of Directors and present opinions on such suggestions to the Shareholders’ Meeting which are subject to resolutions of the Shareholders’ Meeting. The Company does not intend to comply with this rule due to differences between Polish and Czech corporate law and practice. However, according to Czech law, there are a number of situations in which the Board of Directors and/or the Supervisory Board have to report to the Shareholders' Meeting as a basis for a decision of the Shareholders' Meeting.

Furthermore, the Company will not comply with the following recommendations:

Recommendation IV.R.2, according to which, if justified by the structure of shareholders or expectations of shareholders notified to the company, and if the company is in a position to provide the technical infrastructure necessary for a general meeting to proceed efficiently using electronic communication means, the company should enable its shareholders to participate in a general meeting using such means. The Company does not intend to implement the use of electronic communication means due to technical and legal uncertainties and significant costs associated with such means of communication and organization of the Shareholders' Meetings.

Recommendation VI.R.1-3, according to which the Company should have a remuneration policy and rules of defining the policy that should in particular determine the form, structure, and level of remuneration of members of supervisory and management bodies, applying Commission Recommendation of 14 December 2004 fostering an appropriate regime for the remuneration of directors of listed companies (2004/913/EC) and Commission Recommendation of 30 April 2009 complementing that Recommendation (2009/385/EC). Czech law does not require the establishment of such a policy, and the Company believes it is not necessary to establish such a policy.

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 2016:

- 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 22 295 000 votes. 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.

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	45	18 September 2015	18 September 2020
Daniel Buryš	Member of the Board of Directors – Chief Financial Officer	47	17 June 2015	17 June 2020
Tomáš Jendřejek	Member of the Board of Directors – Procurement Director	50	18 September 2015	18 September 2020
René Musila	Member of the Board of Directors – Chief Operating Officer	47	16 June 2015	16 June 2020
Jiří Vlasák	Member of the Board of Directors – Chief Executive Officer of Polish operation	41	18 September 2015	18 September 2020
Roman Zúrik	Member of the Board of Directors – Chief Sales Officer	44	18 September 2015	18 September 2020

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 is the Chief Sales Officer of the Company. He received secondary education. Mr. Zúrik joined the Kofola Group in 2011 as the Supply Chain Director of the Czech and Slovak operations. Since 2015 he has been responsible for the Group's sales in the Czech Republic and Slovakia. Prior to joining the Kofola Group, Mr. Zúrik was the sales manager at Pilsner Urquell Slovenská Republika (1997-1999), the distribution centre manager at Pivovar Šariš (2000-2006) and the distribution manager at Pivovary Topvar - SAB Miller (2006-2010).

DIRECTORSHIPS OF MEMBERS OF THE BOARD OF DIRECTORS

The following table sets forth the past and current directorships held by the 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. since 2006 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 Statutory representative, KLIMO s.r.o., 2007-2011 BoD Member, Kofola a.s. (CZ), 2006-2009
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 BoD Member, Kofola a.s. (CZ), 2006-2009 BoD Member, Kofola CS a.s., 2006-2008
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
Roman Zúrik	BoD Member, Kofola ČeskoSlovensko a.s., since 2015 BoD Member, Kofola a.s. (SK), since 2015 BoD Member, KOFOLA S.A. (PL), 2015-2016 BoD Member, Kofola a.s. (CZ), since 2015 BoD Member, Kofola CS a.s., 2015-2016 Statutory representative, SANTA-TRANS s.r.o., since 2014

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.

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	50	17 July 2015	17 July 2020
Jacek Woźniak	Vice-Chairman of the Supervisory Board	48	15 September 2015	15 September 2020
Moshy Cohen-Nehemia	Member of the Supervisory Board	47	15 September 2015	15 September 2020
Pavel Jakubík	Member of the Supervisory Board	40	15 September 2015	15 September 2020
Petr Pravda	Member of the Supervisory Board	56	17 July 2015	17 July 2020
Ivan Jakúbek	Member of the Supervisory Board	38	23 May 2016	23 May 2021
Dariusz Prończuk	Member of the Supervisory Board	55	15 September 2015	Resigned on 23 May 2016

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 Napoje, 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 is the Vice-Chairman of the Supervisory Board of the Company. He holds a master's degree in economics from the University of Gdańsk (1993). Mr. Woźniak joined the Kofola Group in 2008 as the member of the Supervisory Board of Kofola PL. In 2000 he joined Enterprise Investors where he handles transactions in the consumer goods and industrial sectors of the market and coordinates Enterprise Investors' operations in Ukraine. He is experienced in operating private equity funds, consulting and business restructuring. As part of his duties, he was the chairman of the supervisory boards at EI portfolio companies, Gamet S.A. (2005-2015) and Nordglass sp. z o.o. (2013-2015). Earlier, he performed the function of, among others, a consultant at Arthur Andersen (1992-1994), a project manager at CAL (1994-1995) and a director at Trinity Management (1995-2000).

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.

DARIUSZ PROŃCZUK

Dariusz Prończuk was a member of the Supervisory Board till 23 May 2016.

IVAN JAKÚBEK

Ivan Jakúbek, Vice President of Enterprise Investors has been a member of the Supervisory Board since 23 May 2016. Mr Jakúbek has sixteen years of private equity, corporate finance, consulting, and restructuring experience. He has an MBA in Investment Banking and International Finance from the Bratislava University of Economics (2002). In 2005 he joined Enterprise Investors where he handles transactions in the consumer goods and retail sectors and coordinates Enterprise Investors' operations in the Czech Republic and in Slovakia and his key investments include AVG, Kofola, STD Donivo and NAY. Prior to joining EI, he worked for Deloitte Central Europe Financial Advisory Services. Mr Jakúbek is the president of the Slovak Venture Capital and Private Equity Association. Ivan is a holder of FCCA qualification.

DIRECTORSHIPS OF THE MEMBERS OF THE SUPERVISORY BOARD

The following table sets forth the past and current directorships held by the 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 BoD Member, Kofola a.s. (SK), 2002-2009 Statutory representative, KLIMO s.r.o., 2007-2011 Chairman of the BoD, Kofola a.s. (CZ), 2006-2009 Vice Chairman of the BoD, Kofola CS a.s., 2006-2011
Jacek Woźniak	SB Member, Kofola ČeskoSlovensko a.s., since 2015 Vice Chairman of the SB, KOFOLA S.A. (PL), 2008-2016 Director, Polish Enterprise Investors VII GP, Limited, 2012-2015 Director, Polish Enterprise Investors VI GP, Limited, 2010-2015 Director, Enterprise Venture Partners I GP, Limited, 2010-2015 Director, Enterprise Investors Corporation, 2009-2015 President of the BoD, Forma 68 Sp. z o.o., since 2013 Executive, Dakar Investments k.s., since 2014 Chairman of the SB, Gamet S.A., 2005-2015 Chairman of the SB, Nordglass sp. z o.o., 2013-2015
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, KOFOLA S.A. (PL), since 2008 Chairman of the SB, Skarbiec Holding S.A., since 2014 SB Member, Kofola ČeskoSlovensko a.s., since 2015 BoD Member, Netrisk.hu, since 2010 BoD Chairman, S.C. Macon S.A., since 2006 BoD Member, Director, DBMM Investment Holdings Limited, since 2001 BoD Member, Enterprise Investors Corporation, since 2005 BoD Member, Polish Enterprise Investors VI GP, Ltd., since 2006 BoD Member, Enterprise Venture Partners I GP, Ltd., since 2008 Managing Partner, BoD Member, Enterprise Investors sp. z o.o., since 1997 BoD Member, Polish Enterprise Investors VII G.P., Ltd., since 2012 Chairman of the SB, KRUK S.A., 2005-2013 Chairman of the SB, Magellan S.A., 2006-2013 Chairman of the SB, Skarbiec Asset Management Holding S.A., 2007-2013 Vice Chairman and Chairman of the SB, Skarbiec Holding Sp. z o.o., 2013-2014 SB Member, MedFinance, 2010-2013 SB Member, AVG Technologies N.V., 2005-2013
Ivan Jakúbek	Chairman, SLOVCA, since 2008 SB member, NAY a.s., 2005-2013 SB member, STD DONIVO a.s., 2008-2012

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	49	23 May 2016	23 May 2021
René Sommer	Chairman of the Audit Committee	50	15 September 2015	23 May 2016
Pavel Jakubík	Member of the Audit Committee	40	15 September 2015	15 September 2020
Ivan Jakúbek	Member of the Audit Committee	38	15 September 2015	15 September 2020

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

MAREK PIECH

Marek Piech is a member of the Chamber of Tax Advisers and managing director of the company Punktum which provides tax advisory.

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).

IVAN JAKÚBEK

Ivan Jakúbek, Vice President of Enterprise Investors. Mr Jakúbek has sixteen years of private equity, corporate finance, consulting, and restructuring experience. He has an MBA in Investment Banking and International Finance from the Bratislava University of Economics (2002). In 2005 he joined Enterprise Investors where he handles transactions in the consumer goods and retail sectors and coordinates Enterprise Investors' operations in the Czech Republic and in Slovakia and his key investments include AVG, Kofola, STD Donivo and NAY. Prior to joining EI, he worked for Deloitte Central Europe Financial Advisory Services. Mr Jakúbek is the president of the Slovak Venture Capital and Private Equity Association. Ivan is holder of FCCA qualification.

DIRECTORSHIPS OF THE MEMBERS OF THE AUDIT COMMITTEE

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

Directorships of the Audit Committee members	Current and former directorships
Marek Piech	Chairman of the AC, Kofola ČeskoSlovensko a.s., since 2016 Managing director, Punktum, since 2008 Chairman of the BoD ,Konsep, a.s. since 2014 BoD member, Somnus a.s., since 2007
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 BoD Member, Kofola a.s. (SK), 2002-2009 Statutory representative, KLIMO s.r.o., 2007-2011 Chairman of the BoD, Kofola a.s. (CZ), 2006-2009 Vice Chairman of the BoD, Kofola CS a.s., 2006-2011
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
Ivan Jakúbek	Chairman, SLOVCA, since 2008 SB member, NAY a.s., 2005-2013 SB member, STD DONIVO a.s., 2008-2012

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
- 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 the Chairman of the Board of Directors and the 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 the 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 the 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 the Chief Operating Officer of the Group. At the Board of Directors of the Company since June. 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 the Chief Executive Officer of Polish subsidiary HOOP Polska since July 1, 2016. At the Board of Directors of the Company since September 2015and 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.

ROMAN ZÚRIK

Roman Zúrik is the Chief Sales Officer of the Group. At the Board of Directors of the Company since September 2015. Taking care of sales of produced and distributed non-alcoholic beverages. His main task is to stabilise sales in the retail channel of the company and become the leader in the HoReCa and impulse channel.

RENÉ SOMMER

René Sommer is the Chairman of the Supervisory Board of the Company. In course of 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 in Kofola CS 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 of the Company and the finance manager at Kofola CS 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.

JACEK WOŹNIAK

Jacek Woźniak is the Vice-Chairman 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.

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.

DARIUSZ PROŃCZUK

Dariusz Prończuk was a member of the Supervisory Board till 23 May 2016 and as such his activities within the Group comprised the supervising the conduct of and providing advice to the Board of Directors and supervising the business generally.

IVAN JAKÚBEK

Ivan Jakúbek is a member of Audit Committee and since 23 May 2016 a member of the Supervisory Board and as such his activities within the Group comprise e.g. assisting the Supervisory Board in supervising the activities of the Board of

Directors, with respect to selection of an auditor, monitoring the audit and providing advice to the Board of Directors and supervising the business generally.

SIMONA NOVÁKOVÁ

Simona Nováková was the Chief Executive Officer of Polish subsidiary HOOP Polska until July 2016. Simona joined the Group in 1994 and held positions such as Chief Financial Officer for Czech Republic and Slovakia, Group Chief Financial Officer and Chief Financial Officer of HOOP Polska.

MARIAN ŠEFČOVIČ

Marian Šefčovič is the 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 or general director of Kofola Slovakia.

No person with managerial responsibilities have been convicted of crime or fraud in the past five years, they were not connected with any proceedings of bankruptcy or liquidation, nor they were 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 adjusted 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 2016. 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	Amounts paid for activities in the Company´s Board of Directors		Amounts paid for activities in the Company´s Supervisory board		Amounts paid for activities in the Company´s Audit committee		Amounts paid for other activities within the Group	
	Financial compensation	Non-financial compensation	Financial compensation	Non-financial compensation	Financial compensation	Non-financial compensation	Financial compensation	Non-financial compensation
	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000
Members of the Company´s Board of Directors	-	-	-	-	-	-	26 764	1 025
Members of the Company´s Supervisory board	-	-	624	-	-	-	8 461	420
Members of the Company´s Audit committee	-	-	-	-	122	-	-	-
Other key management personnel of the Group	-	-	-	-	-	-	11 936	87
Total remuneration of the Group's key management personnel	**-**	**-**	**624**	**-**	**122**	**-**	**47 161**	**1 532**

7.5. 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 2016

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 2016 („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 2016, 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

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

SICHELDORFER GMBH

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

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

CROSS BORDER MERGER

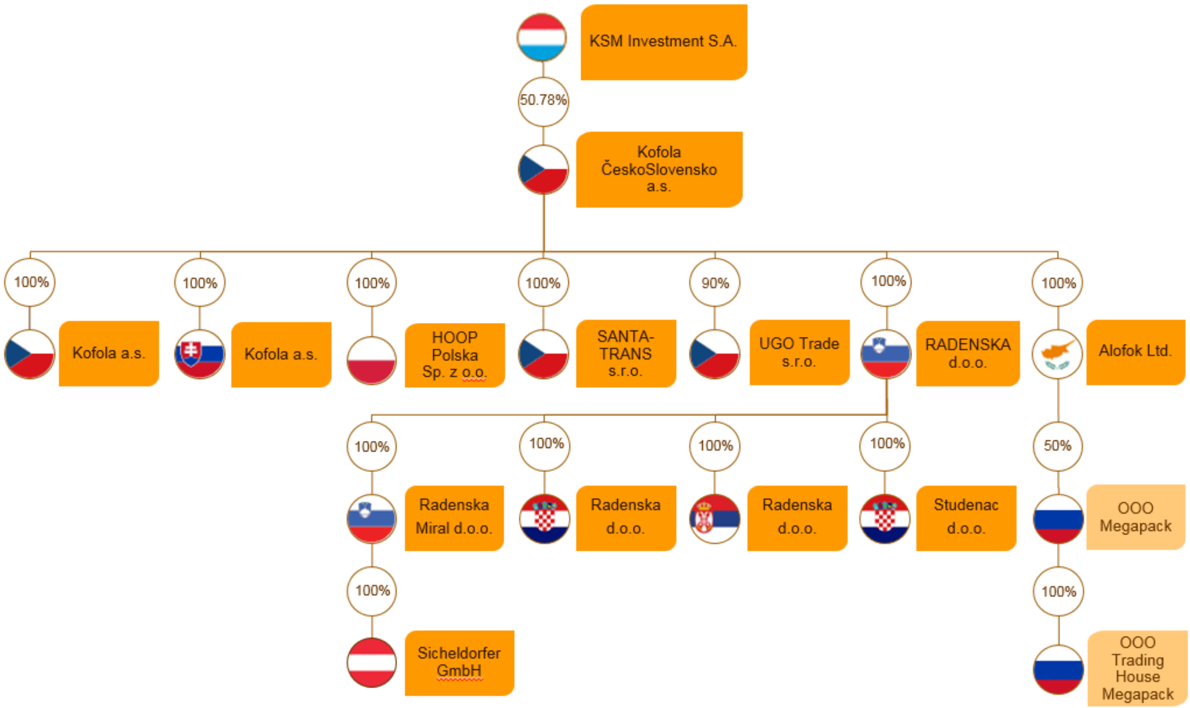
The Board of Directors of Kofola ČeskoSlovensko a.s. approved on 12 March 2016 the cross-border merger.

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.

8.2. STRUCTURE OF RELATIONS AND OWNERSHIP INTERESTS BETWEEN RELATED ENTITIES AS AT 31 DECEMBER 2016



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: 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.

The Company is listed at Prague Stock Exchange and Warsaw Stock Exchange. A delisting from the Warsaw Stock Exchange is planned for 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

During the Indicated period, the Company did not perform any act based on instruction or in the interest of the Controlling entity or entities controlled by Controlling entity concerning assets with value exceeding 10% of Company´s equity identified from Company´s latest financial statements.

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 S.A. and Hoop Polska sp. z o.o.on 1 June 2016 with annex dated on 30 December 2016,
- set-off agreement concluded between Kofola S.A., Hoop Polska sp. z o.o., Kofola a.s. (ČR) and Kofola CS a.s. on 27 July 2016,
- loan agreement concluded between Kofola ČeskoSlovensko a.s. and Radenska d.o.o. on 12 December 2016
- 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
- loan agreement concluded between Kofola ČeskoSlovensko a.s. and Kofola a.s. on 1 October 2015
- offset agreement concluded between Kofola ČeskoSlovensko a.s. and UGO trade s.r.o. on 30 December 2016.

PROVIDED GUARANTEES:

Entity receiving guarantees	Currency	Guarantee amount FCY´000	Guarantee amount CZK´000	Guarantee period	Guarantees provided for	Relationship
Oberbank Leasing	CZK	518	518	2/2017	Kofola a.s. (CZ)	subsidiary
Oberbank Leasing	CZK	233	233	2/2017	Kofola a.s. (CZ)	subsidiary
Oberbank Leasing	CZK	283	283	10/2017	Kofola a.s. (CZ)	subsidiary
ČSOB a.s.	CZK	22 881	22 881	3/2019	Kofola a.s. (CZ)	subsidiary
ČSOB a.s.	CZK	290 000	290 000	notice of termination	Kofola a.s. (CZ)	subsidiary
ČSOB a.s.	CZK	4 667	4 667	2/2018	Kofola a.s. (CZ)	subsidiary
City-Arena PLUS a.s.	EUR	7	184	8/2020	UGO Trade s.r.o.	subsidiary
Toyota Leasing S.A.	EUR	97	2 617	2/2018	Hoop Polska Sp. z o.o.	subsidiary

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

- master inter-group service agreement concluded between Kofola CS a.s. and Radenska d.d. on 18 March 18 2015,
- loan agreements concluded between Kofola CS a.s. and UGO Trade s.r.o., in years 2013-2015,
- 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,
- car rental agreement concluded between Kofola CS a.s. and Kofola a.s. (SK) on 1 March 2013,
- car rental agreement concluded between Kofola CS a.s. and Kofola a.s. (SK) on 1 August 2013,
- 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 2017

René Musila
Member of the Board of Directors

Daniel Buryš
Member of the Board of Directors

8. REPORT ON RELATIONS

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 2016 and of the outlook for future development of the financial position, business activities and financial performance.

SIGNATURES OF THE COMPANY'S REPRESENTATIVES

20.3.2017	**Janis Samaras**	**Chairman of the Board of Directors**	
date	*name and surname*	*position/role*	*signature*
20.3.2017	**René Musila**	**Member of the Board of Directors**	
date	*name and surname*	*position/role*	*signature*
20.3.2017	**Tomáš Jendřejek**	**Member of the Board of Directors**	
date	*name and surname*	*position/role*	*signature*
20.3.2017	**Daniel Buryš**	**Member of the Board of Directors**	
date	*name and surname*	*position/role*	*signature*
20.3.2017	**Jiří Vlasák**	**Member of the Board of Directors**	
date	*name and surname*	*position/role*	*signature*
20.3.2017	**Roman Zúrik**	**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.

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 2016, 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 2016, 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.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of 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 2016;
- the statement of 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 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.

Independence

We are independent of the Group in accordance with the ethical requirements outlined in the Act on Auditors and Code of Ethics for Professional Accountants issued by International Ethics Standards Board for Accountants (IESBA) and accepted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

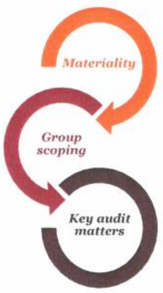
PricewaterhouseCoopers Audit, s.r.o., Hvězdova 1734/2c, 140 00 Prague 4, Czech Republic
T: +420 251 151 111, F: +420 251 156 111, www.pwc.com/cz

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

Our audit approach

Overview



Overall Group materiality: CZK 69,900 thousand.
Overall materiality for the separate financial statements: CZK 43,560 thousand.

- We identified six 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 4 countries to perform a full scope audits at 4 reporting units and specified procedures in Russia at Megapack OOO, with the Group audit team performing the remainder.
- Reporting units where PwC network firms performed audit procedures accounted for 98% 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 unit in Poland
- Impairment test of investment in an associate

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.

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.

pwc

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

Overall Group materiality	CZK 69,900 thousand (2015: CZK 56,400 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 most stable benchmark for the relevant industry segment with high volumes and low margins that impacts profit. We decided to use revenues as the main benchmark also due to the fact that client is strongly oriented on their market share and the market share is measured using revenues. Revenues represent Group's main input into the budgeting process.
Overall materiality for the separate financial statements	CZK 43,560 thousand (2015: CZK 3,200 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, 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 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. Refer to page B-13 – B-14 (Accounting Policies) and page B-34 – B-35 (note 4.10).	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 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 reviewed 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. We determined the appropriateness of the presented impairment tests and did not identify any impairment to be recognised.

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. During 2016 management decided to close one plant in Polish city Bielsk. Closure of Bielsk operations triggered close-up costs of CZK 33,469 thousand. Overall results of the cash generating unit represented by the business in Poland ("the CGU") were declining due to worse market conditions and declining sales of private label products. The CGU reported a loss of CZK 29,880 thousand for the year ended 31 December 2016. All of these facts represent impairment triggers. The Group performed an impairment test of the CGU for the consolidated financial statements and also for the purposes of measurement of the investment in 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 an impairment charge amounting CZK 70,368 thousand in the consolidated financial statements allocated to the tangible assets pro rata and CZK 245,258 thousand in the separate financial statements reducing the carrying value of the investment in subsidiary Hoop Polska Sp. z o.o. Refer to page B-12 (Accounting Policies, note 3.5.1) and page B-31 (note 4.9) in the consolidated financial statements and to page C-20 (note 4.9) in the separate 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 2016 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. Although inherent uncertainties exist in any long term forecasting exercise, based on the audit procedures performed, we found that the management's judgements were supported by reasonable assumptions and the recognised impairment loss properly reflected the recoverable amount of the CGU. We assessed whether the Group's disclosures regarding the performed impairment test, assumptions used and impairment loss recognised 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

Key audit matter	How our audit addressed the key audit matter
Impairment test of investment in an associate The Group holds significant investment in associate Megapack OOO in Russia (CZK 68,531 thousand in the consolidated and separate financial statements as at 31 December 2016). In the separate financial statements the associate is carried at cost less impairment while in the consolidated financial statements it is measures using the equity method. Certain assumptions used in the impairment test are judgmental and the key judgements include: • The future cash flow growth assumptions used in the associate'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; and • The discount rate applied to future cash flows. The impairment test resulted into an impairment charge of CZK 126,469 thousand in the consolidated financial statements and CZK 38,172 thousand in the separate financial statements respectively. Refer to page B-11 (Accounting Policies, note 3.4.2) and page B-36 – B-37 (note 4.11) in the consolidated financial statements and to page C-20 (note 4.9) in the separate 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 2016 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 • Assessed the applied foreign currency rate of Russian Ruble/Czech Crowns during translation of the recoverable amount to Czech Crowns, as the original discounted cash flows were determined in Russian Rubles; and • Considered the use of the long-term GDP growth rate for Russia when assessing the growth rate used beyond the period covered by the business plan. Although inherent uncertainties exist in any long term forecasting exercise, based on the audit procedures performed, we found that the management's judgements were supported by reasonable assumptions and the recognised impairment loss properly reflected the recoverable amount of the associate. We assessed whether the Group's disclosures regarding the performed impairment test, assumptions used and impairment loss recognised 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 an 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 globe. The group financial statements are a consolidation of 7 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, of the group's 7 reporting units, we performed an audit of the complete financial information of 6 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 Company and the Group 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.

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.

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.

20 March 2017

PricewaterhouseCoopers Audit

represented by

Václav Prýmek

Milan Zelený
Statutory Auditor, Licence No. 2319

CONSOLIDATED FINANCIAL STATEMENTS 2016

KOFOLA ČESKOSLOVENSKO A.S.

1. CONSOLIDATED FINANCIAL STATEMENTS

1.1. CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

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

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 2016 and 31 December 2015 in CZK thousand.

Consolidated statement of other comprehensive income	Note	2016 CZK´000	2015 CZK ´000
Profit for the period		**83 400**	**229 001**
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign subsidiaries		(40 030)	(48 348)
Exchange differences on translation of foreign associate	4.11	39 245	(22 075)
Other comprehensive (loss) for the period, net of tax		**(785)**	**(70 423)**
Total comprehensive income for the period		**82 615**	**158 578**
Attributable to:			
Owners of Kofola ČeskoSlovensko a.s.		85 588	159 124
Non-controlling interests		(2 973)	(546)

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 2016 and 31 December 2015 in CZK thousand.

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

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

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

1.4. CONSOLIDATED STATEMENT OF CASH FLOWS

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

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

** including the brands Inka, Nara, Voćko Studena, Studenac and Lero*
*** squeeze out of Radenska NCI and Studenac acquisition*

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 2016 and 12-month period ended 31 December 2015 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 2015		**151 499**	**-**	**2 004 024**	**235 031**	**(2 811)**	**181 706**	**2 569 449**	**7 380**	**2 576 829**
Profit for the period	1.1	-	-	-	-	-	227 657	**227 657**	1 344	**229 001**
Other comprehensive (loss)		-	-	-	(68 533)	-	-	**(68 533)**	(1 890)	**(70 423)**
Total comprehensive (loss) for the period	1.2	**-**	**-**	**-**	**(68 533)**	**-**	**227 657**	**159 124**	**(546)**	**158 578**
Dividends	4.15.7	-	-	-	212	-	(24 106)	**(23 894)**	(2 528)	**(26 422)**
Transfers		-	-	84 442	-	-	(84 442)	**-**	-	**-**
Acquisition of subsidiary		-	-	-	-	-	1 269	**1 269**	44 927	**46 196**
Own shares purchase		-	-	-	-	(19 854)	-	**(19 854)**	-	**(19 854)**
Share capital reduction		(59)	-	(2 898)	-	2 957	-	**-**	-	**-**
Capital restructuring		2 050 560	(2 068 268)	-	-	19 708	(22)	**1 978**	-	**1 978**
Shares issue		27 500	105 397	-	-	-	-	**132 897**	-	**132 897**
Balance as at 31 December 2015		**2 229 500**	**(1 962 871)**	**2 085 568**	**166 710**	**-**	**302 062**	**2 820 969**	**49 233**	**2 870 202**
Correction of errors	3.8	**-**	**-**	**-**	**-**	**-**	**(10 781)**	**(10 781)**	**-**	**(10 781)**
Balance as at 31 December 2015 Restated		**2 229 500**	**(1 962 871)**	**2 085 568**	**166 710**	**-**	**291 281**	**2 810 188**	**49 233**	**2 859 421**
Balance as at 1 January 2016		**2 229 500**	**(1 962 871)**	**2 085 568**	**166 710**	**-**	**291 281**	**2 810 188**	**49 233**	**2 859 421**
Profit for the period	1.1	-	-	-	-	-	86 373	**86 373**	(2 973)	**83 400**
Other comprehensive (loss)		-	-	-	(785)	-	-	**(785)**	-	**(785)**
Total comprehensive income 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		-	-	-	-	(3 743)	-	**(3 743)**	-	**(3 743)**
Own shares transfer		-	-	-	-	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**

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. (until 19 June 2015 Ywaki Consulting 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 (until 19 June 2015 Karolinská 661/4, Praha 8, 186 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.

Main area of activity of Kofola ČeskoSlovensko a.s. in 2016 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 part 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 or 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

STOCK EXCHANGE LISTING

Kofola ČeskoSlovensko a.s. is listed on Prague Stock Exchange (ticker KOFOL) and on Warsaw stock Exchange (ticker KOF).

MANAGEMENT

As at 31 December 2016, 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
- Roman Zúrik

SUPERVISORY BOARD

- René Sommer – Chairman
- Jacek Woźniak
- Pavel Jakubík
- Moshe Cohen-Nehemia
- Petr Pravda
- Ivan Jakúbek

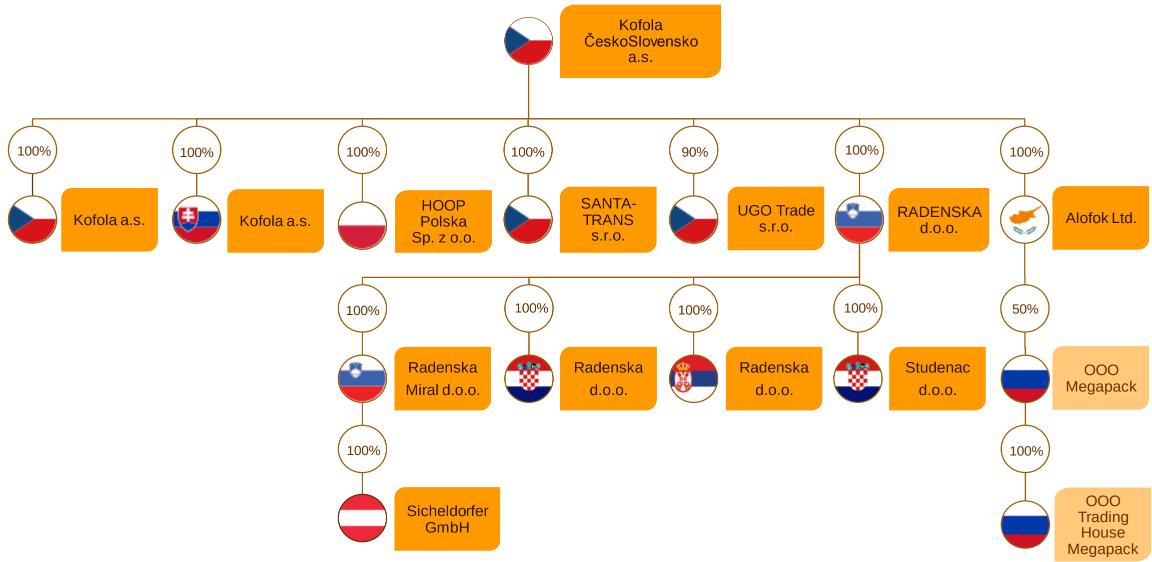
AUDIT COMMITTEE

- Marek Piech – Chairman
- Pavel Jakubík
- Ivan Jakúbek

2. GENERAL INFORMATION

2.2. GROUP STRUCTURE

GROUP STRUCTURE CHART AS AT 31 DECEMBER 2016



DESCRIPTION OF THE GROUP COMPANIES

Name of entity	Place of business	Principal activities	Ownership interest and voting rights 31.12.2016	31.12.2015
Holding companies				
Kofola ČeskoSlovensko a.s.	Czech Republic	top holding company		
Alofok Ltd.	Cyprus	holding	100.00%	100.00%
Kofola CS a.s.	Czech Republic	holding	- *	100.00%
Kofola holdinška družba d.o.o.	Slovenia	holding	- *	100.00%
KOFOLA S.A.	Poland	holding	- *	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%
PINELLI spol. s r.o.	Czech Republic	trademark licensing	- *	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% **	97.62%
Studenac d.o.o.	Croatia	production and distribution of non-alcoholic beverages	100.00%	-
Radenska d.o.o.	Croatia	inactive	100.00% **	97.62%
Radenska d.o.o.	Serbia	inactive	100.00% **	97.62%
Radenska Miral d.o.o.	Slovenia	trademark licensing	100.00% **	97.62%
Sicheldorfer GmbH	Austria	inactive	100.00% **	97.62%
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%

** On 12 March 2016, the BoD of the Company approved the cross-border merger of Kofola ČeskoSlovensko a.s., Kofola CS a.s., Kofola S.A., Kofola holdinška družba d.o.o. and PINELLI spol. s r.o.*

*** On 25 July 2016, the Slovenian court approved the squeeze-out of Radenska d.d.´s minority shareholders. On 28 July 2016, Slovenian Central securities clearing corporation registered the squeeze-out and Kofola holdinška družba d.o.o. became the sole shareholder of Radenska d.d.*

**** On 2 September 2016, the Slovenian court approved the change of legal form from Radenska d.d. to RADENSKA d.o.o.*

2. GENERAL INFORMATION

3. SIGNIFICANT ACCOUNTING POLICIES

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 2016.

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 2016 and contains comparatives for the period ended 31 December 2015.

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

The Group 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 2016. The Group has not early-adopted any standard.

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

- IFRS 9 – Financial Instruments,
- IFRS 15 – Revenue from Contracts with Customers,
- IFRS 16 – Leases (not adopted by the European Union).

Management of the Group is analysing potential impact of the not-yet effective standards on the consolidated financial statements of the Group.

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:

- 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.

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	31.12.2016	31.12.2015
CZK/EUR	27.020	27.025
CZK/PLN	6.126	6.340
CZK/RUB	0.420	0.335
CZK/USD	25.639	24.824
CZK/HRK	3.575	3.538

Average exchange rates	1.1.2016 - 31.12.2016	1.1.2015 - 31.12.2015
CZK/EUR	27.033	27.283
CZK/PLN	6.198	6.525
CZK/RUB	0.366	0.406
CZK/USD	24.432	24.600
CZK/HRK	3.589	3.583

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 “Other currency differences from translation” 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 profit or loss of the investee after the date of acquisition. The group's investment in associates includes goodwill identified on acquisition.

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

The Group's share of post-acquisition profit or loss is recognized in 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.

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

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

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

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

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

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

DEPRECIATION

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

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

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 costs 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 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 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 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 to sell, 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, 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 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 to sell. The loss on the remeasurement to fair value less cost to sell is recognised in other operating expenses. Subsequently, any reversal of impairment loss is recognised in other operating income. 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 an agreed loss of control (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 to the presentation currency.

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.

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 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 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.

3.5.17 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 DISCONTINUED OPERATIONS

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

3.5.20 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 2016 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

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, we corrected the error 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 20 March 2017.

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 identified one customer in the year ended 31 December 2016 that generated more than 10% of the Group's consolidated revenue. The Group's revenue from this customer in 2016 amounted to CZK 1 000 026 thousand (2015: CZK 1 478 837 thousand).

GEOGRAPHIC SEGMENTS

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 (note 4.25)	48 831	-	94 339	7 821	126 469*	277 460	-	-	277 460
Adjusted EBITDA	**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	3 785 159	914 559	681 858	377 715	9 006	5 768 297	(487 882)	-	5 280 415
Equity									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)

1.1.2015 – 31.12.2015	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	**2 878 976**	**1 920 012**	**2 380 474**	**547 304**	**138 648**	**7 865 414**	**(708 682)**	**-**	**7 156 732**
External revenue	2 639 380	1 579 771	2 275 304	523 936	138 341	7 156 732	-	-	7 156 732
Inter-segment revenue	239 596	340 241	105 170	23 368	307	708 682	(708 682)	-	-
Operating expenses	**(2 756 620)**	**(1 689 044)**	**(2 368 873)**	**(475 511)**	**(140 687)**	**(7 430 735)**	**708 682**	**-**	**(6 722 053)**
Related to external revenue	(2 517 024)	(1 348 803)	(2 263 703)	(452 143)	(140 380)	(6 722 053)	-	-	(6 722 053)
Related to inter-segment revenue	(239 596)	(340 241)	(105 170)	(23 368)	(307)	(708 682)	708 682	-	-
Operating result	**122 356**	**230 968**	**11 601**	**71 793**	**(2 039)**	**434 679**	**-**	**-**	**434 679**
Finance income / (costs), net	166 494	(7 693)	200 515	48 127	55	407 498	(516 527)	-	(109 029)
- within segment	(96 871)	(7 445)	(22 984)	18 216	55	(109 029)	-	-	(109 029)
- between segments	263 365	(248)	223 499	29 911	-	516 527	(516 527)	-	-
Share of profit of associate	-	-	-	-	-	-	-	(3 389)	(3 389)
Profit/(loss) before income tax	288 850	223 275	212 116	119 920	(1 984)	842 177	(516 527)	(3 389)	**322 261**
Income tax expense	(24 286)	(51 319)	1 160	(18 541)	(68)	(93 054)	(206)	-	(93 260)
Profit/(loss) for the period	264 564	171 956	213 276	101 379	(2 052)	749 123	(516 733)	(3 389)	**229 001**
EBITDA	**371 479**	**348 252**	**112 685**	**117 503**	**(2 039)**	**947 880**	**-**	**-**	**947 880**
One-offs (note 4.25)	25 126	9 076	116 283	4 249	-	154 734	-	-	154 734
Adjusted EBITDA	**396 605**	**357 328**	**228 968**	**121 752**	**(2 039)**	**1 102 614**	**-**	**-**	**1 102 614**
Assets and liabilities									
Segment assets	4 777 454	1 390 333	2 493 535	2 154 970	13 448	10 829 740	(2 494 647)	155 921	8 491 014
Total assets	**4 777 454**	**1 390 333**	**2 493 535**	**2 154 970**	**13 448**	**10 829 740**	**(2 494 647)**	**155 921**	**8 491 014**
Segment liabilities (Restated)	4 024 862	786 941	1 248 800	2 057 952	9 894	8 128 449	(2 496 856)	-	5 631 593
Equity (Restated)									2 859 421
Total liabilities and equity									**8 491 014**

Other segment information									
Additions to PPE and Intangible assets	284 414	225 685	164 058	31 895	-	706 052	-	-	706 052
Depreciation and amortisation	249 123	117 284	101 084	45 710	-	513 201	-	-	513 201
Other Impairment losses	3 454	9 196	89 171	3 029	-	104 850	-	-	104 850
Other Impairment losses reversals	(19 506)	(11 068)	(18 322)	(3 670)	-	(52 566)	-	-	(52 566)

PRODUCT LINES

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

1.1.2015 - 31.12.2015	Carbonated beverages CZK´000	Non-carbonated beverages CZK ´000	Waters CZK ´000	Syrups CZK ´000	Other CZK ´000	Total CZK ´000
Revenue	3 479 580	559 905	1 854 530	870 539	392 178	7 156 732

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 2016, about 21% (17% in 2015) of revenue from the sales of finished products and services was earned in the 1st quarter, with 29% (30% in 2015), 28% (30% in 2015) and 22% (23% in 2015) 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	2016 CZK´000	2015 CZK´000
Depreciation of Property, plant and equipment and amortisation of Intangible assets	523 003	513 201
Employee benefits expenses (i)	1 146 786	1 060 615
Consumption of materials and energy	3 108 138	3 343 782
Cost of goods and materials sold	418 133	361 734
Services	1 175 605	1 285 302
Rental costs	118 253	114 431
Taxes and fees	49 986	49 135
Insurance costs	16 108	15 395
Change in allowance to inventory	(5 148)	611
Change in allowance to trade receivables	(2 305)	(24 677)
Other cost/(income)	37 549	32 424
Total expenses by nature*	**6 586 108**	**6 751 953**
Change in finished products and work in progress	(19 658)	(76 166)
Reconciliation of expenses by nature to expenses by function	**6 566 450**	**6 675 787**
Selling, marketing and distribution costs	1 910 997	1 898 428
Administrative costs	444 957	446 855
Costs of products and services sold	3 792 363	3 968 770
Cost of goods and materials sold	418 133	361 734
Total costs of products sold, merchandise and materials, sales costs and administrative costs	**6 566 450**	**6 675 787**

* excluding Other operating income, Other operating expenses and Impairment

(i) Employee benefits expenses

Employee benefits expenses	2016 CZK´000	2015 CZK´000
Salaries	866 866	813 825
Social security and other benefit costs	151 689	132 536
Pension benefit plan expenses	128 231	114 254
Total employee benefits expenses	**1 146 786**	**1 060 615**

4.3. OTHER OPERATING INCOME

Other operating income	2016 CZK´000	2015 CZK´000
Net gain from the sale of PPE and intangible assets	1 211	6 317
Reinvoiced payments	6 959	-
Received subsidies	-	163
Received donations	378	-
Compensation claims	23 303	76 355
Received penalties and compensation for damages	14 518	5 120
Tax return	230	229
Release of provisions	28 063	19 234
Other	9 829	27 126
Total other operating income	**84 491**	**134 544**

4.4. OTHER OPERATING EXPENSES

Other operating expenses	2016 CZK´000	2015 CZK´000
Net loss from disposal of PPE and intangible assets	231	-
Loss from liquidation of PPE and intangible assets	-	2 547
Provided donations, sponsorship	9 166	8 391
Paid penalties and damages	1 298	21 088
Other tax expense	58	3 147
Creation of provisions	310	-
Creation of provisions - plant closure in Poland	5 235	77 647
Creation of allowances to receivables related to compensation claims	11 126	-
Severance - plant closure in Poland	28 234	-
Recall expenses HOOP	-	54 998
Other	609	12 992
Total other operating expenses	**56 267**	**180 810**

4.5. FINANCE INCOME

Finance income	2016 CZK´000	2015 CZK´000
Interest from:		
– bank deposits	2 796	4 421
– credits and loans granted	150	694
Exchange gains	1 513	7 985
Gain from revaluation of derivatives	5 118	-
Other	2 752	7 861
Total finance income	**12 329**	**20 961**

4.6. FINANCE COSTS

Finance costs	2016 CZK´000	2015 CZK´000
Interest from:		
– bank loans and credits, finance lease and bonds	78 438	79 781
Exchange losses	6 552	26 571
Loss from the sale of shares and other securities	10	-
Bank costs and charges	11 200	11 502
Loss from revaluation of derivatives	7 863	11 946
Other	848	190
Total finance costs	**104 911**	**129 990**

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 2016 and 31 December 2015 were as follows:

Income tax expense	2016 CZK´000	2015 CZK´000
Current income tax	**88 556**	**72 770**
Current income tax on profits for the year	88 599	72 806
Adjustments for current income tax of prior periods	(43)	(36)
Deferred income tax	**(1 556)**	**20 490**
Related to arising and reversing of temporary differences	(22 236)	47 212
Related to tax losses	20 680	(26 722)
Income tax expense	**87 000**	**93 260**

The income tax rate applicable to the majority of the Group’s 2016 and 2015 income is 19%.

4.7.2 INCOME TAX RECOGNISED DIRECTLY IN EQUITY

Income tax recognised directly in equity	2016 CZK´000	2015 CZK´000
Deferred tax on IPO transaction costs (4.15.1)	-	624
Income tax recognised directly in equity	**-**	**624**

4.7.3 EFFECTIVE TAX RECONCILIATION

Effective tax	2016 CZK´000	2015 CZK´000
Profit before income tax	170 400	322 261
Tax at the rate of 19% valid in the Czech Republic	(32 376)	(61 230)
Tax effect of:		
Share of (loss) of associate	(174)	(644)
Non-deductible expenses	(42 076)	(15 012)
Non-recognition of deferred tax assets	(24 713)	(9 495)
Investment incentives	(20 985)	-
Non-taxable income	(806)	1 833
Current tax of prior periods	(702)	9
Deferred tax adjustments relating to prior periods	76 153	(4 387)
Tax effect on tax losses	(53 882)	-
Difference in tax rates of subsidiaries operating in other jurisdictions	(5 651)	(4 334)
Change in tax status as a result of merger	18 212	-
Income tax expense	**(87 000)**	**(93 260)**
Effective tax rate (%)	**51.06%**	**28.94%**

4.7.4 DEFERRED TAX ASSETS AND LIABILITIES

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**

Deferred tax assets and liabilities	Deferred tax assets CZK´000	Deferred tax liabilities CZK´000	31.12.2015 Net amount CZK´000
Temporary differences attributable to:			
Property, plant and equipment and Intangible assets	4 312	308 023	(303 711)
Inventories	4 867	-	4 867
Receivables	11 959	20 513	(8 554)
Tax losses	123 622	-	123 622
Provisions and payables	83 095	-	83 095
Investment incentives	56 900	-	56 900
Other	4 136	21 550	(17 414)
Deferred tax assets / (liabilities)	**288 891**	**350 086**	**(61 195)**
Presentation offsetting	(192 088)	(192 088)	-
Non-current deferred tax assets / (liabilities)	**96 803**	**157 998**	**(61 195)**
Current deferred tax assets / (liabilities)	**-**	**-**	**-**

4.8. EARNINGS PER SHARE

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

	2016 CZK´000	2015* CZK´000
Profit for the period attributable to owners of Kofola ČeskoSlovensko a.s.	**86 373**	**227 657**

	2016 pcs	2015* pcs
Weighted average number of ordinary shares for EPS calculation	22 295 000	22 078 481
Effect of own shares	(2 341)	(6 368)
Weighted average number of ordinary shares used to calculate basic earnings per share	**22 292 659**	**22 072 112**
Dilution adjustments	-	-
Adjusted weighted average number of ordinary shares used to calculate diluted earnings per share	**22 292 659**	**22 072 112**

* restated to show the impact of capital reorganisation in 2015

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

Basic earnings per share (CZK/share)	2016 CZK´000	2015* CZK´000
Profit for the period attributable to owners of Kofola ČeskoSlovensko a.s.	86 373	227 657
Weighted average number of ordinary shares used to calculate basic earnings per share (pcs)	22 292 659	22 072 112
Basic earnings per share attributable to owners of Kofola ČeskoSlovensko a.s. (CZK)	**3.87**	**10.31**

* restated to show the impact of capital reorganisation in 2015

Diluted earnings per share (CZK/share)	2016 CZK´000	2015* CZK´000
Profit for the period attributable to owners of Kofola ČeskoSlovensko a.s.	86 373	227 657
Adjusted weighted average number of ordinary shares used to calculate diluted earnings per share (pcs)	22 292 659	22 072 112
Diluted earnings per share attributable to owners of Kofola ČeskoSlovensko a.s. (CZK)	**3.87**	**10.31**

* restated to show the impact of capital reorganisation in 2015

4.9. PROPERTY, PLANT AND EQUIPMENT

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.

The investment projects realised by the Group in 2015 comprise primarily addition of machinery and the improvement of can line in the Czech Republic, aseptic line and storage equipment along with technical improvement of production buildings in Slovakia and new as well as improved machinery along with the production hall under construction in Poland.

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)**
Liquidation	-	-	(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**
Liquidation	-	-	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)**
Liquidation	-	-	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 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	**-**	**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**

Assets classified as held for sale mainly represent assets from closed production plant in Bielsk (Poland).

1.1.2015 - 31.12.2015

Movements in Property, plant and equipment	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	**87 571**	**1 974 834**	**2 879 514**	**388 351**	**963 653**	**57 883**	**6 351 806**
Acquisition of subsidiary	142 427	298 876	1 417 240	-	83 593	1 615	1 943 751
Additions	45	33 263	224 032	30 660	69 371	124 256	481 627
Transfers from Fixed assets under construction	-	26 704	23 051	-	589	(50 344)	-
Finance lease additions	-	-	154 178	51 787	-	-	205 965
Other increases	6 499	-	481	187	-	-	7 167
Sale	-	-	(59 832)	(14 016)	(21 373)	-	(95 221)
Liquidation	-	(25 220)	(50 077)	(21 961)	(79 551)	-	(176 809)
Reclassification	-	(10 666)	5 504	-	5 162	-	-
Other decreases	-	(7 135)	(17 839)	(4 844)	(1 340)	-	(31 158)
Exchange difference	1 554	(36 112)	(56 117)	(1 837)	(11 032)	(3 236)	(106 780)
Cost - closing	**238 096**	**2 254 544**	**4 520 135**	**428 327**	**1 009 072**	**130 174**	**8 580 348**
Accumulated depreciation - opening	**(588)**	**(391 503)**	**(2 098 701)**	**(249 332)**	**(625 946)**	**-**	**(3 366 070)**
Acquisition of subsidiary	-	(99 026)	(1 240 787)	-	(65 939)	-	(1 405 752)
Depreciation charge	(92)	(61 974)	(245 183)	(52 348)	(112 764)		(472 361)
Sale	-	-	58 787	13 704	20 198	-	92 689
Liquidation	-	24 916	49 472	21 405	77 943	-	173 736
Other movements	(788)	6 703	10 024	4 401	(2 363)	-	17 977
Exchange difference	35	2 673	39 176	485	8 198	-	50 567
Accumulated depreciation - closing	**(1 433)**	**(518 211)**	**(3 427 212)**	**(261 685)**	**(700 673)**	**-**	**(4 909 214)**
Impairment allowance - opening	**(676)**	**(142 824)**	**(18 652)**	**-**	**(194)**	**-**	**(162 346)**
Impairment loss	-	-	-	-	(32)	-	(32)
Liquidation	-	-	-	-	191	-	191
Exchange difference	19	3 344	187	-	2	-	3 552
Impairment allowance - closing	**(657)**	**(139 480)**	**(18 465)**	**-**	**(33)**	**-**	**(158 635)**
Net book value – opening	**86 307**	**1 440 507**	**762 161**	**139 019**	**337 513**	**57 883**	**2 823 390**
Net book value - closing	**236 006**	**1 596 853**	**1 074 458**	**166 642**	**308 366**	**130 174**	**3 512 499**
Of which:							
Assets classified as held for sale							*3 506*
Property, plant and equipment							*3 508 993*

4. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4.9.1 IMPAIRMENT TESTING

In the Polish operation, 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 assumptions of the impairment test model are as follows:

- WACC: 10.0%
- Infinite growth rate: 2.0%

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.

4.10. INTANGIBLE ASSETS

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
Liquidation	-	(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)
Liquidation	-	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**

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 of twelve-months ended 31 December 2016, the additions to intangible assets were of CZK 46 451 thousand. The most significant additions were purchased brands Studenac, Studena, Lero, Inka, Nara and Voćko in Croatia.

Movements in Intangible assets (IA) 2015	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	**87 986**	**16 535**	**134 092**	**1 459 012**	**-**	**1 697 625**
Acquisition of subsidiary	-	7 768	69 156	138 617	-	215 541
Additions	-	79	17 688	-	693	18 460
Liquidation	-	-	(408)	-	-	(408)
Exchange difference	(1 684)	(535)	(1 279)	(25 258)	(1)	(28 757)
Cost – closing	**86 302**	**23 847**	**219 249**	**1 572 371**	**692**	**1 902 461**
Accumulated amortisation - opening	**-**	**(16 483)**	**(94 588)**	**(20 729)**	**-**	**(131 800)**
Amortisation charge	-	(6 253)	(58 946)	-	-	(65 199)
Sale	-	(372)	(19 683)	(20 785)	-	(40 840)
Liquidation	-	-	396	-	-	396
Exchange difference	-	509	1 143	(56)	-	1 596
Accumulated amortisation - closing	**-**	**(22 599)**	**(171 678)**	**(41 570)**	**-**	**(235 847)**
Impairment allowance – opening	**-**	**-**	**-**	**(413 469)**	**-**	**(413 469)**
Exchange difference	-	-	-	9 681	-	9 681
Impairment allowance – closing	**-**	**-**	**-**	**(403 788)**	**-**	**(403 788)**
Net book value – opening	**87 986**	**52**	**39 504**	**1 024 814**	**-**	**1 152 356**
Net book value - closing	**86 302**	**1 248**	**47 571**	**1 127 013**	**692**	**1 262 826**
Of which:						
Goodwill						**86 302**
Intangible assets						**1 176 524**

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. 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 used the estimated cash-flow projections based on financial plans approved by management of the Group on the basis of plans drawn up by management of the Group for the period until 2021. 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

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%

2015	Kofola	Vinea	Hoop Cola	Paola	Radenska
Country of trademark	**Czech**	**Slovakia**	**Poland**	**Poland**	**Slovenia**
Royalty rate	6.00%	6.00%	3.00%	4.50%	6.00%
Infinite growth rate	2.00%	2.00%	2.00%	2.00%	2.00%
Discount rate pre-tax	7.16%	6.98%	9.34%	9.34%	8.13%

CARRYING VALUE OF ALL TRADEMARKS PER COUNTRY

	Czech Republic	Slovakia	Poland	Slovenia	Total
	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000
2016	350 431	225 860	346 744	136 049	**1 059 084**
2015	358 419	225 913	358 857	136 075	**1 079 264**

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.

	2016 CZK´000 / %	2015 CZK´000 / %
Carrying value	86 302	86 302
EBITDA margin	21.07%; 14.59%	15.97%; 13.88%
Infinite growth rate	2.00%	2.00%
Discount rate pre-tax	6.9%	6.21%

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 2016 and 31 December 2015 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, Paola, HOOP Cola and cash generating units related to Klimo s.r.o. and Pinelli spol. s r.o., no rational change in the above-adopted assumptions would result in their recoverable 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	2016 CZK´000	2015 CZK´000
Opening balance	**155 921**	**181 385**
Share of profit/(loss) attributable to the Group	(915)	(3 389)
Share of other comprehensive income attributable to the Group	-	-
Impairment	(126 469)	-
Exchange difference	39 245	(22 075)
Closing balance	**67 782**	**155 921**

Reconciliation of net assets to carrying amounts	2016 RUB´000	2015 RUB´000
As at 1 January	**558 913**	**575 609**
Profit/(loss) for the period	(5 000)	(16 696)
At the 31 December	**553 913**	**558 913**
Group´s share on net assets	276 957	279 457
Impairment	(301 066)	-
FV adjustment on deconsolidation*	185 494	185 494
Carrying amount in RUB ths.	**161 385**	**464 951**
FX rate as at 31 December	0.420	0.335
Carrying amount in CZK ths.	**67 782**	**155 921**

* 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	31.12.2016	31.12.2015
	CZK´000	CZK´000
Current assets	187 030	173 109
Non-current assets	167 568	139 404
Current liabilities	(103 365)	(108 519)
Non-current liabilities	(19 140)	(16 758)
Net assets	**232 093**	**187 236**

Statement of profit or loss	2016	2015
	CZK´000	CZK´000
Revenue	558 524	917 046
(Loss) for the period	(1 830)	(6 778)
Share of (loss) attributable to Kofola ČeskoSlovensko group	**(915)**	**(3 389)**

Statement of cash flows	2016	2015
	CZK´000	CZK´000
Cash flows from operating activities	(3 612)	(31 635)
Cash flows from investing activities	11 705	32 037
Cash flows from financial activities	(297)	-
Cash inflow / (outflow)	**7 796**	**402**

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: 14.57%
- Infinite growth rate: 2.0%

The final projections are in the table below:

Megapack financial projections	2017	2018	2019	2020
	RUB´000 / %	RUB´000 / %	RUB´000 / %	RUB´000 / %
EBITDA	45 000	50 000	55 000	60 000
Inflation – Russian food industry	5.00%	5.00%	5.00%	5.00%
Real expected growth	7.50%	6.11%	5.00%	4.09%
Total growth	12.50%	11.10%	10.00%	9.09%

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 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 calculated the sensitivity analysis, only 1 parameter is changed.

4.12. INVENTORIES

Inventories	31.12.2016	31.12.2015
	CZK´000	CZK´000
Inventories not impaired	**485 307**	**501 043**
Material	249 964	226 180
Goods	54 604	61 289
Work in progress	4	94
Finished products	180 735	213 480
Impaired inventories	**12 066**	**17 420**
Material	8 284	8 987
Goods	981	1 034
Finished products	2 801	7 399
Provision for impairment of inventories	**(11 933)**	**(17 370)**
Inventories total	**485 440**	**501 093**

Provision for impairment of inventories	2016 CZK´000	2015 CZK´000
As at 1 January	**17 370**	**15 386**
Acquired through business combination	50	-
Increase due to creation	7 290	16 647
Decrease due to usage/release	(12 438)	(16 036)
Exchange differences	(339)	1 373
As at 31 December	**11 933**	**17 370**

4.13. TRADE AND OTHER RECEIVABLES

Trade receivables and other receivables	31.12.2016		31.12.2015	
	Current CZK´000	Non-current CZK´000	Current CZK´000	Non-current CZK´000
Financial assets within Trade and other receivables				
Trade receivables	910 977	651	831 342	-
Provision for impairment of trade receivables	(73 493)	-	(84 472)	-
Other receivables	152 969	51 019	107 692	56 348
Provision for impairment of other receivables	(83 167)	(6 856)	(81 380)	-
Total	**907 286**	**44 814**	**773 182**	**56 348**
Non-financial assets within Trade and other receivables				
VAT receivable	28 645	-	29 016	-
Deferred expenses	63 752	1 629	66 211	-
Prepayments	64 360	4 484	60 199	-
Other	17 637	215	5 844	-
Total	**174 394**	**6 328**	**161 270**	**-**
Trade and other receivables total	**1 081 680**	**51 142**	**934 452**	**56 348**

Provision for impairment of trade and other receivables	2016		2015	
	Trade receivables CZK´000	Other financial receivables CZK´000	Trade receivables CZK´000	Other financial receivables CZK´000
As at 1 January	**84 472**	**81 380**	**109 202**	**8 550**
Exchange differences	2 602	(2 634)	(3 002)	(2 155)
Increase due to creation	(11 316)	11 277	11 841	76 355
Decrease due to usage/release	(2 265)	-	(33 569)	(1 370)
As at 31 December	**73 493**	**90 023**	**84 472**	**81 380**

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	31.12.2016 CZK´000	31.12.2015 CZK´000
Cash in bank and in hand	1 420 944	1 530 953
Short-term deposits	-	408 937
Other	70	118
Total cash and cash equivalents	**1 421 014**	**1 940 008**

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

Split by currency	31.12.2016 CZK´000	31.12.2015 CZK´000
in CZK	1 258 480	1 396 966
in EUR	93 278	295 057
in PLN	66 105	245 525
in USD	351	1 760
in HRK	2 800	697
in RUB	-	3
Total cash and cash equivalents	**1 421 014**	**1 940 008**

4.15. EQUITY

4.15.1 SHARE CAPITAL, SHARE PREMIUM AND CAPITAL REORGANISATION RESERVE

On 15 October 2015 Kofola ČeskoSlovensko a.s. replaced Kofola S.A. as the parent company of the Kofola Group.

SHARE CAPITAL STRUCTURE

Share capital structure		2016		2015	
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. Holders of the ordinary shares are entitled to declared dividends and to one vote per share at general meeting of the Company.

All of the issued shares have been fully paid up.

MOVEMENTS IN ORDINARY SHARES

Movements in ordinary shares	Number of shares thousands	Par value CZK'000	Share premium CZK'000	Capital reorganisation reserve CZK'000	Total CZK'000
As at 1 January 2015	26 170	151 499	-	-	151 499
Liquidation of own shares (i)	(10)	(59)	-	-	(59)
Derecognition of ordinary shares of Kofola S.A. (ii)	(26 160)	(151 440)	-	-	(151 440)
Recognition of ordinary shares of Kofola ČeskoSlovensko a.s. (ii)	22 020	2 202 000	5 389 120	-	7 591 120
Capital reorganisation reserve (ii)	-	-	-	(7 457 386)	(7 457 386)
Shares issue (iii)	275	27 500	112 750	-	140 250
Transaction costs arising on share issue (iii)	-	-	(7 977)	-	(7 977)
Deferred tax recognised directly in equity (iii)	-	-	624	-	624
As at 31 December 2015	**22 295**	**2 229 500**	**5 494 517**	**(7 457 386)**	**266 631**
As at 31 December 2016	**22 295**	**2 229 500**	**5 494 517**	**(7 457 386)**	**266 631**

(i) Liquidation of own shares

On 2 April 2014 and 26 May 2014, Kofola S.A. acquired 9 624 own shares representing 0.0368 % of share capital. The reduction of share capital was registered by the Court on 7 January 2015.

Further, on 13 August 2014 and 22 May 2015, Kofola S.A. acquired 573 own shares representing 0.0022 % of share capital. The reduction of share capital was registered by the Court on 26 August 2015.

(ii) Capital reorganisation

On 12 October 2015, Kofola S.A. (former parent company of the Kofola Group) entered into a share purchase agreement („SPA“) with Kofola ČeskoSlovensko a.s. relating to own shares of Kofola S.A. held by Kofola S.A. Under the SPA, Kofola S.A. sold 53 985 shares in Kofola S.A. (each with a nominal value of 1 PLN) to Kofola ČeskoSlovensko a.s. for a consideration of PLN 57 (CZK 366 translated by FX rate from 12 October 2015 of 6.416 CZK/PLN) per one Kofola S.A. share ("Shares"). The Shares represented 0.2064% of Kofola S.A.'s registered share capital and 53 985 votes on a general meeting of Kofola S.A.

On 15 October 2015, KSM Investment S.A., CED Group S.á.r.l., Mr. René Musila and Mr. Tomáš Jendřejek executed Subscription Agreements on 22 000 000 shares of Kofola ČeskoSlovensko a.s. with a nominal value of CZK 100 each and paid the subscription price for these shares by way of in-kind contribution of all their shares they owned in Kofola S.A.

As a result of this in-kind contribution and acquisition of Kofola S.A. own shares, as described above, Kofola ČeskoSlovensko a.s. became owner of 26 107 880 shares in Kofola S.A. representing 99.8% of the share capital of Kofola S.A. and 26 107 880 votes at the General Meeting of Kofola S.A., and, as a result, Kofola ČeskoSlovensko a.s. became parent company of the whole Kofola Group.

As described in the separate paragraph describing the capital reorganisation, on 15 October 2015 Kofola ČeskoSlovensko a.s. became the parent company of Kofola S.A. and its group. As such share capital and share premium of Kofola ČeskoSlovensko a.s. were recognised in the consolidated equity. Prior to the Subscription Agreement as described above, the equity of Kofola ČeskoSlovensko a.s. comprised share capital of CZK 2 000 thousand and accumulated deficit of CZK (22) thousand. As a result of the in-kind contribution of Kofola S.A. shares to Kofola ČeskoSlovensko a.s. to pay for 22 000 000 newly subscribed shares of Kofola ČeskoSlovensko a.s. with the nominal value of CZK 100 by the participating shareholders, the share capital of Kofola ČeskoSlovensko a.s. increased by CZK 2 200 000 thousand to CZK 2 202 000 thousand and the share premium increased to CZK 5 389 120 thousand, following the valuation of the contributed shares according to paragraph 468 of the Business Corporation Act.

The transaction of Kofola ČeskoSlovensko a.s. becoming the parent company of Kofola S.A. was not designated as a business combination to be accounted for under IFRS 3, because prior to the transaction Kofola ČeskoSlovensko a.s. did not meet the definition of a business and there was no substantive economic change. As such, the transaction was accounted for as a capital reorganisation. Kofola ČeskoSlovensko a.s. in its consolidated financial statements incorporated the assets and liabilities of former Kofola S.A. group at their pre-reorganisation carrying amounts with comparative information presented for all prior periods.

In order not to affect the value of consolidated net assets by the reorganisation, the capital reorganisation reserve of CZK 7 457 386 thousand was recognised in Company´s Equity to balance the increase in Company´s share capital and share premium.

As a result of the capital reorganisation, the consolidated net assets increased by Kofola ČeskoSlovensko a.s.´s pre-reorganisation net assets of CZK 1 987 thousand.

(iii) Share issue

Following the initial public offering of Kofola ČeskoSlovensko a.s. the Board of Directors passed a resolution on 1 December 2015 to increase the registered share capital of the Company (based on authorization from the general meeting of the Company dated 10 November 2015) in the amount of CZK 27 500 000, which corresponds to 275 000 New Shares with nominal value of CZK 100 each.

The issue price for one share was set at CZK 510, corresponding to gross proceeds for the Company of CZK 140.25 million.

Public offering transaction costs were recorded as a deduction from share premium to the extent that they are incremental costs directly attributable to the share issue under public offering. These transaction costs include cost of legal and audit services, administrative costs registration fees and other costs directly associated with issue and public offering of the shares described above. Total amount of such costs was CZK 7 977 thousand and relating tax benefit of CZK 624 thousand was recorded directly in equity.

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 1 956 of own shares (which represent 0.0001% of the Company´s share capital) in total value of CZK 915 thousand, the shares represent the balance of shares purchased at PSE for the winners of the "Zlaté prasátko" competition and employees of the Group. The shares have nominal value of CZK 100. No own shares were owned by the Group as of 31 December 2015.

4.15.5 RETAINED EARNINGS

Net retained earnings	**31.12.2016**	**31.12.2015***
	CZK´000	CZK´000
Retained earnings	142 566	63 624
Profit for the period	86 373	227 657
Net retained earnings	**228 939**	**291 281**

* restated

4.15.6 NON-CONTROLLING INTERESTS

Non-controlling interests	**2016**	**2015**
	CZK´000	CZK´000
As at 1 January	**49 233**	**7 380**
NCI of Radenska at acquisition	-	44 927
Dividends	-	(2 528)
NCI acquired	(43 364)	-
NCI share of profit for period	(2 973)	1 344
NCI share of other comprehensive income	-	(1 890)
As at 31 December	**2 896**	**49 233**

4.15.7 DIVIDENDS

Declared dividends	**2016**	**2015**
	CZK´000	CZK´000
Declared interim dividend*	156 051	23 894
Dividend per share (CZK/share) **	7.0	0.90

* 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 CZK´000	Provisions for litigation, fines, court cases, damages CZK´000	Provision for personal expenses (bonuses) CZK´000	Other provisions CZK´000	Total CZK´000
Balance as at 1 January 2016	**26 484**	**71 933**	**67 295**	**55 680**	**221 392**
Acquired through business combination	-	-	2 645	-	2 645
Increase due to creation	2 838	-	71 254	6 756	80 848
Decrease due to usage/release	(3 733)	(25 395)	(85 825)	(4 803)	(119 756)
Transfer to another category	(4 405)	-	18 852	(14 447)	-
Exchange differences	(17)	(406)	(404)	(65)	(892)
Balance as at 31 December 2016	**21 167**	**46 132**	**73 817**	**43 121**	**184 237**
Of which:					
Current part	-	42 932	71 182	43 121	157 235
Non-current part	21 167	3 200	2 635	-	27 002
Balance as at 31 December 2016	**21 167**	**46 132**	**73 817**	**43 121**	**184 237**

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 4.22.

4.17. BONDS

On 4 October 2013, according to 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	31.12.2016 CZK´000	31.12.2015 CZK´000	Interest terms	Maturity date
Bonds issued KOFOLA VAR/18	CZK	330 740	329 542	12M PRIBOR + margin	10/2018
Bonds issued total		**330 740**	**329 542**		

INDEBTEDNESS OF THE GROUP FROM ISSUED BONDS

As at 31 December 2016, the Group has a liability from issued bonds in the total amount of CZK 330 740 thousand. Liabilities from interests and obligations from bonds maturing in October 2018 of CZK 327 072 thousand are disclosed in non-current liabilities, and the liabilities from interests of CZK 3 668 thousand are presented in current liabilities. The interest was paid on 4 October 2016.

Terms and conditions of the issued bonds were met.

4.18. BANK CREDITS AND LOANS

INDEBTEDNESS OF THE GROUP FROM THE CREDITS AND LOANS

As at 31 December 2016, the Group's total bank loans and credits amounted to CZK 2 553 041 thousand (2015: CZK 2 632 128 thousand) and decreased by CZK 79 087 thousand compared to 31 December 2015 (increasing CZK 1 619 123 thousand between 31 December 2015 and 31 December 2014 was mainly due to a bank loan of CZK 1 881 734 thousand drawn to finance the acquisition of Radenska).

CREDIT TERMS AND TERMS AND CONDITIONS

Based on credit agreements, the companies of the Group are 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.

UGO Trade s.r.o. (Czech Republic) exceeded Net debt to EBITDA ratio covenant. As of 31 December 2016, The Group have not obtained a bank waiver for this breach confirming that the bank does accept the breach, therefore, the Group classified the loan outstanding balance as current, in line with the requirements of the International Financial Reporting Standards. The breach of covenant was mainly caused by the expansion costs that are one-off in their nature.

As of 31.12.2016 the Group obtained a bank waiver for the breach of covenants, namely Debt service coverage ratio and Capex covenants connected with the loan for financing of Radenska acqusition.

All other 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
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.*

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	5 000	31 700	31 700	3M WIBOR + margin	4/2017	Mortgage on properties in Bielsk Podlaski, Grodzisk Wielkopolski, Kutno. Lien on items and rights. Assignment of receivables from selected sale contracts. Assignment of rights from all insurance policies. Lien and power of attorney to all bank accounts. Voluntary submission to collection. Guarantee by Kofola S.A.
Bank BPH S.A.	PLN	20 000	-	-	1M WIBOR + margin	4/2017	Mortgage on properties in Bielsk Podlaski, Grodzisk Wielkopolski, Kutno. Lien on items and rights. Assignment of receivables from selected sale contracts. Assignment of rights from all insurance policies. Lien and power of attorney to all bank accounts. Voluntary submission to collection. Guarantee by Kofola S.A.
Bank Millennium S.A.	PLN	5 000	31 700	31 700	3M WIBOR + margin	4/2017	Mortgage on properties in Bielsk Podlaski, Grodzisk Wielkopolski, Kutno. Lien on items and rights. Assignment of receivables from selected sale contracts. Assignment of rights from all insurance policies. Lien and power of attorney to all bank accounts. Voluntary submission to collection. Guarantee by Kofola S.A.
Bank Millennium S.A.	PLN	20 000	-	-	1M WIBOR + margin	4/2017	Mortgage on properties in Bielsk Podlaski, Grodzisk Wielkopolski, Kutno. Lien on items and rights. Assignment of receivables from selected sale contracts. Assignment of rights from all insurance policies. Lien and power of attorney to all bank accounts. Voluntary submission to collection. Guarantee by Kofola S.A.
Česká spořitelna, a.s.	CZK	37 000	8 706	8 706	1M PRIBOR + margin	4/2017	buildings, bill of exchange, receivables
Česká spořitelna, a.s.	CZK	200 000	86 667	86 667	1M PRIBOR + margin	12/2017	receivables, bill of exchange, buldings
Česká spořitelna, a.s.	CZK	100 000	-	-	3M PRIBOR + margin	1/2016	receivables, bill of exchange
Česká spořitelna, a.s.	CZK	40 000	39 946	39 946	3M PRIBOR + margin	1/2016	receivables, bill of exchange
Česká spořitelna, a.s.	CZK	7 000	-	-	margin	1/2016	bill of exchange
Česká spořitelna, a.s.	CZK	20 000	11 228	11 228	1M PRIBOR + margin	8/2018	buildings, receivables, technology
Česká spořitelna, a.s.	CZK	50 000	32 759	32 759	1M PRIBOR + margin	2/2019	buildings, receivables, bill of exchange
ČSOB, a.s.	CZK	20 000	8 667	8 667	1M PRIBOR + margin	2/2018	buildings, receivables, bill of exchange
ČSOB, a.s.	CZK	50 000	33 051	33 051	1M PRIBOR + margin	3/2019	buildings, receivables, bill of exchange
ČSOB, a.s.	CZK	290 000	290 000	290 000	1M PRIBOR + margin	notice of termination	inventories, receivables, bill of exchange, buildings

Financing entity	Credit currency	Credit / limit amount	Face value	Carrying amount*	Interests terms	Maturity date	Collateral
		FCY´000	CZK´000	CZK´000			
ČSOB, a.s.	CZK	50 000	41 228	41 228	1M PRIBOR + margin	11/2019	buildings
ČSOB, a.s.	CZK	30 000	-	-	O/N PRIBOR + margin	notice of termination	inventories, receivables, bill of exchange, buildings
ČSOB, a.s. + Česká spořitelna, a.s.	CZK	1 887 476	1 769 616	1 762 149	3M PRIBOR + margin	3/2024	bill of exchange, pledge of shares, receivables
Komerční banka, a.s.	CZK	10 000	-	-	margin	8/2016	bill of exchange
Komerční banka, a.s.	CZK	50 000	22 597	22 597	margin	12/2020	bill of exchange
Komerční banka, a.s.	CZK	20 000	20 000	20 000	1M PRIBOR + margin	notice of termination	promissory note "in blanco"
Komerční banka, a.s.	CZK	4 625	4 625	4 625	1M PRIBOR + margin	1/2019	promissory note "in blanco"
Oberbank Leasing spol. s r.o.	CZK	3 451	302	302	1M PRIBOR + margin	4/2016	fixed assets - kegs
Oberbank Leasing spol. s r.o.	CZK	3 541	387	387	1M PRIBOR + margin	5/2016	fixed assets - kegs
Oberbank Leasing spol. s r.o.	CZK	11 542	3 555	3 555	1M PRIBOR + margin	2/2017	fixed assets
Oberbank Leasing spol. s r.o.	CZK	5 180	1 595	1 595	1M PRIBOR + margin	2/2017	fixed assets
Oberbank Leasing spol. s r.o.	CZK	1 286	610	610	1M PRIBOR + margin	10/2017	fixed assets
Oberbank Leasing spol. s r.o.	CZK	484	158	158	margin	3/2017	fixed assets
Oberbank Leasing spol. s r.o.	CZK	1 004	371	371	margin	5/2017	fixed assets
Oberbank Leasing spol. s r.o.	CZK	1 020	419	419	margin	7/2017	fixed assets
Oberbank Leasing spol. s r.o. (2x)	CZK	2 989	522	522	3M PRIBOR + margin	8/2016	fixed assets
Oberbank Leasing spol. s r.o. (5x)	CZK	5 024	1 535	1 535	margin	2/2017	fixed assets
s Autoleasing, a.s.	CZK	452	452	452	margin	6/2019	fixed assets
s Autoleasing, a.s.	CZK	226	226	226	margin	8/2019	fixed assets
s Autoleasing, a.s. (12x)	CZK	3 730	2 774	2 774	margin	8/2019	fixed assets
s Autoleasing, a.s. (5x)	CZK	5 343	4 318	4 318	margin	12/2019	fixed assets
s Autoleasing, a.s. (8x)	CZK	5 169	3 761	3 761	margin	7/2019	fixed assets
s Autoleasing, a.s.	CZK	303	245	245	margin	12/2019	fixed assets
s Autoleasing, a.s.	CZK	303	245	245	margin	12/2019	fixed assets
s Autoleasing, a.s.	CZK	303	245	245	margin	12/2019	fixed assets
s Autoleasing, a.s.	CZK	1 001	809	809	margin	12/2019	fixed assets
s Autoleasing, a.s.	CZK	397	321	321	margin	12/2019	fixed assets
SG Equipment Finance CR s.r.o.	CZK	3 664	3 664	3 664	margin	7/2020	fixed assets
SG Equipment Finance CR s.r.o.	CZK	1 559	1 559	1 559	margin	7/2020	fixed assets
SG Equipment Finance CR s.r.o.	CZK	12 382	12 382	12 382	margin	11/2020	fixed assets
ŠkoFIN s.r.o.	CZK	221	79	79	margin	12/2016	fixed assets
UniCredit Bank Czech Republic and Slovakia, a.s.	EUR	5 500	-	-	1M EURIBOR + margin	3/2016	Receivables, Real Property, Movable assets (objects of loan), Patronal declaration of Kofola Holding, a.s., Subordinated liability Kofola Holding, a.s. - KSM Investment S.A., Notarial memorandum as execution title.

Financing entity	Credit currency	Credit / limit amount FCY´000	Face value CZK´000	Carrying amount* CZK´000	Interests terms	Maturity date	Collateral
UniCredit Bank Czech Republic and Slovakia, a.s.	EUR	3 000	68 217	68 217	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	9 960	-	-	1M EURIBOR + margin	12/2017	Agreement of right of lien on plant assets; Blank bill of exchange Kofola.a.s., Declaration of constitutor Kofola CS a.s.
Všeobecná úverová banka, a.s.	EUR	4 000	17 968	17 968	1M EURIBOR + margin	6/2016	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	80 386	80 386	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.
Všeobecná úverová banka, a.s.	EUR	13 992	-	-	3M EURIBOR + margin	6/2024	Agreement of right of lien on plant assets and shares.
Total credits and loans			**2 639 595**	**2 632 128**			
Out of it non-current				994 323			
Out of it current				1 637 805			

** Carrying amount of borrowings on variable interest rate approximates fair value.*

PLEDGES OF THE GROUP

Pledges of the Group	31.12.2016 Cost	31.12.2016 Net book value	31.12.2015 Cost	31.12.2015 Net book value
	CZK´000	CZK´000	CZK´000	CZK´000
Property, plant and equipment	1 458 946	858 768	2 441 477	1 351 846
Intangible assets (brands)	605 151	347 087	626 291	359 212
Inventories	370 906	370 906	396 557	396 557
Receivables	634 782	593 255	585 502	527 271
Total	**3 069 785**	**2 170 016**	**4 049 827**	**2 634 886**

The decrease of pledges on property, plant and equipment due to cancelled pledges connected with closed operation in Poland.

4.19. TRADE AND OTHER PAYABLES

Trade and other payables Other financial liabilities	31.12.2016 Current	31.12.2016 Non-current	31.12.2015 (Restated) Current	31.12.2015 (Restated) Non-current
	CZK´000	CZK´000	CZK´000	CZK´000
Financial liabilities within trade payables and other financial liabilities				
Trade liabilities	1 214 103	-	1 220 123	-
Liabilities for purchased property, plant and equipment	109 825	-	161 792	-
Liabilities for purchased intangible assets	5 571	-	5 459	-
Dividend payable	11 591	-	13 540	-
Derivatives (i)	-	15 655	304	11 946
Advances received	181 622	-	183 917	-
Accrued liabilities, other creditors and other financial liabilities	94 747	-	251 625	35 957
Total	**1 617 459**	**15 655**	**1 836 760**	**47 903**
Non-financial liabilities within trade and other payables				
VAT	28 349	-	25 966	-
Payables to employees	93 110	-	84 281	-
Deferred revenue	2 518	-	642	-
Other	48 831	270	38 362	-
Total	**172 808**	**270**	**149 251**	**-**
Trade payables and other financial liabilities total	**1 790 267**	**15 925**	**1 986 011**	**47 903**

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.

4.20. FUTURE COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

As at 31 December 2016 the Group companies provided the following guarantees for third party entities:

Entity providing guarantees	Entity receiving guarantees	Currency	Guarantee amount	Guarantee amount	Guarantee period	Guarantees provided for	Relationship
			FCY´000	CZK´000			
Kofola ČeskoSlovensko a.s.	Unicredit Bank a.s.	EUR	4 544	122 779	12/2022	Santa-Trans.SK s.r.o.	third party*
Kofola ČeskoSlovensko a.s.	ČSOB Leasing	CZK	534	534	5/2020	Kolonial.cz s.r.o.	third party*
Kofola ČeskoSlovensko a.s.	ČSOB Leasing	CZK	269	269	5/2020	Kolonial.cz s.r.o.	third party*
Kofola ČeskoSlovensko a.s.	ČSOB Leasing	CZK	1 128	1 128	3/2020	Kolonial.cz s.r.o.	third party*
Kofola ČeskoSlovensko a.s.	ČSOB Leasing	CZK	319	319	4/2018	Kolonial.cz s.r.o.	third party*
Kofola ČeskoSlovensko a.s.	Deutsche Leasing ČR	CZK	526	526	11/2020	Kolonial.cz s.r.o.	third party*
Total guarantees issued as at 31.12.2016				**125 555**			

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

4.20.1 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	31.12.2016	31.12.2015
	CZK´000	CZK´000
In one year period	2 967	3 216
In period from one to five years	2 787	3 562
Total	**5 754**	**6 778**

4.21. 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	Leased assets without purchase option	Total
	CZK´000	CZK´000	CZK´000
As at 31 December 2016	36 896	176 464	213 360
As at 31 December 2015	35 268	221 651	256 919

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	31.12.2016	31.12.2015
	CZK´000	CZK´000
Plant and equipment	115 771	140 578
Vehicles	97 589	116 341

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

Future minimum lease payments	31.12.2016 CZK´000	31.12.2015 CZK´000
Nominal value of minimum lease payment		
In one year period	63 411	61 633
In period from one to five years	158 645	175 894
Over five years	22 377	45 386
Total finance lease liabilities - total minimum lease payments	**244 433**	**282 913**
Finance costs of finance lease	18 535	27 693
Present value of minimum lease payments		
In one year period	58 603	55 600
In period from one to five years	146 615	158 677
Over five years	20 680	40 943
Total present value of minimum lease payments	**225 898**	**255 220**

4.22. 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 – 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, there is a significant 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 as of 31 December 2016 is CZK 1 769 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.

4.23. RELATED PARTY TRANSACTIONS

4.23.1 SHAREHOLDERS STRUCTURE

Share capital structure	2016			2015		
Name of entity	Number of shares	% in share capital	% in voting rights	Number of shares	% in share capital	% in voting rights
KSM Investment S.A.	11 321 383	50.78%	50.78%	11 321 383	50.78%	50.78%
CED GROUP S. a r.l.	8 311 196	37.28%	37.28%	8 311 196	37.28%	37.28%
René Musila	581 231	2.61%	2.61%	581 231	2.61%	2.61%
Tomáš Jendřejek	581 190	2.61%	2.61%	581 190	2.61%	2.61%
Others	1 500 000	6.72%	6.72%	1 500 000	6.72%	6.72%
Total	**22 295 000**	**100.00%**	**100.00%**	**22 295 000**	**100.00%**	**100.00%**

Ultimate controlling party is KSM Investment S.A., with registered office Rue de Neudorf 560A, L-2220 Luxembourg.

4.23.2 SUBSIDIARIES AND ASSOCIATES

Interests in subsidiaries and associates are set out in section 2.2.

4.23.3 REMUNERATION OF THE GROUP'S KEY MANAGEMENT PERSONNEL

Presented below is the structure of the remuneration paid out to persons with executive authority in 2016. 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	Amounts paid for activities in the Company´s Board of Directors		Amounts paid for activities in the Company´s Supervisory board		Amounts paid for activities in the Company´s Audit committee		Amounts paid for other activities within the Group	
	Financial compensation	Non-financial compensation	Financial compensation	Non-financial compensation	Financial compensation	Non-financial compensation	Financial compensation	Non-financial compensation
	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000
Members of the Company´s Board of Directors	-	-	-	-	-	-	26 764	1 025
Members of the Company´s Supervisory board	-	-	624	-	-	-	8 461	420
Members of the Company´s Audit committee	-	-	-	-	122	-	-	-
Other key management personnel of the Group	-	-	-	-	-	-	11 936	87
Total remuneration of the Group's key management personnel	**-**	**-**	**624**	**-**	**122**	**-**	**47 161**	**1 532**

4.23.4 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 31.12.2016	Balance as at 31.12.2015
	CZK´000	CZK´000
Liability to shareholders of KSM Investment S.A.	(10 916)	(45 336)
Total	**(10 916)**	**(45 336)**

All transactions with related parties have been concluded at market terms and represent dividends and loan.

4.24. FINANCIAL RISK MANAGEMENT

The Group's primary financial instruments consist of bank credits, bonds, lease payables, cash and cash equivalents, deposits and loans. The main goal of 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.

4.24.1 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 2016 would have been CZK 23 155 thousand (2015: CZK 21 949 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 2016 would have been CZK 23 155 thousand (2015: CZK 21 949 thousand) lower, mainly as a result of higher interest expense on variable interest financial liabilities.

4.24.2 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	31.12.2016	31.12.2015
	CZK´000	CZK´000
EUR strengthening by 3%	(30 226)	(12 117)
EUR weakening by 3%	30 226	12 117
PLN strengthening by 3%	(333)	(2 813)
PLN weakening by 3%	333	2 813
USD strengthening by 10%	(4)	(25)
USD weakening by 10%	4	25

4.24.3 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	31.12.2016 Trade receivables	31.12.2016 Other financial receivables	31.12.2015 Trade receivables	31.12.2015 Other financial receivables
Neither past due nor impaired	CZK´000	CZK´000	CZK´000	CZK´000
Large retails chains	350 434	5 623	368 971	-
Medium sized companies	48 106	-	60 197	-
Small companies	156 364	108 321	154 987	26 123
Total neither past due nor impaired	**554 904**	**113 944**	**584 155**	**26 123**
Past due but not impaired				
- less than 30 days overdue	217 507	21	113 019	-
- 30 to 90 days overdue	36 491	-	21 927	-
- 91 to 180 days overdue	19 871	-	14 789	-
- 181 to 360 days overdue	6 561	-	3 850	-
- over 360 days overdue	973	-	801	-
Total past due but not impaired	**281 403**	**21**	**154 386**	**-**
Individually determined to be impaired (gross)				
- less than 30 days overdue	-	-	1 256	74 191
- 30 to 90 days overdue	-	-	4 262	-
- 91 to 180 days overdue	-	10 997	2 464	-
- 181 to 360 days overdue	16 918	71 837	13 099	-
- over 360 days overdue	58 403	7 189	71 720	7 378
Total individually impaired (gross)	**75 321**	**90 023**	**92 801**	**81 569**
Less impairment provision (-)	**(73 493)**	**(90 023)**	**(84 472)**	**(81 380)**
Total	**838 135**	**113 965**	**746 870**	**26 312**

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	31.12.2016	31.12.2015
Credit rating	CZK´000	CZK´000
A1	3 355	159
A2	1 266 702	1 503 490
A3	-	66 382
Aa3	12 995	55 276
B1	-	3
B2	-	26 593
Ba1	45 957	190 260
Ba2	19 253	3 216
Ba3	58 201	-
Baa2	2 483	1 023
Caa1	440	-
Caa3	-	279
Not on watch	1 170	81 195
Cash in hand	10 458	12 132
Total cash in bank and in hand	**1 421 014**	**1 940 008**

4.24.4 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 266 734 thousand as at 31 December 2016 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 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	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**

Contractual cashflows of financial liabilities as at 31 December 2015	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	1 213 279	6 844	-	-	-	1 220 123	1 220 123
Bank credits and loans	105 047	1 579 809	268 546	487 045	305 517	2 745 964	2 632 128
Bonds issued	-	18 867	15 210	341 096	-	375 173	329 542
Finance lease liabilities	17 377	47 411	61 045	114 614	42 466	282 913	255 220
Advances received	183 917	-	-	-	-	183 917	183 917
Other financial liabilities	283 894	148 826	5 307	6 863	35 733	480 623	480 623
Total	**1 803 514**	**1 801 757**	**350 108**	**949 618**	**383 716**	**5 288 713**	**5 101 553**

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.

4.25. 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	**2016** CZK´000	**2015** CZK´000
Bank credits and loans	2 553 041	2 632 128
Bonds issued	330 740	329 542
Finance lease liabilities	225 898	255 220
Cash and cash equivalents	(1 421 014)	(1 940 008)
Net debt	**1 688 665**	**1 276 882**
Operating profit	263 897	434 679
Adjusted for:		
Loss on sale of financial receivable (i)	20 315	-
Merger costs (ii)	7 451	-
Acquisition costs (iii)	25 392	-
Due diligence costs (iv)	2 186	-
Closure of Bielsk operation and reorganization costs (v)	35 524	-
Product complaints revenue (vi)	(11 684)	-
Release of provision (vii)	(17 571)	-
WSE delisting and advisory costs (viii)	19 010	-
Impairment costs (ix)	196 837	-
One off´s 2015 (x)	-	154 734
Depreciation and amortisation	523 003	513 201
Adjusted EBITDA	**1 064 360**	**1 102 614**
Annualization of acquisition EBITDA*	-	**21 712**
Adjusted EBITDA for Net debt / EBITDA calculation	**1 064 360**	**1 124 326**
Net debt / Adjusted EBITDA	**1.59**	**1.14**

**adjustment should Radenska Group be acquired as at 1 January 2015*

(i) 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.

(ii) Merger costs

Czech operation incurred costs of CZK 7 451 thousand relating to the cross-border merger advisory.

(iii) 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.

(iv) Due diligence costs

Polish operation incurred costs of CZK 2 186 thousand.

(v) Closure of Bielsk operation and reorganization costs

Polish operation incurred total costs of 35 524 thousand.

(vi) Product complaints revenue

Revenue and other operating income in Polish operation from insurance income associated with the qualitative product complaints of 11 684 thousand.

(vii) Release of provision

Slovenian operation released the provision for legal case of CZK 17 571.

(viii) WSE delisting and advisory costs

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.

(ix) Impairment costs

In Polish operation of CZK 70 368 thousand and CZK 126 469 thousand connected with an investment in Russian associate.

(x) One off´s 2015

- Polish operations incurred net costs of CZK 102 641 thousand relating to the qualitative product complaints connected with the poor quality of packaging material.
- Czech operations incurred costs of CZK 11 754 thousand relating to group reorganisation advisory (for details refer to section 3.1) and further costs of CZK 13 372 thousand relating to IPO promotion. These promotion costs include mainly IPO marketing activities and a provision for employee shares.
- Slovak operations incurred costs of CZK 9 076 thousand relating to advisory for WAD Group acquisition.
- Slovenian and polish operations incurred costs of CZK 27 283 thousand relating to advisory for Radenska acquisition.
- Slovenian operations incurred costs of CZK 8 341 thousand relating mainly to implementation of the Group IT standards.
- Slovenian operations released the provision for legal case of CZK 17 734 thousand.

4.26. FINANCIAL INSTRUMENTS

4.26.1 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.

31.12.2016	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 (i)	-	(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)**

(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.

31.12.2015	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	829 530	-	-	829 530
Cash and cash equivalents	1 940 008	-	-	1 940 008
Derivatives (i)	-	(12 250)	-	(12 250)
Bank credits and loans	-	-	(2 632 128)	(2 632 128)
Bonds issued	-	-	(329 542)	(329 542)
Trade and other payables	-	-	(1 872 413)	(1 872 413)
Total	**2 769 538**	**(12 250)**	**(4 834 083)**	**(2 076 795)**

(i) 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.

4.27. HEADCOUNT

The average headcount in the group was as follows:

Average headcount	2016	2015
Management Board of the Parent entity	6	5
Management Boards of the Group entities	5	5
Administration	210	204
Sales, Marketing and Logistic department	1 059	970
Production division	723	609
Other	52	168
Total	**2 055**	**1 961**

Total number of employees as of 31 December 2016, was 2 129 persons (2015: 1 988 persons).

4.28. ACQUISITION OF SUBSIDIARY

Radenska acquired on 20 December 2016 a 100% business share in the company Studenac d.o.o. based in Lipik, Croatia. Studenac is a traditional mineral water brand.

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	Fair value adjustments	Fair value
	CZK´000	CZK´000	CZK´000
Property, plant and equipment	162 223	-	162 223
Intangible assets	300	-	300
Other financial assets	215	-	215
Deferred tax assets	536	-	536
Inventories	31 052	-	31 052
Trade receivables and other receivables	35 922	-	35 922
Cash and cash equivalents	1 923	-	1 923
Provisions	(2 635)	-	(2 635)
Income tax liability	(193)	-	(193)
Trade liabilities and other liabilities	(26 973)	-	(26 973)
Other financial liabilities	(39 765)	-	(39 765)
Total identifiable net assets acquired	**162 605**	**-**	**162 605**

The following table summarizes the consideration transferred, non-controlling interest, net assets acquired and goodwill.

Goodwill calculation	CZK´000
Consideration transferred	162 605
Non-controlling interest	-
Net assets acquired	162 605
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.

4.29. SUBSEQUENT EVENTS

No events have occurred after the end of the reporting period that would require adjusting the amounts recognised or disclosures made in the consolidated financial statements.

20.3.2017	**Janis Samaras**	**Chairman of the Board of Directors**	
date	*name and surname*	*position/role*	*signature*
20.3.2017	**René Musila**	**Member of the Board of Directors**	
date	*name and surname*	*position/role*	*signature*
20.3.2017	**Tomáš Jendřejek**	**Member of the Board of Directors**	
date	*name and surname*	*position/role*	*signature*
20.3.2017	**Daniel Buryš**	**Member of the Board of Directors**	
date	*name and surname*	*position/role*	*signature*
20.3.2017	**Jiří Vlasák**	**Member of the Board of Directors**	
date	*name and surname*	*position/role*	*signature*
20.3.2017	**Roman Zúrik**	**Member of the Board of Directors**	
date	*name and surname*	*position/role*	*signature*

SEPARATE FINANCIAL STATEMENTS 2016

KOFOLA ČESKOSLOVENSKO A.S.

1. SEPARATE FINANCIAL STATEMENTS

1.1. SEPARATE STATEMENT OF PROFIT OR LOSS

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

Separate statement of profit or loss	Note	2016 CZK´000	2015 CZK´000
Revenue from the sale of finished products and services		330 291	-
Revenue from the sale of goods and materials		108	-
Revenue		**330 399**	**-**
Cost of products and services sold	4.2	(33 561)	-
Cost of goods and materials sold		-	-
Cost of sales		**(33 561)**	**-**
Gross profit		**296 838**	**-**
Selling, marketing and distribution costs	4.2	(174 747)	-
Administrative costs	4.2	(217 574)	(12 258)
Other operating income	4.3	5 131	-
Other operating expenses	4.4	(3 165)	-
Dividends		679 882	-
Impairment	4.9.1	(283 430)	-
Operating profit / (loss)		**302 935**	**(12 258)**
Finance income	4.5	13 527	-
Finance costs	4.6	(75 829)	(159)
Profit / (loss) before income tax		**240 633**	**(12 417)**
Income tax benefit	4.7	5 073	140
Profit / (loss) for the period		**245 706**	**(12 277)**
Earnings per share (in CZK)			
Basic earnings per share	4.8	11.02	(2.49)
Diluted earnings per share	4.8	11.02	(2.49)

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 2016 and 31 December 2015 in CZK thousand.

Separate statement of other comprehensive income	Note	2016 CZK´000	2015 CZK´000
Profit / (loss) for the period		**245 706**	**(12 277)**
Other comprehensive income for the period		**-**	**-**
Total comprehensive income / (loss) for the period		**245 706**	**(12 277)**

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 2016 and 31 December 2015 in CZK thousand.

Assets	Note	31.12.2016 CZK´000	31.12.2015 CZK´000
Non-current assets		**3 882 962**	**7 628 981**
Property, plant and equipment	4.10	68 706	-
Goodwill	4.11	30 675	-
Intangible assets	4.11	374 709	-
Investments in subsidiaries	4.9	3 365 198	7 628 217
Other receivables	4.12	42 663	-
Loans provided to related parties	4.12	811	-
Other non-financial assets		200	-
Deferred tax assets	4.7	-	764
Current assets		**473 056**	**140 707**
Trade and other receivables	4.12	442 505	1 373
Income tax receivables		2 802	-
Cash and cash equivalents	4.13	27 749	139 334
Total assets		**4 356 018**	**7 769 688**

Liabilities and equity	Note	31.12.2016 CZK´000	31.12.2015 CZK´000
Total equity		**2 077 996**	**7 711 740**
Share capital	1.5	2 229 500	2 229 500
Share premium	1.5	-	5 494 517
Other reserves	1.5	(496 266)	-
Own shares	1.5	(915)	-
Retained earnings / (Acumulated losses)	1.5	345 677	(12 277)
Non-current liabilities		**1 066 970**	**-**
Bank credits and loans	4.17	676 268	-
Bonds issued	4.16	327 072	-
Finance lease liabilities	4.20	9 665	-
Other liabilities	4.18	15 655	-
Deferred tax liabilities	4.7	38 310	-
Current liabilities		**1 211 052**	**57 948**
Bank credits and loans	4.17	1 077 018	-
Bonds issued	4.16	3 668	-
Finance lease liabilities	4.20	4 957	-
Trade and other payables	4.18	78 516	17 948
Other financial liabilities	4.18	10 916	40 000
Provisions	4.15	35 977	-
Total liabilities		**2 278 022**	**57 948**
Total liabilities and equity		**4 356 018**	**7 769 688**

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 2016 and 31 December 2015 in CZK thousand.

Separate statement of cash flows	Note	2016 CZK ´000	2015 CZK ´000
Cash flows from operating activities			
Profit / (loss) before income tax	1.1	240 633	(12 417)
Adjustments for:			
Non-cash movements			
Depreciation and amortisation	4.2	57 690	-
Net interest	4.5, 4.6	45 801	147
Net dividends	1.1	(679 882)	
Change in the balance of provisions and adjustments		(10 092)	-
Impairment	4.9	283 430	-
Revaluation of derivatives	4.6	7 863	-
Gain on sale of PPE and intangible assets	4.3	(803)	-
Net exchange differences	4.6	5 962	-
Other		21 969	2 139
Cash movements			
Income tax		4 358	-
Change in operating assets and liabilities			
Change in receivables		(17 946)	(1 373)
Change in payables		(27 351)	9 690
Net cash (outflow) from operating activities		**(68 368)**	**(1 814)**
Cash flows from investing activities			
Sale of property, plant and equipment		103	-
Acquisition of property, plant and equipment and intangible assets		(75 055)*	-
Purchase of financial assets		(118 500)	-
Acquisition of subsidiary		(38 756)**	(38 963)
Dividends and interest received		509 189	-
Loans granted		(112 221)	-
Net cash inflow / (outflow) from investing activities		**164 760**	**(38 963)**
Cash flows from financing activities			
Gross proceeds from issue of shares		-	140 250
Finance lease payments		(4 676)	-
Proceeds from loans and bank credits		46 475	40 000
Repayment of loans and bank credits		(144 975)	-
Dividends paid to the shareholders of the Company		(156 051)	-
Interest and bank charges paid		(51 674)	-
Purchase of own shares		(3 743)	-
Change of cash due to merger		106 667	-
Other		-	(2 139)
Net cash inflow / (outflow) from financing activities		**(207 977)**	**178 111**
Net increase/(decrease) in cash and cash equivalents		(111 585)	137 334
Cash and cash equivalents at the beginning of the period		**139 334**	**2 000**
Cash and cash equivalents at the end of the period	1.3	**27 749**	**139 334**

** including the brands Inka, Nara, Voćko, Studena, Studenac, Lero*
*** squeeze out of Radenska NCI*

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 2016 and 31 December 2015 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 2015		**2 000**	**-**	**-**	**-**	**-**	**2 000**
(Loss) for the period	1.1	-	-	-	-	(12 277)	(12 277)
Total comprehensive (loss) for the period	1.2	**-**	**-**	**-**	**-**	**(12 277)**	**(12 277)**
Share capital increase	4.14.1	2 200 000	5 389 120	-	-	-	7 589 120
Share issue	4.14.1	27 500	112 750		-	-	140 250
Transaction costs	4.14.1	-	(7 353)	-	-	-	(7 353)
Balance as at 31 December 2015		**2 229 500**	**5 494 517**	**-**	**-**	**(12 277)**	**7 711 740**
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		-	-	-	(3 743)	-	**(3 743)**
Dividends	4.14.5	-	-	-	-	(156 051)	(156 051)
Effect of merger	4.14.6	-	(5 494 517)	(496 266)	-	268 299	(5 722 484)
Own shares sale		-	-	-	2 828	-	2 828
Balance as at 31 December 2016		**2 229 500**	**-**	**(496 266)**	**(915)**	**345 677**	**2 077 996**

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. (until 19 June 2015 Ywaki Consulting 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 (until 19 June 2015 Karolinská 661/4, Praha 8, 186 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.

Main area of activity of Kofola ČeskoSlovensko a.s. in 2016 was holding of the subsidiaries.

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. Besides the traditional markets of the Czech Republic and Slovakia where the Group is a leader, the Group is also present in Poland and in Slovenia with limited activities in Austria and 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) and on Warsaw stock Exchange (ticker KOF).

MANAGEMENT

BOARD OF DIRECTORS

- Janis Samaras – Chairman
- René Musila
- Tomáš Jendřejek
- Daniel Buryš
- Jiří Vlasák
- Roman Zúrik

SUPERVISORY BOARD

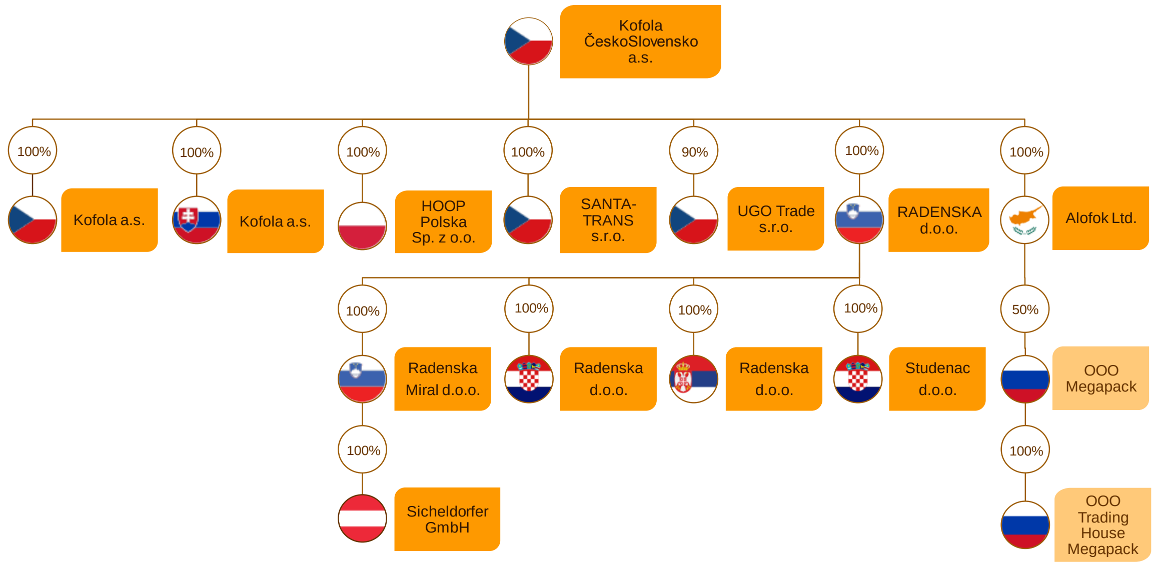
- René Sommer – Chairman
- Jacek Woźniak
- Pavel Jakubík
- Moshe Cohen-Nehemia
- Petr Pravda
- Ivan Jakúbek

AUDIT COMMITTEE

- Marek Piech – Chairman
- Pavel Jakubík
- Ivan Jakúbek

2.2. GROUP STRUCTURE

GROUP STRUCTURE CHART AS AT 31 DECEMBER 2016



DESCRIPTION OF THE GROUP COMPANIES

Name of entity	Place of business	Principal activities	Ownership interest and voting rights 31.12.2016	31.12.2015
Holding companies				
Kofola ČeskoSlovensko a.s.	Czech Republic	top holding company		
Alofok Ltd.	Cyprus	holding	100.00%	100.00%
Kofola CS a.s.	Czech Republic	holding	- *	100.00%
Kofola holdinška družba d.o.o.	Slovenia	holding	- *	100.00%
KOFOLA S.A.	Poland	holding	- *	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%
PINELLI spol. s r.o.	Czech Republic	trademark licensing	- *	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% **	97.62%
Studenac d.o.o.	Croatia	production and distribution of non-alcoholic beverages	100.00%	-
Radenska d.o.o.	Croatia	inactive	100.00% **	97.62%
Radenska d.o.o.	Serbia	inactive	100.00% **	97.62%
Radenska Miral d.o.o.	Slovenia	trademark licensing	100.00% **	97.62%
Sicheldorfer GmbH	Austria	inactive	100.00% **	97.62%
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%

** On 12 March 2016, the BoD of the Company approved the cross-border merger of Kofola ČeskoSlovensko a.s., Kofola CS a.s., Kofola S.A., Kofola holdinška družba d.o.o. and PINELLI spol. s r.o.*

*** On 25 July 2016, the Slovenian court approved the squeeze-out of Radenska d.d.´s minority shareholders. On 28 July 2016, Slovenian Central securities clearing corporation registered the squeeze-out and Kofola holdinška družba d.o.o. became the sole shareholder of Radenska d.d.*

**** On 2 September 2016, the Slovenian court approved the change of legal form from Radenska d.d. to RADENSKA d.o.o.*

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 2016.

The separate financial statements have been prepared on a going concern basis and in accordance with the historical cost method.

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 12-month period ended 31 December 2016 and contain comparatives for the 12-month period ended 31 December 2015.

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 group'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 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 2016. The Company has not early-adopted any standard.

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

- IFRS 9 – Financial Instruments,
- IFRS 15 – Revenue from Contracts with Customers,
- IFRS 16 – Leases (not adopted by the European Union).

Management of the Company is analysing potential impact of the not-yet effective standards on the financial statements of the Company.

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	31.12.2016	31.12.2015
CZK/EUR	27.020	27.025
CZK/PLN	6.126	6.340
CZK/RUB	0.420	0.335
CZK/USD	25.639	24.824
CZK/HRK	3.575	3.538

Average exchange rates	1.1.2016 - 31.12.2016	1.1.2015 - 31.12.2015
CZK/EUR	27.033	27.283
CZK/PLN	6.198	6.525
CZK/RUB	0.366	0.406
CZK/USD	24.432	24.600
CZK/HRK	3.589	3.583

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 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

3.4.2 LEASES

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

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

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

3.4.3 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.

3.4.4 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 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 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 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 to sell, 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 Group'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 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 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.

3.4.8 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 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.

3.4.9 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 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.

3.4.14 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 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.

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 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.

3.4.17 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.

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

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 2016 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 20 March 2017.

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.

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.

4.2. EXPENSES BY NATURE

Expenses by nature	2016 CZK´000	2015 CZK´000
Depreciation of Property, plant and equipment and amortisation of Intangible assets	57 690	-
Employee benefits expenses (i)	166 815	-
Consumption of materials and energy	8 203	-
Services	158 738	9 610
Rental costs	8 229	-
Taxes and fees	2 410	2 648
Insurance costs	2 038	-
Change in allowance to trade receivables	(5 574)	-
Other costs/(income)	27 333	-
Total expenses by nature*	**425 882**	**12 258**
Reconciliation of expenses by nature to expenses by function	**425 882**	**12 258**
Selling, marketing and distribution costs	174 747	-
Administrative costs	217 574	12 258
Costs of products and services sold	33 561	-
Total costs of products sold, merchandise and materials, sales costs and administrative costs	**425 882**	**12 258**

* excluding Other operating income, Other operating expenses and Impairment

(i) Employee benefits expenses

Employee benefits expenses	2016 CZK´000	2015 CZK´000
Salaries	119 347	-
Social security and other benefit costs	21 575	-
Pension benefit plan expenses	25 893	-
Total employee benefits expenses	**166 815**	**-**

4. NOTES TO THE SEPARATE FINANCIAL STATEMENTS

4.3. OTHER OPERATING INCOME

Other operating income	2016 CZK´000	2015 CZK´000
Net gain from the sale of PPE and intangible assets	803	-
Received penalties and damages	32	-
Release of provision	411	-
Compensation claims	1 483	-
Other	2 402	-
Total other operating income	**5 131**	**-**

4.4. OTHER OPERATING EXPENSES

Other operating expenses	2016 CZK´000	2015 CZK´000
Provided donations, sponsorship	2 948	-
Paid penalties and damages	217	-
Total other operating expenses	**3 165**	**-**

4.5. FINANCE INCOME

Finance income	2016 CZK´000	2015 CZK´000
Interest from:		
– bank deposits	1 703	-
– credits and loans granted	10 130	-
Other	1 694	-
Total finance income	**13 527**	**-**

4.6. FINANCE COSTS

Finance costs	2016 CZK´000	2015 CZK´000
Interest from:		
– bank loans and credits, finance lease and bonds	57 634	147
Exchange losses	5 962	1
Loss from the sale of shares and other securities	10	-
Bank costs and charges	4 360	11
Loss from revaluation of derivatives	7 863	-
Total finance costs	**75 829**	**159**

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 2016 and 31 December 2015 were as follows:

Income tax expense	2016 CZK´000	2015 CZK´000
Current income tax	**-**	**-**
Deferred income tax	**(5 073)**	**(140)**
Related to arising and reversing of temporary differences	7 390	-
Related to tax losses	(12 463)	(140)
Income tax benefit	**(5 073)**	**(140)**

The income tax rate applicable to the Company in 2016 and 2015 income is 19%.

4.7.2 INCOME TAX RECOGNISED DIRECTLY IN EQUITY

Income tax recognised directly in equity	2016 CZK´000	2015 CZK´000
Deferred tax on IPO transaction costs (4.14.1)	-	624
Income tax recognised directly in equity	**-**	**624**

4.7.3 EFFECTIVE TAX RECONCILIATION

Effective tax	2016 CZK´000	2015 CZK´000
Profit / (loss) before income tax	240 633	(12 417)
Tax at the rate of 19% valid in the Czech Republic	(45 720)	2 359
Tax effect of:		
Non-deductible expenses	(62 474)	(2 219)
Non-recognition of deferred tax assets	(21 173)	-
Non-taxable income	129 176	-
Change in tax status as a result of merger	5 264	-
Income tax benefit	**5 073**	**140**
Effective tax rate (%)	**(2.11%)**	**1.13%**

4.7.4 DEFERRED TAX ASSETS AND LIABILITIES

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)**

Deferred tax assets and liabilities			31.12.2015
	Deferred tax assets CZK´000	Deferred tax liabilities CZK´000	Net amount CZK´000
Temporary differences attributable to:			
Tax losses	764	-	764
Deferred tax assets / (liabilities)	**764**	**-**	**764**
Presentation offsetting	-	-	-
Non-current deferred tax assets / (liabilities)	**764**	**-**	**764**

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:

	2016 CZK´000	2015 CZK´000
Profit / (loss) for the period attributable to owners of Kofola ČeskoSlovensko a.s.	245 706	(12 277)

	2016 pcs	2015 pcs
Weighted average number of ordinary shares for EPS calculation	22 295 000	4 924 795
Effect of own shares	(2 341)	-
Weighted average number of ordinary shares used to calculate basic earnings per share	**22 292 659**	**4 924 795**
Dilution adjustments	-	-
Adjusted weighted average number of ordinary shares used to calculate diluted earnings per share	**22 292 659**	**4 924 795**

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

Basic earnings per share (CZK/share)	2016 CZK´000	2015 CZK´000
Profit / (loss) for the period attributable to owners of Kofola ČeskoSlovensko a.s.	**245 706**	**(12 277)**
Weighted average number of ordinary shares used to calculate basic earnings per share (pcs)	22 292 659	4 924 795
Basic earnings per share attributable to owners of Kofola ČeskoSlovensko a.s. (CZK)	**11.02**	**(2.49)**

Diluted earnings per share (CZK/share)	2016 CZK´000	2015 CZK´000
Profit / (loss) for the period attributable to owners of Kofola ČeskoSlovensko a.s.	**245 706**	**(12 277)**
Adjusted weighted average number of ordinary shares used to calculate diluted earnings per share (pcs)	22 292 659	4 924 795
Diluted earnings per share attributable to owners of Kofola ČeskoSlovensko a.s. (CZK)	**11.02**	**(2.49)**

4.9. INVESTMENT IN SUBSIDIARIES

Investment in subsidiaries	Ownership interest		Cost		Carrying amount	
Name of entity	31.12.2016	31.12.2015	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	%	%	CZK´000	CZK´000	CZK´000	CZK´000
Kofola S.A.	-	100.00%	-	7 628 217	-	7 628 217
Kofola a.s. (CZ)	100.00%	-	197 498	-	197 498	-
Kofola a.s. (SK)	100.00%	-	51 023	-	51 023	-
Hoop Polska Sp. z o.o.	100.00%	-	2 460 176	-	1 067 574	-
SANTA-TRANS s.r.o.	100.00%	-	8 760	-	8 760	-
UGO Trade s.r.o.	90.00%	-	111 401	-	111 401	-
RADENSKA d.o.o.	100.00%	-	1 860 411	-	1 860 411	-
Alofok Ltd.	100.00%	-	354 450	-	68 531	-
Total investment in subsidiaries			**5 043 719**	**7 628 217**	**3 365 198**	**7 628 217**

4.9.1 IMPAIRMENT TESTING

Investments of subsidiaries were subject of impairment testing.

In 2016, the Company recorded an impairment of 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 to sell was below the carrying value (the balance of provision as at 31.12.2015, when HOOP Polska, Sp. z o.o. was a subsidiary of merged Kofola S.A., was of CZK 1 147 343 thousand). The assumptions of the impairment test model were as follows:

- WACC: 10%
- Infinite growth: 2%
- Average EBITDA margin: 7.5%

Sensitivity analysis: the impairment could be hypothetically reversed by the decrease of annual WACC by 1.4 p.p. or increased average EBITDA margin by 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 balance of provision as at 31.12.2015, when Alofok Ltd. was a subsidiary of merged Kofola S.A., was of CZK 247 747 thousand). 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

The investment projects realised by the Company in 2016 comprise primarily new vehicles and sales support equipment.

1.1.2016 - 31.12.2016

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	-	-	-	-	-
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)**
Liquidation	-	(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**
Liquidation	-	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**

4. NOTES TO THE SEPARATE FINANCIAL STATEMENTS

4.11. INTANGIBLE ASSETS

Movements in Intangible assets (IA) 2016	Goodwill CZK´000	Software CZK ´000	Trademarks and other rights CZK ´000	IA under development CZK ´000	Total CZK ´000
Cost – opening	-	-	-	-	-
Merger	30 675	134 817	363 298	204	528 994
Additions	-	8 526	19 003	15 999	43 528
Liquidation	-	(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)
Liquidation	-	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**

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 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 2021. 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	2016	2015
Royalty rate	6.00%	-
Infinite growth rate	2.00%	-
Discount rate pre-tax	7.8%	-

CARRYING VALUE OF ALL TRADEMARKS

	CZK´000
2016	350 431
2015	-

4. NOTES TO THE SEPARATE FINANCIAL STATEMENTS

GOODWILL

The Goodwill arose on merger with Pinelli spol. s r.o.

	2016 CZK´000 / %	2015 CZK´000 / %
Carrying value	30 675	-
EBITDA margin	21.07%	-
Infinite growth rate	2.00%	-
Discount rate pre-tax	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 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 2016 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	31.12.2016		31.12.2015	
	Current CZK´000	Non-current CZK´000	Current CZK´000	Non-current CZK´000
Financial assets within Trade and other receivables				
Trade receivables	154 369	-	-	-
Other receivables	271 676*	50 329	-	-
Provision for impairment of other receivables	(484)	(6 856)		
Principals and bails	1 803	-	-	-
Total	**427 364**	**43 473**	**-**	**-**
Non-financial assets within Trade and other receivables				
VAT receivable	6 403	-	-	-
Deferred expenses	8 738	-	-	-
Prepayments	-	-	1 373	-
Total	**15 141**	**-**	**1 373**	**-**
Trade and other receivables total	**442 505**	**43 473**	**1 373**	**-**

** mainly short-term loans to related parties (HOOP Polska Sp. z o.o., RADENSKA d.o.o.)*

Provision for impairment of trade and other receivables	2016		2015	
	Trade receivables CZK´000	Other financial receivables CZK´000	Trade receivables CZK´000	Other financial receivables CZK´000
As at 1 January	**-**	**-**	**-**	**-**
Merger	5 725	7 189	-	-
(Recovery)/Increase of the provision	(5 725)	151	-	-
As at 31 December	**-**	**7 340**	**-**	**-**

Further information on transactions with related parties are presented in section 4.24.

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 4.21.

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	31.12.2016 CZK´000	31.12.2015 CZK´000
Cash in bank and in hand	27 747	139 334
Other	2	-
Total cash and cash equivalents	**27 749**	**139 334**

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

Split by currency	31.12.2016 CZK´000	31.12.2015 CZK´000
in CZK	20 722	139 334
in EUR	5 842	-
in PLN	1 181	-
in USD	4	-
Total cash and cash equivalents	**27 749**	**139 334**

4.14. EQUITY

4.14.1 SHARE CAPITAL AND SHARE PREMIUM

On 15 October 2015 Kofola ČeskoSlovensko a.s. replaced Kofola S.A. as the parent company of the Kofola Group.

SHARE CAPITAL STRUCTURE

Share capital structure		2016		2015	
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. Holders of the ordinary shares are entitled to declared dividends and to one vote per share at general meeting of the Company.

All of the issued shares have been fully paid up.

MOVEMENTS IN ORDINARY SHARES

Movements in ordinary shares	Number of shares pcs	Par value CZK'000	Share premium CZK'000	Total CZK'000
As at 1 January 2015	20	2 000	-	2 000
Change of shares par value (i)	19 980	-	-	-
Share capital increase – in-kind contribution (ii)	22 000 000	2 200 000	5 389 120	7 589 120
Share capital increase – shares issue (iii)	275 000	27 500	112 750	140 250
Transaction costs arising on share issue (iii)	-	-	(7 977)	(7 977)
Deferred tax recognised directly in equity (iii)	-	-	624	624
As at 31 December 2015	**22 295 000**	**2 229 500**	**5 494 517**	**7 724 017**
Cross border merger (note 2.1)	-	-	(5 494 517)	(5 494 517)
As at 31 December 2016	**22 295 000**	**2 229 500**	**-**	**2 229 500**

(i) Change of shares par value

On 8 September 2015, the shares split was registered and shares par value was changed to CZK 100. As of this date, the number of outstanding shares was 20 000 with total par value remaining at CZK 2 000 000.

(ii) Share capital increase – in-kind contribution

On 15 October 2015, KSM Investment S.A., CED Group S.a.r.l., Mr. René Musila and Mr. Tomáš Jendřejek executed Subscription Agreements on 22 000 000 shares of Kofola ČeskoSlovensko a.s. with a nominal value of CZK 100 each and paid the subscription price for these shares by way of in-kind contribution of all their shares they owned in Kofola S.A. As a result of the in-kind contribution of Kofola S.A. shares to Kofola ČeskoSlovensko a.s. to pay for 22 000 thousand newly subscribed shares of Kofola ČeskoSlovensko a.s. with the nominal value of CZK 100 by the participating shareholders, the share capital of Kofola ČeskoSlovensko a.s. increased by CZK 2 200 000 thousand to CZK 2 202 000 thousand and the share premium increased to CZK 5 389 120 thousand, following the valuation of the contributed shares according to paragraph 468 of the Business Corporation Act.

(iii) Share capital increase – shares issue (IPO)

Following the initial public offering of Kofola ČeskoSlovensko a.s. the Board of Directors passed a resolution on 1 December 2015 to increase the registered share capital of the Company (based on authorization from the general meeting of the Company dated 10 November 2015) in the amount of CZK 27 500 000, which corresponds to 275 000 New Shares with nominal value of CZK 100 each.

The issue price for one share was set at CZK 510, corresponding to gross proceeds for the Company of CZK 140.25 million.

Public offering transaction costs were recorded as a deduction from share premium to the extent that they are incremental costs directly attributable to the share issue under public offering. These transaction costs include cost of legal and audit services, administrative costs registration fees and other costs directly associated with issue and public offering of the shares described above. Total amount of such costs was CZK 7 977 thousand and relating tax benefit of CZK 624 thousand was recorded directly in equity.

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 in this category 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.

4.14.3 OWN SHARES

As at 31.12.2016, the Company owns 1 956 of own shares (which represent 0.0001% of the Company´s share capital) in total value of CZK 915 thousand, the shares represent the balance of shares purchased at PSE for the winners of the “Zlaté prasátko” competition and employees of the Company. The shares have nominal value of CZK 100. No own shares were owned by the Company as of 31 December 2015.

4.14.4 RETAINED EARNINGS

Net retained earnings	31.12.2016 CZK´000	31.12.2015 CZK´000
Retained earnings	99 971	-
Profit / (loss) for the period	245 706	(12 277)
Net retained earnings	**345 677**	**(12 277)**

4.14.5 DIVIDENDS

Declared dividends	2016 CZK´000	2015 CZK´000
Declared interim dividend*	156 051	-
Dividend per share (CZK/share) *	7.0	-

* net of dividend to own shares

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

4.14.6 EFFECT OF MERGER

The structure of the equity of financial position as of 12 March 2016 was formed by consolidation of the equity components of the merging entities (described in section 2.1.) as presented in the table below.

Merger adjustments in equity 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 personal expenses (bonuses) CZK´000	Other provisions CZK´000	Total CZK´000
Balance as at 1 January 2016	-	-	-
Merger	40 084	411	40 495
Increase due to creation	35 977	-	35 977
Decrease due to usage/release	(40 084)	(411)	(40 495)
Balance as at 31 December 2016	**35 977**	**-**	**35 977**
Of which:			
Current part	35 977	-	35 977
Non-current part	-	-	-
Balance as at 31 December 2016	**35 977**	**-**	**35 977**

4.16. BONDS

On 4 October 2013, according to 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	31.12.2016 CZK´000	31.12.2015 CZK´000	Interest terms	Maturity date
Bonds issued KOFOLA VAR/18	CZK	330 740	-	12M PRIBOR + margin	10/2018
Bonds issued total		**330 740**	**-**		

INDEBTEDNESS OF THE COMPANY FROM ISSUED BONDS

As at 31 December 2016, the Company has a liability from issued bonds in the total amount of CZK 330 740 thousand. Liabilities from interests and obligations from bonds maturing in October 2018 of CZK 327 072 thousand are disclosed in non-current liabilities, and the liabilities from interests of CZK 3 668 thousand are presented in current liabilities. The interest was paid on 4 October 2016.

Terms and conditions of the issued bonds were met.

4.17. BANK CREDITS AND LOANS

INDEBTEDNESS OF THE GROUP FROM THE CREDITS AND LOANS

As at 31 December 2016, the Company's total bank loans and credits amounted to CZK 1 753 286 thousand.

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.

As of 31.12.2016 the Company obtained a bank waiver for the breach of covenants, namely Debt service coverage ratio and Capex covenants connected with the loan for financing of Radenska acqusition.

All other bank loan covenants were met.

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

4.18. TRADE AND OTHER PAYABLES

Trade and other payables Other financial liabilities	31.12.2016		31.12.2015	
	Current CZK´000	Non-current CZK´000	Current CZK´000	Non-current CZK´000
Financial liabilities within trade payables and other financial liabilities				
Trade liabilities	32 582	-	15 424	-
Liabilities for purchased property, plant and equipment	10 340	-	-	-
Liabilities for purchased intangible assets	5 043	-	-	-
Derivatives (i)	-	15 655	-	-
Accrued liabilities, other creditors and other financial liabilities	22 719	-	2 524	-
Total	**70 684**	**15 655**	**17 948**	**-**
Non-financial liabilities within trade and other payables			-	-
Payables to employees	18 731	-	-	-
Other	17	-	-	-
Total	**18 748**	**-**	**-**	**-**
Trade, other payables and other financial liabilities total	**89 432**	**15 655**	**17 948**	**-**

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 2016 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.	Oberbank Leasing	CZK	518	518	2/2017	Kofola a.s. (CZ)	subsidiary
	Oberbank Leasing	CZK	233	233	2/2017	Kofola a.s. (CZ)	subsidiary
	Oberbank Leasing	CZK	283	283	10/2017	Kofola a.s. (CZ)	subsidiary
	ČSOB a.s.	CZK	22 881	22 881	3/2019	Kofola a.s. (CZ)	subsidiary
	ČSOB a.s.	CZK	290 000	290 000	notice of termination	Kofola a.s. (CZ)	subsidiary
	ČSOB a.s.	CZK	4 667	4 667	2/2018	Kofola a.s. (CZ)	subsidiary
	Unicredit Bank a.s.	EUR	4 544	122 779	12/2022	Santa-Trans.SK s.r.o.	third party*
	ČSOB Leasing	CZK	534	534	5/2020	Kolonial.cz s.r.o.	third party*
	ČSOB Leasing	CZK	269	269	5/2020	Kolonial.cz s.r.o.	third party*
	ČSOB Leasing	CZK	1 128	1 128	3/2020	Kolonial.cz s.r.o.	third party*
	ČSOB Leasing	CZK	319	319	4/2018	Kolonial.cz s.r.o.	third party*
	Deutsche Leasing ČR	CZK	526	526	11/2020	Kolonial.cz s.r.o.	third party*
	City-Arena PLUS a.s.	EUR	7	184	8/2020	UGO Trade s.r.o.	subsidiary
	Toyota Leasing S.A.	EUR	97	2 617	2/2018	Hoop Polska Sp. z o.o.	subsidiary
Total guarantees issued				**446 938**			

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

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	Leased assets without purchase option	Total
	CZK´000	CZK´000	CZK´000
As at 31 December 2016	14 656	-	14 656
As at 31 December 2015	-	-	-

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	31.12.2016	31.12.2015
	CZK´000	CZK´000
Plant and equipment	1 186	-
Vehicles	13 470	-

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

Future minimum lease payments	31.12.2016	31.12.2015
	CZK´000	CZK´000
Nominal value of minimum lease payment		
In one year period	5 102	-
In period from one to five years	9 950	-
Total finance lease liabilities - total minimum lease payments	**15 052**	**-**
Finance costs of finance lease	430	-
Present value of minimum lease payments		
In one year period	4 957	-
In period from one to five years	9 665	-
Total present value of minimum lease payments	**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 interest bearing financial liabilities of the Company are represented by an intercompany loan, however the interest rate is fixed and as such there is no interest rate risk. In addition, the Company places its free funds on variable interest rate deposits, which would bring the profits down if the interest rates fall. Trade and other 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 2016 would have been CZK 21 213 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 2016 would have been CZK 21 213 thousand lower, mainly as a result of higher interest expense on variable interest financial liabilities.

Due to limited exposure to interest risk in 2015, no comparative sensitivity analysis is provided.

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	**31.12.2016**	**31.12.2015**
	CZK´000	CZK´000
EUR strengthening by 3%	3 711	-
EUR weakening by 3%	(3 711)	-
PLN strengthening by 3%	4 643	(84)
PLN weakening by 3%	(4 643)	84

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	31.12.2016		31.12.2015	
	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	684	75 362	-	-
Small companies	684	75 362	-	-
Intercompany	153 337	241 106	-	-
Total neither past due nor impaired	**154 021**	**316 468**	**-**	**-**
Past due but not impaired				
- over 360 days overdue	348	-	-	-
Total past due but not impaired	**348**	**-**	**-**	**-**
Individually determined to be impaired (gross)				
- 181 to 360 days overdue	-	151	-	-
- over 360 days overdue	-	7 189	-	-
Total individually impaired (gross)	**-**	**7 340**	**-**	**-**
Less impairment provision (-)	**-**	**(7 340)**	**-**	**-**
Total	**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.

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 Group'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	31.12.2016	31.12.2015
Credit rating	CZK´000	CZK´000
A2	26 606	139 334
Not on watch	1 100	-
Cash in hand	41	-
Total cash in bank and in hand	**27 747**	**139 334**

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.

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 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**

Contractual cashflows of financial liabilities as at 31 December 2015	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	15 424	-	-	-	-	15 424	15 424
Other financial liabilities	2 337	40 147	-	-	-	42 524	42 524
Total	**17 801**	**40 147**	**-**	**-**	**-**	**57 948**	**57 948**

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.

31.12.2016	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	470 837	-	-	470 837
Cash and cash equivalents	27 749	-	-	27 749
Derivatives (i)	-	(15 655)	-	(15 655)
Bank credits and loans	-	-	(1 753 286)	(1 753 286)
Bonds issued	-	-	(330 740)	(330 740)
Trade and other payables	-	-	(70 684)	(70 684)
Total	**498 586**	**(15 655)**	**(2 154 710)**	**(1 671 779)**

4. NOTES TO THE SEPARATE FINANCIAL STATEMENTS

(i) Fair value of derivatives

The Group 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.

31.12.2015	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
Cash and cash equivalents	139 334	-	-	139 334
Trade and other payables	-	-	(17 948)	(17 948)
Other financial liabilities	-	-	(40 000)	(40 000)
Total	**139 334**	**-**	**(57 948)**	**81 386**

4.23. HEADCOUNT

The average headcount in the Company was as follows:

Average headcount	2016	2015
Management Boards of the Company	6	-
Administration	57	-
Sales, Marketing and Logistic department	97	-
Production division	29	-
Total	**189**	**-**

4.24. RELATED PARTY TRANSACTIONS

4.24.1 SHAREHOLDERS STRUCTURE

Share capital structure	2016			2015		
Name of entity	Number of shares	% in share capital	% in voting rights	Number of shares	% in share capital	% in voting rights
KSM Investment S.A.	11 321 383	50.78%	50.78%	11 321 383	50.78%	50.78%
CED GROUP S. a r.l.	8 311 196	37.28%	37.28%	8 311 196	37.28%	37.28%
René Musila	581 231	2.61%	2.61%	581 231	2.61%	2.61%
Tomáš Jendřejek	581 190	2.61%	2.61%	581 190	2.61%	2.61%
Others	1 500 000	6.72%	6.72%	1 500 000	6.72%	6.72%
Total	**22 295 000**	**100.00%**	**100.00%**	**22 295 000**	**100.00%**	**100.00%**

Ultimate controlling party is KSM Investment S.A., with registered office Rue de Neudorf 560A, L-2220 Luxembourg.

4.24.2 SUBSIDIARIES AND ASSOCIATES

Interests in subsidiaries and associates are set out in section 2.2.

4.24.3 REMUNERATION OF THE COMPANY'S KEY MANAGEMENT PERSONNEL

Presented below is the structure of the remuneration paid out to persons with executive authority in 2016. 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	Amounts paid for activities in the Company´s Board of Directors		Amounts paid for activities in the Company´s Supervisory board		Amounts paid for activities in the Company´s Audit committee		Amounts paid for other activities within the Group	
	Financial compensation	Non-financial compensation	Financial compensation	Non-financial compensation	Financial compensation	Non-financial compensation	Financial compensation	Non-financial compensation
	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000	CZK´000
Members of the Company´s Board of Directors	-	-	-	-	-	-	26 764	1 025
Members of the Company´s Supervisory board	-	-	624	-	-	-	8 461	420
Members of the Company´s Audit committee	-	-	-	-	122	-	-	-
Other key management personnel of the Group	-	-	-	-	-	-	11 936	87
Total remuneration of the Group's key management personnel	**-**	**-**	**624**	**-**	**122**	**-**	**47 161**	**1 532**

4.24.4 OTHER RELATED PARTY TRANSACTIONS

Presented below are the total amounts of transactions concluded with the Group's related parties:

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)**

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

4.25. SUBSEQUENT EVENTS

No 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.

20.3.2017	**Janis Samaras**	**Chairman of the Board of Directors**	
date	*name and surname*	*position/role*	*signature*
20.3.2017	**René Musila**	**Member of the Board of Directors**	
date	*name and surname*	*position/role*	*signature*
20.3.2017	**Tomáš Jendřejek**	**Member of the Board of Directors**	
date	*name and surname*	*position/role*	*signature*
20.3.2017	**Daniel Buryš**	**Member of the Board of Directors**	
date	*name and surname*	*position/role*	*signature*
20.3.2017	**Jiří Vlasák**	**Member of the Board of Directors**	
date	*name and surname*	*position/role*	*signature*
20.3.2017	**Roman Zúrik**	**Member of the Board of Directors**	
date	*name and surname*	*position/role*	*signature*


TOP
Jupík
SEMTEX
Jupí
Vinea