ANNUAL REPORT 2017
W.A.G. PAYMENT SOLUTIONS, A.S.

Key Indicators

(ths. EUR)	2014	2015	2016	2017
Sales revenues, including toll transactions	647 805	767 421	872 195	1 179 100
Tolls	208 297	261 700	329 147	435 661
Revenues from sale of goods	430 709	495 862	531 203	722 267
Revenues from sale of services	8 798	9 859	11 845	21 172
Value added	19 275	25 094	30 780	44 727
Adjusted EBT	7 446	10 915	12 988	17 571
Adjusted EBITDA	10 761	15 090	16 219	23 356

Adjusted EBT and EBITDA are net of transactions that do not occur in the normal course of business.

All figures are net of Tank and Go – further T&G transactions (non-core activity).

An exchange rate of 27.425 CZK per EUR was applied to the translation of figures for 2013.
An exchange rate of 27.725 CZK per EUR was applied to the translation of figures for 2014.
An exchange rate of 27.025 CZK per EUR was applied to the translation of figures for 2015.
An exchange rate of 27.02 CZK per EUR was applied to the translation of figures for 2016
An exchange rate of 25.54 CZK per EUR was applied to the translation of figures for 2017.

Our mission is to be the key partner for our customers for on-road mobility solutions integrating a comprehensive set of products and services based on innovative and simple to use digital technologies. A continuous search for improvement and passion for superb customer experience underpin our success, making W.A.G. an attractive employer, a reliable business partner and a very interesting prospect for investment.

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1. Corporate Profile

1.1. Company Snapshot

Name	W.A.G. payment solutions, a.s.
Registered office	Na Vítězné pláni 1719/4 140 00 Prague 4, Czech Republic
Registration number	26415623
Share capital	CZK 111,245,457
Shareholders	Martin Vohánka (59.33% out of which 35.06% via Couverina Business, s.r.o.) Bock Capital EU Luxembourg WAG S.a.r.l. (32.81%) David Holý (2.24%) Tomáš Svatoň (2.16%) Pascal Guyot (2.16%) Minority Shareholders and Senior Management (1,30%)

1.2. Corporate Governance

(as of 1st January 2018)

Board of Directors
Martin Vohánka – Chairman
Klaus Jurgen Burkart – Member
Tomáš Michek – Member
Martin Hannsman – Member
Ivan Jakúbek – Member
Attila Dsupin – Member
Neil Brownlie – Member

Supervisory Board
Ketil Thorsen – Chairman
David Holý – Member
Pascal Guyot - Member
Ajit Nedungadi – Member
J. M. Seigler – Member
Petr Bartoň – Member
A. J. H. Trautmann – Member

CXO's
Attila Dsupin – Chief Commercial Officer
Klaus Burkart – Chief Shared Service Centre Officer
Ivan Jakubek – Chief Business Development Officer
Martin Hannsmann – Chief Quality Officer
Tomas Michek – Chief Financial Officer

1.3. Business Objects

W.A.G. payment solutions, acting under the Eurowag (EW) corporate brand, is the fastest growing integrated mobility solution provider in Europe within the industry with an EBITDA growth of 44% in 2017 and a turnover of 1,179,100 TEUR. Eurowag is serving on daily bases over 250 000 vehicles operated by international transport companies and firms with passenger car fleets. Eurowag creates integrated solutions for seamless Fuel and Toll payments, Fleet management systems, Tax refunds and road mobility related services. At the forefront of innovation, Eurowag recently announced that it has developed its own state-of-the-art OBU (on-board unit) for European Toll interoperability.

1.4. Company Values

Innovation – Creativity and a determination to change are the foundations of our competitiveness.

Trust – Our honesty and reliability inspire confidence and engender customer loyalty.

Integrity – Ethical values underpin our everyday decision-making.

Teamwork – We support each other because only a well-functioning team can be successful.

Excellence – We strive relentlessly to be the best we can be.

Independence – We value our freedom, which also implies a commitment to act whenever needed.

Joy – A good vibe in the workplace is essential for delivering outstanding performance.

Social responsibility – Our actions aim to create a balanced portfolio of positive values for the benefit of the whole of human society.

Martin Vohánka
Chief Executive Officer

Attila Dsupin
Chief Commercial Officer

Klaus Burkart
Chief Shared Service Centre Officer

Ivan Jakubek
Chief Business Development Officer

Martin Hannsmann
Chief Quality Officer

Tomas Michek
Chief Financial Officer


Our Value
TEAMWORK
We support each other,
because only a well-functioning
team can be successful.

Our Value
INNOVATION

Creativity and a determination to change are the foundations of our competitiveness.

2. Foreword

Ladies and Gentlemen, Dear Friends of W.A.G.,
it is a great pleasure to share with you the 2017 Annual Report for W.A.G. payment solutions, a.s
The company's productivity within this period has not deviated from the path of excellent results established throughout the previous years. This remarkable tradition of stable and high growth goes back to the very beginnings of our company.

For more than 22 years we are contributing to the creation and development of road transport ecosystems. Our role, however, has been gradually changing and has evolved from its simple beginnings into today's unique solutions covering a whole range of services for international passenger and cargo road mobility. Changes, adaptations, and innovations are paradoxically some of the constants in our activities. Another important constant is scrupulous adherence to a system of values that forms our ideals, creates a natural framework for what we do, energizes us in times of success and unites us in rough.times

What can you expect in the following pages? The company's EBITDA and EBT have grown by 44% and 35% respectively. While strengthening our positions across existing markets, we have also opened new markets and watched with delight the strong competitiveness and attractiveness of our solutions across Europe. We made several technological acquisitions and successfully integrated these into our group. Early in 2017 we launched the company's biggest transformation project since the implementation of our first fuel cards in 2001.

Last but by no means least, transformation and disruptive innovation are the main internal themes which will keep us busy in the coming periods and which represent the key foundations of our future success.

On a personal note, I have experienced great joy thanks to the almost 80% participation of employees in the company initiative Philanthropy & You, which is a practical expression of our company values. To sum-up, 2017 was an exceptionally good year.

I wish all of you, our customers, colleagues, partners, and friends, from the depth of my heart - the capacity to find balance and continual inspiration in these dynamic times and express my happiness and gratitude for everything good around us.

Martin Vohánka
Founder and Chief Executive Officer

3. History

W.A.G. Group was formed in 1995 as a petroleum product wholesaler. Initially, it supplied fuel from Czech refineries primarily to agricultural holdings, industrial enterprises and roadside petrol stations. In 1999, W.A.G. became the first privately owned entity in the industry to be ISO 9001 certified. In 2000, the Company moved up to a higher form of legal status, with the newly formed public limited company W.A.G. minerální paliva, a.s. assuming the original private limited company's assets and liabilities on 1 January 2001.

Fast forward to 2005, the W.A.G. portfolio was dominated by Eurowag fuel cards, a solution that had also met with great success in Slovakia and Hungary. At this time W.A.G. was also launching major investment in constructing a network of Eurowag branded truck parks in the Czech Republic.

At the end of 2006, W.A.G. successfully prepared for the introduction of electronic tolls in the Czech Republic, and in 2007 started expanding the acceptance network to encompass the other EU Member States. In late 2008, W.A.G. opened an office in Poland, followed in 2011 by another in Romania, its fifth market for Eurowag card sales. From 2009 to 2012, the company focused on continuing to expand the network of petrol stations accepting its products. This came with the development of toll system services and ongoing improvements in ancillary services and internal processes. In 2013, another two unmanned establishments in Poland joined the Eurowag network of branded truck parks.

In 2014, W.A.G. entered the Turkish market, its expansion in Bulgaria remained on track, and it unfurled two new impressive Eurowag truck parks in Hungary and Slovakia. Two further acquisition have reinforced our growth – Austria's StarPetrol and ČESKÁ LOGISTICKÁ a.s.. These acquisitions have helped us to grow our own truck park network and build up a comprehensive portfolio of European TAX refund services. 2014 also marks the year when we brought in additional talent into the senior management team, with Martin Hannsmann joining in October 2014 as Chief Quality Officer (CQO).

In 2015, the year that has marked our 20th anniversary, the individual regions of Europe were divided into "clusters" and each was appointed a director. This move, giving rise to the Middle East, Baltic, Central Europe, Balkan, Alpine and Atlantic Clusters, was aimed at increasing capacity in the geographical expansion. 2015 is also the year when Tomáš Michek has been appointed as a Chief Financial Officer.

On 13 January 2016, a new shareholder joined the Company. The Company's founder, with minority shareholders, teamed up with one of the world's largest private investment firms, TA Associates (www.ta.com), and enabled it to acquire a third of the Company. An important milestone, this constituted a partnership with the experience and resources to help us realize our long-term strategy of becoming a leading integrated mobility solutions provider in Europe.

In 2016 was the year we have embarked on a major transformation journey, including both working on the new IT platforms that would support the business for the years to come. We also continued to evolve both ownership and governance structure and appointed further senior managers to the business. In 2016, the Company entered six new markets (Estonia, Serbia, Lithuania, Latvia, Portugal, and Spain) to capitalize on its recently formed business cluster structure.

We have also welcomed further senior management appointments, including Attila Dsupin joining the business as a Chief Commercial Officer in February and Klaus Burkart joining us as Chief Shared Service Center Officer in November.

Our Value
TRUST

Our honesty and reliability inspire confidence and engender customer loyalty.

4. Report on Company Activities

4.1. Group Structural Changes

Our group structure is evolving to support our expanding business activities. In 2017 we have set a new legal entity W.A.G. Issuing Services, which is a part of W.A.G. Group and a 100% subsidiary of W.A.G. payment solutions a.s. . W.A.G. Issuing Services is serving as a collective body for all other W.A.G. group entities enabling to customer use one account for all payment irrespective of its type or origin. At beginning of 2018 W.A.G. Issuing Services a.s. was granted a Payments Institution License from the Czech National Bank, which further allows provisioning of services regulated by PSDII. An EU Directive 2015/2366, also known as PSDII. aims to better protect consumers when they pay online, promote the development and use of innovative online and mobile payments such as through open banking, and make cross-border European payment services safer.

For the most up to date version of our group structure please visit our website.

4.2. Business Activities in 2017

Introduction

2017 has marked another successful year for us – a year of dynamic growth and shareholder value creation. From gaining of EETS provider status to new market entries, to record level sales of fuel, toll and Tax Refund and Telematics, our business has been growing and developing rapidly.

EETS Certification

One of the major milestones in 2017 was obtaining a license to become a European Electronic Toll Service (EETS) provider. The European Electronic Toll Service (EETS) is a European Union initiative to facilitate toll payments for hauliers across Europe. EETS is expected to resolve the current issue where carriers have to register vehicles onto each toll system in Europe separately and where multiple onboard units must be carried inside the vehicle. EETS aims to have one on-board unit accepted by toll system operators in EU countries. Hauliers will obtain this unit from the EETS provider and not from the toll system operators as applies in most countries. So far, there are just six EETS providers who have obtained a relevant license from the EU, and we are proud to be one.

NB. Following obtaining the EETS provider license, the proprietary on-board unit was revealed in early 2018.

Payments Institution License

In 2017 we have been working hard to prepare an application for the Payments License to the Czech National Bank. A move, in the light of the recent PSD2 directive, opening new horizons for Eurowag as a leading integrated mobility solutions provider.

NB. Eurowag has been granted a Payment Institution License in January 2018.

Our Value

EXCELLENCE

We strive relentlessly
to be the best we can be.

Our Value

JOY

Good vibe in the workplace is essential for delivering outstanding performance.

New Markets

Throughout 2017 we have built on our previous experiences and have successfully managed to both grow existing markets and enter several new markets such as Denmark and Belarus. We have further strengthened our position within Baltic countries Latvia, Lithuania and Estonia opened at the end of 2016.

2017 was the year when we have started a successful cooperation on the German market, establishing a cooperation with Lufthansa AirPlus Service Cards Corp., with Airplus acting as a broker for Eurowag services in the German market.

New Product launches

During 2017 we have enlarged our product portfolio and introduced new competitive products to the market. One of the most notable products launched is Financing of Excise duty as well as the constant development of our Telematics / Fleet management solutions.

New appointments

We have continued reinforcement of our senior management, with Ivan Jakúbek joining W.A.G. as a Chief Corporate Development Officer.

Acquisitions

In January 2017 we have welcomed our new colleagues from Princip and Hi Software to the Eurowag Family, making Eurowag the largest entity on the telematics service market for freight and passenger vehicles in the Czech Republic. W.A.G. Payment Solutions has acquired 100% of shares of Princip and Hi Software, its main supplier of front-end solutions reinforcing our longstanding strategy of being a key partner to fleet operators by delivering smart and comprehensive solutions for road mobility.

Following the acquisition of Princip and Hi Software in January 2017, we have further extended our market leadership in telematics across the Czech Republic and Slovakia through an acquisition of Aldobec Technologies in February 2018. Acquisition of Aldobec will let us further strengthen our product portfolio in Telematics as well as enhances our talented R&D team with additional software development resources. W.A.G. Payment Solutions a.s. has acquired 100% of Aldobec Technologies.

Human Resources

People are at the heart of everything we do at W.A.G. Payment Solutions a.s.. A well-motivated, diverse workforce is a true reflection of a successfully growing company.

In 2017, W.A.G. welcomed over 160 new employees to its ranks. We pride ourselves in being a diverse and international company, with over 30 nationalities and multiple languages spoken across our offices around Europe and the Middle East. Our management is a balanced team in nationality, expertise, gender, professional experience and personality.

Quality / Risk Management

W.A.G. views ISO certification not as some formality, but as a natural way of managing and developing the Company. In this respect, it draws on the services of a prestigious audit team, Lloyd's Register Quality Assurance, and is regularly certified under 9001.

4.3. Charity and Support of Civil Society

Corporate Social Responsibility is at the forefronts of our minds – we strongly believe that as a successful company we should be contributing back to the society through several projects, both in the Czech Republic, where our HQ is based, but also across other countries we run our business.

To make our CSR a reality we have empowered every employee to take active part in supporting our longstanding commitment to spend 1% of EBT to the social responsibility and have launched a new project called Philanthropy and You.

The project. Based on a simple notion that every employee may donate up to 200 EUR or an equivalent in the local currency to a charity of choice by signing a simple contract amendment has been a great success and enjoyed an overwhelming participation of 78% amongst all employees, many of whom continue to support the selected charities.

Some of the other projects we support on the long-term basis include:
Lata – programy pro mládež a rodinu, z.ú. – an association which uses trained volunteers to provide young people with peer support, helping them to manage troublesome or threatening situations in life while strengthening their independence.

Cesta domů – this association provides professional care to dying people and their loved ones, runs a home hospice and counseling center for the incurably sick and their families and contributes to social changes with a view to improving end-of-life care.

TruckHelp Foundation – a foundation supporting families who have lost a father during his work as a professional driver.

yourchance o.p.s. – "Starting Out Right" – a project to help young people as they leave children's homes, giving them individual help to adapt to everyday life and providing them with mentoring.

Spolek Otec vlasti Karel IV., z.s. – "Taking Living History into Schools" – this project aims to foster an interest among children and young people in the historical period of Charles VI's reign and give them a deeper insight into the legacy left behind by this monarch of European standing.

Innoversity – a student society that arranges competitions promoting student-led business start-ups.
Učená společnost České republiky – a civic association of leading scientists intended to stimulate the free cultivation of science, to foster a thirst for knowledge and the joy of knowledge, to disseminate scientific knowledge among the public, and to promote an increase in the educational level and a creative, rational and humanly responsible climate in the Czech Republic.

Kverulant – an organisation that seeks to improve public administration and helps to address cases in which citizens have become victims of injustice.

Our Value

SOCIAL RESPONSIBILITY

Our actions aim to create a balanced portfolio of positive values for the benefit of the whole of human society.

Financial Section


Our Value
INTEGRITY
Ethical values underpin
our everyday decision-making.

Independent Auditor’s Report

To the Shareholders of W.A.G. payment solutions, a.s.:

Opinion

We have audited the accompanying consolidated financial statements of W.A.G. payment solutions, a.s., and its subsidiaries (hereinafter also the “Group”) prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information. For details of the Group, see Note 1 to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of W.A.G. payment solutions, a.s., as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application clauses. Our responsibilities under this law and regulation are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union of W.A.G. payment solutions, a.s., as at 31 December 2016 were not audited.

Other Information

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

Our opinion on the consolidated financial statements does not cover the other information. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge 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 or regulation, in particular, whether the other information complies with law or 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 consolidated financial statements is, in all material respects, consistent with the consolidated financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

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

Responsibilities of the Board of Directors and Supervisory Board of W.A.G. payment solutions, a.s., for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors of W.A.G. payment solutions, a.s., is responsible for assessing the Group'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 of W.A.G. payment solutions, a.s., either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board of W.A.G. payment solutions, a.s., is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 above regulations 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 consolidated financial statements.

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 control.

- Obtain an understanding of internal control 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's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors of W.A.G. payment solutions, a.s.

- 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'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 consolidated 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 to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 and the Supervisory Board of W.A.G. payment solutions, a.s., 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.

Ernst & Young Audit, s.r.o.
License No. 401

Magdalena Soucek, Auditor
License No. 1291

14 June 2018
Prague, Czech Republic

Our Value

INDEPENDENCE

We value our freedom, which also implies a commitment to act whenever needed.

Consolidated Statement of Comprehensive Income for the Year ended 31 December

(CZK '000)

	Notes	2017	2016
CONTINUING OPERATIONS			
Sales of goods	10	18,446,695	14,353,107
Cost of goods sold		(17,417,839)	(13,571,834)
Gross profit		**1,028,856**	**781,273**
Rendering of services	10	540,741	320,059
Other operating income	11	24,650	64,836
Raw materials and energy consumed	12	(49,977)	(23,325)
Employee expenses	13	(459,501)	(372,326)
Depreciation and amortization	16	(118,428)	(67,853)
Release of impairment of non-current assets	21	(234)	10,000
Other operating expenses	17	(520,128)	(319,002)
Operating profit		**445,979**	**393,662**
Finance income	18	35,827	32,905
Finance costs	19	(41,223)	(27,893)
Profit before tax from continuing operations		**440,583**	**398,674**
Income tax expense	20	(93,247)	(87,195)
DISCONTINUED OPERATIONS			
Profit/(loss) after tax for the year from discontinued operations		–	–
PROFIT FOR THE YEAR		**347,336**	**311,479**
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Change in fair value of cash flow hedge recognized in equity		21,729	–
Exchange differences on translation of foreign operations		(12,172)	(2,873)
Deffered tax related to other comprehensive income		(4,128)	546
COMPREHENSIVE INCOME FOR THE YEAR		**352,765**	**308,606**
Total profit for the financial year attributable to equity holders of the parent		347,336	311,479
Total profit for the financial year attributable to non-controlling interests		–	–
Total comprehensive income for the financial year attributable to equity holders of the parent		352,765	308,606
Total comprehensive income for the financial year attributable to non-controlling interests		–	–

Consolidated Statement of Financial Position as at 31 December

(CZK '000)

	Notes	2017	2016
ASSETS			
Non-current assets			
Intangible assets	21	887,831	77,588
Property, plant and equipment	22	601,168	397,925
Financial assets		10,103	1,347
Deferred tax assets	20	23,844	11,684
Other non-current assets	23;26	37,544	13,883
Current assets			
Inventories	24	66,016	55,723
Trade and other receivables	25	3,313,875	2,320,905
Income tax receivables		–	–
Derivative assets	26	10,690	3,104
Cash and cash equivalents	27	961,369	1,359,663
Assets held for distribution		–	–
TOTAL ASSETS		**5,912,440**	**4,241,822**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Stockholders' equity			
Share capital	28	111,245	109,796
Share premium	28	58,420	9,500
Foreign currency translation difference	28	(18,142)	(5,970)
Reserve fund	28	11,539	10,791
Cash flow hedge reserve		17,601	–
Retained earnings	28	875,194	683,760
Equity attributable to equity holders of the parent		**1,055,857**	**807,877**
Non-controlling interests		**–**	**–**
Non-current liabilities			
Trade and other payables	31	1,984	–
Interest-bearing loans and borrowings	29	643,271	67,190
Provisions	30	768	1,560
Other non-current liabilites		–	–
Deferred tax liability	20	14,553	662
Derivative liabilities	32	498	9,374
Current liabilities			
Trade and other payables	31	3,478,463	2,857,423
Interest-bearing loans and borrowings	29	585,532	442,897
Provisions	30	99,138	27,533
Income tax liability		27,092	26,344
Derivative liabilities	32	5,284	962
TOTAL EQUITY AND LIABILITIES		**5,912,440**	**4,241,822**

Consolidated Statement of Changes in Shareholders' Equity for the Year ended 31 December

(CZK '000)

	Share capital	Share premium	Foreign currency translation difference	Reserve fund	Retained earnings	Cash flow hedge reserve	Total equity
At December 31, 2015	**109,796**	**9,500**	**(3,097)**	**10,791**	**372,281**	**–**	**499,271**
Profit for the year	–	–	–	–	311,479	–	311,479
Other comprehensive income	–	–	(2,873)	–	–	–	(2,873)
Total comprehensive income	–	–	(2,873)	–	311,479	–	308,606
Contribution to reserve fund	–	–	–	–	–	–	–
At December 31, 2016	**109,796**	**9,500**	**(5,970)**	**10,791**	**683,760**	**–**	**807,877**
Issue of share capital	1,449	48,920	–	–	–	–	50,369
Profit for the year			–	–	347,336	–	347,336
Other comprehensive income	–	–	(12,172)	–	–	17,601	5,429
Total comprehensive income	–	–	(12,172)	–	347,336	17,601	352,765
Cash dividends	–	–	–	–	(155,154)	–	(155,154)
Contribution to reserve fund	–	–	–	748	(748)	–	–
At December 31, 2017	**111,245**	**58,420**	**(18,142)**	**11,539**	**875,194**	**17 601**	**1 055 857**

Consolidated Statement of Cash Flows for the Year ended 31 December

(CZK '000)

	Notes	2017	2016
Cash flows from operating activities			
Profit before tax for the year		**440,583**	**398,674**
Non-cash adjustments to reconcile profit before tax to net cash flows:			
Depreciation and amortization	16	118,428	67,853
Gain on disposal of non-current assets	11	(3,412)	(26,959)
Interest income	18	(510)	(313)
Interest expense	19	10,320	6,155
Movements in provisions	30	70,813	16,545
Movements in allowances for receivables	25	22,189	11,897
Movements in allowances inventories	24	972	–
Movements in impairment of non-current assets except for goodwill	21	–	(10,000)
Impairment of goodwill	21	234	–
Foreign currency exchange rate differences		(6,961)	(4,269)
Fair value revaluation of derivatives		(2,842)	1,561
Loss from sold and written-off receivables	17	16,701	8,558
Other non-cash items		(14,294)	(12,004)
Working capital adjustments:			
Increase in trade and other receivables and prepayments		(1,093,857)	(892,492)
Decrease in inventories		11,270	2,292
Increase in trade and other payables		733,399	663,640
Interest received		510	313
Interest paid		(10,320)	(6,155)
Income tax paid		(115,155)	(83,861)
Net cash flows from operating activities		**178,148**	**141,435**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		89,297	62,733
Proceeds from sale of financial instruments		–	–
Purchase of property, plant and equipment		(261,811)	(73,569)
Purchase of intangible assets		(136,224)	(50,359)
Purchase of financial instruments		(8,756)	(1,327)
Investment in subsidieries, net of cash acquired		(861,358)	–
Net cash used in investing activities		**(1,178,852)**	**(62,522)**
Cash flows from financing activities			
Payment of finance lease liabilities		–	(2,194)
Proceeds from borrowings		746,586	15,315
Repayment of borrowings		(94,338)	(53,784)
Paid our dividend		(155,152)	–
Proceeds from issued share capital		50,369	–
Changes in equity		–	–
Net cash used in financing activities		**547,466**	**(40,663)**
Net increase in cash and cash equivalents		(453,238)	38,250
Effect of exchange rate changes on cash and cash equivalents held in foreign currencies		1,774	(2,951)
Cash and cash equivalents at beginning of period	27	954,686	919,387
Cash and cash equivalents at end of period	**27**	**503,222**	**954,686**

Notes to the Consolidated Financial Statements for the year ended 31 December 2017

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1. Corporate information

W.A.G. payments solutions, a.s. (the Company or the parent) is a joint stock company incorporated and domiciled in the Czech Republic and whose shares are not publicly traded. The Group is principally engaged in the sale of fuel to the fleet of its customers, providing unified way of electronic toll payments and provision of taxes (mainly value added tax and excise tax) reimbursement.

Registered office
W.A.G. payment solutions, a.s.
Na Vítězné pláni 1719/4
140 00 Prague 4
Czech Republic
Identification number
264 15 623

Shareholders holding a 10% or greater interest in the Group's basic capital as at 31 December 2017 and 2016 are as follows:

Shareholder	Interest in basic capital 31 December 2017	31 December 2016
Martin Vohánka	59,33%	60,11%
TA Associates (UK), LLP	32,81%	33,24%

These consolidated financial statements are prepared as the first consolidated financial statements of the W.A.G. Group. Members of the statutory bodies as at 31 December 2017 were as follows:

Board of Directors	
Chair:	Martin Vohánka
Vice-chair:	David Holý
Member:	Tomáš Svatoň
Member:	Pascal Guyot
Supervisory Board	
Chair:	Ketil Thorsen
Member:	Petr Bartoň
Member:	Alexander Joachim Heinrich Trautmann
Member:	Martin Burda
Member:	Ajit Nedungadi
Member:	Joseph Morgan Seigler

2. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. The consolidated financial statements are presented in CZK and all values are rounded to the nearest thousand (CZK'000), except where otherwise indicated.

The accompanying consolidated financial statements were prepared on going concern basis.

The Group's fiscal year begins on 1 January and ends on 31 December.

Information on independent auditor

CZK '000	2017	2016
The statutory audit of the financial statements, including the audit of consolidated financial statements	1,142	749
Tax advices	2,736	3,618
Other non-audit services	3,251	1,233
Total	**7,129**	**5,600**

The consolidated financial statements of W.A.G. payments solutions, a.s. are audited by Ernst & Young Audit, s.r.o.

3. Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent and its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

4. Summary of significat accounting policies

The accounting policies used in preparing the consolidated financial statements are set out below. These accounting policies have been consistently applied in all material respects to all periods presented.

4.1. Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognized either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

4.2. Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period
- Or cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period
- Or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

4.3. Fair value measurement

The Group measures financial instruments such as derivatives at fair value at each balance sheet date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in the following notes:

- Disclosures for valuation methods, significant estimates and assumptions (Notes 7, 9, 33)
- Quantitative disclosures of fair value measurement hierarchy (Note 9 and 33)
- Financial instruments carried at fair value (Note 26 and 32)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- Or in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

4.4. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude, and is also exposed to inventory and credit risks.

The specific recognition criteria described below must also be met before revenue is recognized.

Sale of fuel

The revenue from the sale of fuel is recognized when the significant risks and rewards of ownership of the fuel have passed to the buyer, usually on delivery of the fuel. Revenue from the sale of fuel is measured at the fair value of the consideration received or receivable, net of allowances, trade discounts and volume rebates.

Provision of tax refund

The commission fee for the tax refund is recognized from 85 % at the moment of requesting a refund and 15 % at the moment of reimbursed tax receipt.

Provision of credit

The revenue from provision of credit in the amount of refund tax for the period of reimbursement is classified within finance income and it is recognized over the average reimbursement period for each country in which the Group operates.

Arranging payments of toll

The commission for arranging payments of toll is recognized in the period in which the service is rendered.

4.5. Taxes

Current income tax

Current income tax assets and liabilities for an accounting period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is calculated separately for each company of the Group using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forwards of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses, can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

4.6. Foreign currency transactions

The Group's consolidated financial statements are presented in CZK. The functional currencies of all Group companies are presented in the table below. Each entity in the Group determines its own functional currency, and items included in the financial statements of each entity are measured using that functional currency.

Group company	Functional currency
W.A.G. payment solutions, a.s.	CZK
W.A.G. Issuing Services, a.s.	CZK
W.A.G. payment solutions BE BVBA	EUR
W.A.G. payment solutions BG EOOD	BGN
W.A.G. payment solutions CZ, s.r.o.	CZK
W.A.G. payment solutions DE GmbH	EUR
W.A.G. payment solutions DK ApS	DKK
W.A.G. payment solutions EE OÜ	EUR
W.A.G. payment solutions Spain SLU.	EUR
W.A.G. payment solutions FI Oy	EUR
W.A.G. payment solutions FR SARL	EUR
W.A.G. payment solutions HR d.o.o.	HRK
W.A.G. payment solutions HU, Kft.	HUF
W.A.G. HU, Kft.	HUF
W.A.G. payment solutions CH AG	CHF
W.A.G. payment solutions IE LIMITED	EUR
W.A.G. payment solutions IT S.R.L. UNIPERSONALE	EUR
W.A.G. payment solutions LT, UAB	EUR
W.A.G. payment solutions LU S.à r.l.	EUR
SIA W.A.G. payment solutions LV	EUR
W.A.G. payment solutions NL B.V.	EUR
W.A.G. payment solutions PL, Sp. zoo	PLN
W.A.G. payment solutions PT Unnipessoal, LDA	EUR
W.A.G. payment solutions RO, s.r.l.	RON
W.A.G. payment solutions Sweden AB	SEK
W.A.G., plačilne rešitve SI, d.o.o.	EUR
W.A.G. payment solutions SK, s.r.o.	EUR
W.A.G. payment solutions UK LIMITED	GBP
W.A.G. payment solutions AT GmbH	EUR
Reamon Tax, a.s.	CZK
Consorzio Eurowag – S.C. A R.L.	EUR
HI Software Development s.r.o.	CZK
Princip a.s.	CZK
Klub Investorov T&G SK, s.r.o.	EUR
W.A.G. payment solutions EL SP LTD	EUR
W.A.G. payment solutions NO AS	NOK
WAG Payment Solutions Turkey Ödeme Sistemleri Ticaret Limited Şirketi	TRY

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange valid at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in profit or loss as finance income and expenses. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

On consolidation, the assets and liabilities of foreign operations are translated into CZK at the exchange rates prevailing at the reporting date and their statements of profit or loss are translated at the average exchange rate for the relevant year. The exchange differences arising on translation for consolidation are recognized in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognized in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

4.7. Non-current assets held for sale

The Group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale, excluding the finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

4.8. Cash dividend and non-cash distribution to equity holders of the parent

The Company recognizes a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorized and the distribution is no longer at the discretion of the Company. As per the corporate laws of Euroland, a distribution is authorized when it is approved by the shareholders. A corresponding amount is recognized directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value remeasurement recognized directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in the statement of profit or loss.

4.9. Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Items of intangibles with useful lives of more than one year and with a cost not exceeding CZK 10 thousands are directly expensed.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Amortization of intangible assets with finite lives is recorded on a straight-line basis over their estimated useful lives as follows:

	Years
Low-value intangible fixed assets	2
Intangible assets, except Navision and ZAP software	3
Navision, ZAP software	10

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss when the asset is derecognized.

4.10. Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Items of property, plant and equipment with useful lives of more than one year and with a cost not exceeding CZK 10 thousands are directly expensed.

When significant parts of property, plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is recorded on a straight-line basis over the estimated useful life of an asset as follows:

	Years
Buildings and structures	10–20
Machinery and equipment	3–20
Vehicles	3–4
Fixtures and fittings	5
Low-value tangible fixed assets	2

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

4.11. Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognized as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

4.12. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

4.13. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or as other financial assets, as appropriate.

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

The Group's financial assets include trade and other receivables and derivative financial instruments.

Trade and other receivables

Trade receivables are carried at nominal amount, including value-added tax and other sales taxes, and less allowance for doubtful receivables. Trade receivables are deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. An allowance is recorded at the best available estimate of expected losses. The losses arising from impairment are recognized in the statement of profit of loss in other operating expenses.

Bad debts are written off in the period in which they are determined to be completely unrecoverable.

This category generally applies to trade and other receivables. For more information on receivables, refer to Note 25.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired
- Or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or as payables, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and derivative financial instruments.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate ("EIR") method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 29.

Trade and other payables

Trade payables are recognized at their nominal value which is deemed to be materially the same as the fair value.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

Derivative financial instruments

The Group uses derivative financial instruments, such as forward currency contracts, currency swap contracts, currency option contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

The embedded derivatives are separately valued upon inception and at each balance sheet date using an appropriate valuation model, with the changes in fair value recognized in profit or loss.

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The purchase contracts that meet the definition of a derivative under IAS 39 are recognised in the statement of profit or loss as cost of sales. Commodity contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements are held at cost.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

Fair value hedges

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss as a finance cost. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit or loss as a finance cost.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency contracts is recognised in finance costs and the ineffective portion relating to commodity contracts is recognised in other operating income or expenses.

Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs.

When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

4.14. Inventories
Inventories are valued at the lower of cost and net realizable value.

Costs incurred in bringing each product to its present location and condition are accounted for raw materials and goods as actual cost using the “first in, first out” (FIFO) method (the initial price in the measurement of inventory additions is used as the initial price in the measurement of inventory disposals). Costs of purchased inventory include acquisition-related costs (freight, customs, commission, etc.).

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

4.15. Impairment
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s (“CGU”) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group’s CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is estimated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognized in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset’s or CGU’s recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement.

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December either individually or at the cash-generating unit level, as appropriate and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

4.16. Cash and cash equivalents
Cash and short-term deposits in the statement of financial position comprise cash in hand and cash at banks.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group’s cash management.

4.17. Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the statement of profit or loss.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Tax refund damage provision
The provision is created for purpose of covering the damages. Provision compensate the damage caused by the repayment of the returns, in the background of the tax office for our client. For each country where the company request for tax refund (primarily VAT and excise duty), the average refund time is set, with respect to the client. The provision is made up of all returns that are not closed at balance sheet day and their settlement time exceeded the average time if it is longer than 120 days. For shorter returns than 120 days the provision is not made.

Contingent liabilities recognized in a business combination
A contingent liability recognized in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognized in accordance with the requirements for provisions above or the amount initially recognized less (when appropriate) cumulative amortization recognized in accordance with the requirements for revenue recognition.

5. Adoption of new and revised standards

5.1. Application of New IFRS – Standards and Interpretations Effective in the Reporting period

The accounting policies adopted are consistent with those of the previous financial year, except as follows.
In the current reporting period, the Group has adopted amended standards and a new interpretation issued by the IASB and endorsed for use in the European Union, effective for annual periods beginning on or after 1 January 2017.

- Amendments to IFRS 10 – Consolidated Financial Statements, IFRS 12 – Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception:

  The amendments to IFRS 10 – Consolidated Financial Statements clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Furthermore, the amendments clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.

  The amendments to IAS 28 – Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint-venture to its interests in subsidiaries.

  These amendments did not have significant impact to the Group's financial statements.

- Amendments to IFRS 11 – Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations. The amendments require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. These amendments did not have significant impact to the Group's financial statements.

- Amendments to **IAS 1 – Presentation of Financial Statements**: Disclosure Initiative. The amendments clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:
  – the materiality requirements in IAS 1;
  – that specific line items in the statement(s) of profit or loss and OCI and the balance sheet may be disaggregated;
  – that entities have flexibility as to the order in which they present the notes to financial statements;
  – that the share of OCI of associates and joint-ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

  These amendments did not have a significant impact to the Group, but assist in applying judgment when meeting the presentation and disclosure requirements.

- Amendments to **IAS 16 – Property, Plant and Equipment and IAS 38 Intangible Assets**: Clarification of Acceptable Methods of Depreciation and Amortisation. The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

  These amendments did not have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

- Amendments to **IAS 16 – Property, Plant and Equipment and IAS 41 Agriculture**: Bearer Plants. The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants are no longer within the scope of IAS 41. Instead, IAS 16 applies. After initial recognition, bearer plants are measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants remains in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance" applies.

  These amendments did not have any impact to the Group as the Group does not have any bearer plants.

- Amendments to **IAS 19 – Employee Benefits**: Defined Benefit Plans: Employee Contributions. The amendments to IAS 19 clarify the accounting treatment for contributions from employees or third parties to a defined benefit plan.

  These amendments did not have any impact to the Group as the Group does not have any defined benefit plans.

- Amendments to **IAS 27 – Separate Financial Statements**: Equity Method in Separate Financial Statements. The amendments allow entities to use the equity method to account for investments in subsidiaries, joint-ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they are required to apply this method from the date of transition to IFRS.

  These amendments did not have any impact on the Group's financial statements.

- Amendments to **IAS 7 – Statement of Cash Flows**: Disclosure Initiative – adopted by the EU on 6 November 2017 (effective for annual periods beginning on or after 1 January 2017). The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods.

  IAS 7 allows entities to report cash flows from operating activities using either the direct or indirect methods. The Group presents cash flows using the indirect method. IAS 7 permits interest paid to be shown as operating or financing activities and interest received to be shown as operating or investing activities, as deemed relevant for the entity. The Group has elected to classify interest received and paid as cash flows from operating activities.

- Amendments to **IAS 12 – Income Taxes**: Recognition of Deferred Tax Assets for Unrealized Losses – adopted by the EU on 6 November 2017 (effective for annual periods beginning on or after 1 January 2017). The amendments have clarified the requirements on recognition of deferred tax assets for unrealized losses on debt instruments. The entity will have to recognize deferred tax asset for unrealized losses that arise as a result of discounting cash flows of debt instruments at market interest rates, even if it expects to hold the instrument to maturity and no tax will be payable upon collecting the principal amount. The economic benefit embodied in the deferred tax asset arises from the ability of the holder of the debt instrument to achieve future gains (unwinding of the effects of discounting) without paying taxes on those gains.

  These amendments did not have any impact on the Group's financial statements.

- Amendments to various standards **Improvements to IFRSs (cycle 2012–2014)** resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording.

  These changes did not have significant impact on the Group's financial statements.

- Amendments to various standards **Improvements to IFRSs (cycle 2010–2012)** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording.

  These changes did not have significant impact on the Group's financial statements.

5.2. Application of New IFRS – Standards and Interpretations Issued by the IASB and adopted by the EU that Have not yet Been in Effect

As of the balance sheet date, the following standards, revisions and interpretations adopted by the EU were issued but not yet effective:

- **IFRS 9 – Financial Instruments** – adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018). IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting;

  Classification and Measurement – IFRS 9 introduces a new approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule-based requirements under IAS 39. The new model also results in a single impairment model being applied to all financial instruments.

  Financial assets – debt instruments may, if the fair value option (FVO) is not applied, be subsequently measured at amortized cost if the following both conditions are met:
  – the asset is held within a business model that has the objective to hold the assets to collect the contractual cash flows;
  – the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

  All other debt instruments, where the above mentioned conditions are not met, are subsequently measured at fair value.

  All equity investment financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity instruments held for trading must be measured at fair value through profit or loss. Entities have an irrevocable choice of recognizing changes in fair value either in OCI or profit or loss by instrument for all other equity investment financial assets.

  Financial liabilities – for FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

Impairment – the impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to: debt instruments accounted for at amortized cost or at FVOCI; most loan commitments; financial guarantee contracts; contract assets under IFRS 15; and lease receivables under IAS 17 Leases.

Entities are generally required to recognize either 12-months or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition (or when the commitment or guarantee was entered into). For some trade receivables, the simplified approach may be applied whereby the lifetime expected credit losses are always recognized.

Hedge accounting – new chapter on hedge accounting has been added to IFRS 9. This represents a major overhaul of hedge accounting and puts in place a new model that introduces significant improvements principally by aligning the accounting more closely with risk management. There are also improvements to the disclosures about hedge accounting and risk management.

These changes will not have significant impact on the Group's financial statements.

- **IFRS 15 – Revenue from Contracts with Customers** – adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018). IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative disclosures. The standard supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations.

  The standard outlines the principles an entity must apply to measure and recognise revenue. The core principle is that an entity will recognise revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer.

  The principles in IFRS 15 will be applied using a five-step model:
  1) Identify the contract(s) with a customer
  2) Identify the performance obligations in the contract
  3) Determine the transaction price
  4) Allocate the transaction price to the performance obligations in the contract
  5) Recognise revenue when (or as) the entity satisfies a performance obligation

  The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. Application guidance is provided in IFRS 15 to assist entities in applying its requirements to certain common arrangements, including licences of intellectual property, warranties, rights of return, principal-versus-agent considerations, options for additional goods or services and breakage.

  These changes will not have significant impact on the Group's financial statements.

- Amendments to **IFRS 15 – Revenue from Contracts with Customers** – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2018). The amendments do not change the underlying principles of IFRS 15 but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a license should be recognized at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new standard.

  These changes will not have significant impact on the Group's financial statements.

- **IFRS 16 – Leases** – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019). IFRS 16 specifies that a lessee recognises a right-of-use asset and a lease liability. The right-of-use assets is accounted for similarly as other non-financial assets and depreciated as appropriate. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate. Lessors classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease. A lessor recognises finance income over the lease term of a finance lease, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognises operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.

  The amendments are expected to have an impact on the Group's consolidated financial statements. The impact is currently being assessed.

- Amendments to **IFRS 4 – Insurance Contracts**: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – adopted by the EU on 3 November 2017 (effective for annual periods beginning on or after 1 January 2018). The amendments are intended to address concerns about the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard IFRS 17.

  The amendments are not expected to have any impact on the Group's consolidated financial statements.

5.3. New IFRSs and IFRICs Published by the IASB that Are not Yet Binding and Have not Been Approved by the EU

The Group currently assesses potential impacts of new and revised standards and interpretations that that have not yet been approved for use in the European Union:

- **IFRS 17 – Insurance contracts** – issued on 18 May 2017 (effective for annual periods beginning on or after 1 January 2021). The new standard supersedes the existing IFRS 4 Insurance Contracts and related interpretations. Earlier application of the standard is permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied.

  The Group is currently assessing the impact of the new standard on its consolidated financial statements.

- **IFRIC 22 – Foreign Currency Transactions and Advance Consideration** – issued on 8 December 2016 (effective for annual periods beginning on or after 1 January 2018). The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

  The Group is currently assessing the impact of the new interpretation on its consolidated financial statements.

- **IFRIC 23 – Uncertainty over Income Tax Treatments** – issued on 7 June 2017 (effective for annual periods beginning on or after 1 January 2019). IFRIC 23 was prepared to clarify the presentation of uncertainties in income taxes and to respond to questions that had arisen in practice as to how uncertainty about the acceptability by a tax authority of a particular tax treatment used by an entity in its income tax filings ('uncertain tax treatment') should be reflected in the financial statements. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 Income Taxes.

  The Group is currently assessing the impact of the new interpretation on its consolidated financial statements.

- Amendments to **IFRS 2 – Share-based Payment**: Classification and Measurement of Share-based Payment Transactions – issued on 20 June 2016 (effective for annual periods beginning on or after 1 January 2018). The amendments mean that non-market performance vesting conditions will impact measurement of cash-settled share-based payment transactions in the same manner as equity-settled awards. The amendments also clarify classification of a transaction with a net settlement feature in which the entity withholds a specified portion of the equity instruments, that would otherwise be issued to the counterparty upon exercise (or vesting), in return for settling the counterparty's tax obligation that is associated with the share-based payment. The amendments also clarify accounting for cash-settled share based payments that are modified to become equity-settled.

  The Group is currently assessing the impact of the amendments on its consolidated financial statements.

- Amendments to **IFRS 9 – Financial Instruments**: Prepayment Features with Negative Compensation – issued on 12 October 2017 (effective for annual periods beginning on or after 1 January 2019). The purpose of the amendments is to clarify the application of IFRS 9 in the cases of early termination of contracts for which a compensation is received (whether it be an early repayment penalty or gain) and the related measurement.

  The Group is currently assessing the impact of the amendments on its consolidated financial statements.

- Amendments to **IAS 28 – Investment in Associates and Joint Ventures**: Long-term Interests in Associates and Joint Ventures – clarification of the application of IFRS 9 Financial Instruments on long-term interests in associates and joint ventures – issued on 12 October 2017 (effective for annual periods beginning on or after 1 January 2019). The purpose of the amendments is to clarify the application of a scope exclusion from IFRS on interests in associates and joint ventures accounted for in accordance with IAS 28, i.e. to clarify whether the IFRS 9 scope exclusion applies only to interests to which the equity method is applied.

  The Group is currently assessing the impact of the amendments on its consolidated financial statements.

- Amendments to **IAS 40 – Investment Property: Transfers of Investment Property** – issued on 8 December 2016 (effective for annual periods beginning on or after 1 January 2018). The amendments deal with the question whether a property under construction or development that was previously classified as inventory could be transferred to investment property when there was an evident change in use.

  The Group is currently assessing the impact of the amendments on its consolidated financial statements.

- **Annual Improvements to IFRS Standards 2014–2016 Cycle** – issue on 8 December 2016 (effective for annual periods beginning on or after 1 January 2018).

- **Annual Improvements to IFRS Standards 2015–2017 Cycle** – issue on 12 December 2017 (effective for annual periods beginning on or after 1 January 2019).

The Group estimates that the adoption of these standards, amendments and interpretations in the period of their first time adoption will have no significant impact on the financial statements of the Group. The Group plans adoption of new standard IFRS 16 in accordance with EU effective for annual periods beginning on or after 1 January 2019.

6. Significant accounting judgements, estimates and assumptions

Judgements
In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Estimates and assumptions
The preparation of financial statements in accordance with IFRS requires the use of estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities at the date of the financial statements. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill. The key assumptions used to determine the recoverable amount for the different CGUs are disclosed and further explained in Note 21.

7. Group information

The group has following principal activities:

- Providing payment solutions for fleets of professional transport and forwarding companies as well as running a network of petrol stations for passenger cars *("Payment solutions, petrol stations")*
- Providing payment solutions for fleets of professional transport and forwarding companies *("Payment solutions")*
- Providing unified way of electronic toll payments on a number of European highways for fleets of professional transport and forwarding companies *("Toll")*
- Recovery of VAT refunds and excise duty from EU countries *("Refunds")*
- Creating an automated journey book and optimizing traffic with the use of integrated digital maps *("Development software")*
- Combine advanced solutions in the field of electronics, software engineering and applied mathematics *("GPS/GPRS")*

The consolidated financial statements of the Group include:

Name	Principal activities	Registered office	Percentage of voting rights 2017	2016
W.A.G. payment solutions, a.s.	Payment solutions, petrol stations	Czech Republic	Parent	Parent
W.A.G. payment solutions SK, s.r.o.	Payment solutions, petrol stations	Slovakia	100%	100%
W.A.G. payment solutions RO, s.r.l.	Payment solutions	Romania	100%	100%
W.A.G. payment solutions PL, Sp. zoo	Payment solutions	Poland	100%	100%
W.A.G. payment solutions HU, Kft.	Payment solutions, petrol stations	Hungary	100%	100%
W.A.G. HU, Kft.	Payment solutions	Hungary	100%	100%
W.A.G. payment solutions AT GmbH	Payment solutions, petrol stations	Austria	100%	100%
Reamon Tax, a.s.	Refunds	Czech Republic	100%	100%
CONSORZIO EUROWAG S.C. A R.L	Toll	Italy	100%	100%
W.A.G. Issuing Services, a.s.	Payment solutions	Czech Republic	100%	100%
W.A.G. payment solutions BE BVBA	Payment solutions	Belgium	100%	100%
W.A.G. payment solutions BG EOOD	Payment solutions	Bulgaria	100%	100%
W.A.G. payment solutions CZ, s.r.o.	Payment solutions	Czech Republic	100%	100%
W.A.G. payment solutions DE GmbH	Payment solutions	Germany	100%	100%
W.A.G. payment solutions DK ApS	Payment solutions	Denmark	100%	100%
W.A.G. payment solutions EE OÜ	Payment solutions	Estonia	100%	100%
W.A.G. payment solutions Spain SLU.	Payment solutions	Spain	100%	100%
W.A.G. payment solutions FI Oy	Payment solutions	Finland	100%	100%
W.A.G. payment solutions FR SARL	Payment solutions	France	100%	100%
W.A.G. payment solutions HR d.o.o.	Payment solutions	Croatia	100%	100%
W.A.G. payment solutions CH AG	Payment solutions	Switzerland	100%	100%
W.A.G. payment solutions IE LIMITED	Payment solutions	Ireland	100%	100%
W.A.G. payment solutions IT S.R.L. UNIPERSONALE	Payment solutions	Italy	100%	100%
W.A.G. payment solutions LT, UAB	Payment solutions	Lithuania	100%	100%
W.A.G. payment solutions LU S.à r.l.	Payment solutions	Luxembourg	100%	100%
SIA W.A.G. payment solutions LV	Payment solutions	Latvia	100%	100%
W.A.G. payment solutions NL B.V.	Payment solutions	The Netherlands	100%	100%
W.A.G. payment solutions PT Unnipessoal, LDA	Payment solutions	Portugal	100%	100%
W.A.G. payment solutions Sweden AB	Payment solutions	Sweden	100%	100%
W.A.G., plačilne rešitve SI, d.o.o.	Payment solutions	Slovenia	100%	100%
W.A.G. payment solutions UK LIMITED	Payment solutions	Great Britain	100%	100%
HI Software Development s.r.o.	Development software	Czech Republic	100%	–
Princip a.s.	GPS/GPRS	Czech Republic	100%	–
Klub Investorov T&G SK, s.r.o.	Payment solutions	Slovakia	100%	–
W.A.G. payment solutions EL SP LTD	Payment solutions	Greece	100%	–
W.A.G. payment solutions NO AS	Payment solutions	Norway	100%	–
WAG Payment Solutions Turkey Ödeme Sistemleri Ticaret Limited Şirketi	Payment solutions	Turkey	100%	–

The holding company

The Group is the ultimate parent. It is based in the Czech Republic and is not listed.

8. Business combination

As early as the first quarter of the year 2016, the Group mapping out telematics solutions for passenger and good vehicles. We surveyed the European market and, at further stages throughout the year 2016, the Group held negotiations with Princip, the Czech Republic's leader in telematics and fleet management and one of the sector's ten largest companies in Europe. This efforts culminated on 15 February 2017 with the signing of purchase contracts for 100% stakes in Princip a.s. and its exclusive supplier of front-end solutions, HI Software Development s.r.o. These acquisitions aimed to extend Princip's products to foreign markets and to integrate telematics solutions into the Group products.

HI Software Development s.r.o. and Princip a.s. acquisition

On 15 February 2017 the Group acquired 100% of the voting shares of HI Software Development s.r.o., an unlisted company based in 2004, Czech Republic for CZK 116,927 thousands. HI Software Development s.r.o. has many years of experience in the development of specialized vehicle monitoring software. Above all, creating an automated journey book and optimizing traffic with the use of integrated digital maps.

On 15 February 2017 the Group acquired 100% of the voting shares of Princip a.s., an unlisted company based in 1991, Czech Republic for CZK 785,530 thousands. Princip a.s. dedicated to the development of electronics with an emphasis on new technologies. The goal of the company is to combine advanced solutions in the field of electronics, software engineering and applied mathematics. Main product is the GPS/GPRS fleet management unit.

Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities as at the date of acquisition were:

CZK '000	Fair value recognized on acquisition – Princip a.s. and Hi Software s.r.o.
Assets	
Property, plant and equipment (Note 22)	32,632
Intangible assets (Note 21)	95
Identifiable intangible assets (Note 21)	107,068
Cash and cash equivalents	76,665
Trade receivables	153,351
Inventories	8,242
Acruals	4,868
Total Assets	**382,921**
Trade payables	16,669
Interest-bearing loans and borrowings	15,071
Provisions	12,812
Deferred tax	20,343
Acruals	3,600
Total Liabilities	**68,495**
Total identifiable net assets at fair value	314,426
Non-controlling interest measured at fair value / at the proportionate share of its interest in the acquiree's identifiable net assets	–
Goodwill arising on acquisition (Note 21)	623,597
Purchase price	**938,023**

Purchase price allocation of Princip a.s. and Hi Software s.r.o. is final and the consideration was CZK 938,023 thousand in cash. Share consideration and contingent consideration liability were not recognized.

From the date of acquisition, Princip a.s. and Hi software s.r.o. contributed CZK 200,846 thousand of revenue and CZK 66,171 thousand to profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been CZK 223,171 thousand and profit before tax from continuing operations for the Group would have been CZK 74,571 thousand.

Klub investorov T&G SK, s.r.o.
On 3 February 2017 the Group acquired 100% of the voting shares of Klub investorov T&G SK, s.r.o., an unlisted company based in 2008, Slovak Republic for EUR 12,475. Klub investorov T&G SK, s.r.o. was purchased for the planned merger of the company with the newly acquired Aldobec technologies, s.r.o. Aldobec technologies, s.r.o. has many years of experience in the development of specialized vehicle monitoring software.

CZK '000	Fair value recognized on acquisition Klub investorov T&G SK, s.r.o.
Assets	
Cash and cash equivalents	163
Total Assets	**163**
Trade payables	74
Total Liabilities	**74**
Total identifiable net assets at fair value	**89**
Non-controlling interest measured at fair value / at the proportionate share of its interest in the acquiree's identifiable net assets	–
Goodwill arising on acquisition (Note 21)	248
Purchase price	**337**

9. Fair value measurement

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Fair value measurement hierarchy for assets and liabilities as at 31 December 2017 (CZK '000):

CZK '000	Date of valuation	Fair value measurement using			Total
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Assets measured at fair value					
Derivative financial assets					
Foreign exchange forward contracts	31 December 2017	12,891	–	–	12,891
Foreign exchange option contracts	31 December 2017	–	–	–	–
Interest rate swaps	31 December 2017	974	–	–	974
Liabilities measured at fair value					
Derivative financial liabilities					
Foreign exchange forward contracts	31 December 2017	853	–	–	853
Foreign exchange option contracts	31 December 2017	–	–	–	–
Interest rate swaps	31 December 2017	4,929	–	–	4,929

There have been no transfers between Level 1 and Level 2 during the ended 31 December 2017.

Fair value measurement hierarchy for assets and liabilities as at 31 December 2016 (CZK '000):

CZK '000	Date of valuation	Fair value measurement using			Total
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Assets measured at fair value					
Derivative financial assets					
Foreign exchange forward contracts	31 December 2016	2,079	–	–	2,079
Foreign exchange option contracts	31 December 2016	1,024	–	–	1,024
Interest rate swaps	31 December 2016	–	–	–	–
Liabilities measured at fair value					
Derivative financial liabilities					
Foreign exchange forward contracts	31 December 2016	474	–	–	474
Foreign exchange option contracts	31 December 2016	488	–	–	488
Interest rate swaps	31 December 2016	9,374	–	–	9,374

There have been no transfers between Level 1 and Level 2 during the year ended 31 December 2016.

10. Revenue

Revenue for the year ended 31 December were as follows (CZK '000):

CZK '000	2017		2016	
	Domestic	Foreign	Domestic	Foreign
Sales of goods	5,081,268	13,365,427	4,454,505	9,898,602
Rendering of services	226,775	313,966	58,302	261,757
Total	**5,308,043**	**13,679,393**	**4,512,807**	**10,160,359**

11. Other operating income

Other operating income for the year ended 31 December were as follows (CZK '000):

CZK '000	2017	2016
Insurance indemnity income	3,609	23,477
Received penalties	13,365	6,211
Gain from sold fixed assets	3,412	26,959
Other operating income	4,264	8,189
Total	**24,650**	**64,836**

12. Raw materials and energy consumed

Raw materials and energy consumed for the year ended 31 December were as follows (CZK '000):

CZK '000	2017	2016
Consumed raw materials	45,786	18,404
Consumed energy	4,191	4,921
Total	**49,977**	**23,325**

13. Employee expenses

Employee expenses for the year ended 31 December consist of the following (CZK '000):

CZK '000	2017		2016	
	Total personnel	Of which members of managerial bodies*	Total personnel	Of which members of managerial bodies*
Number of full time employees	511	61	326	47
Wages and salaries	324,503	105,707	263,924	74,980
Compensation of members of company or cooperation bodies	10,441	10,441	17,172	17,172
Stock based compensation	–	–	–	–
Social security and health insurance	96,364	26,112	73,033	10,529
Social cost	21,078	2,603	13,446	1,816
Option plan (Note 14)	1,984	1,984	–	–
Other personnel cost (unused vacation)	5,131	2,837	4,751	3,271
Total employee expense	**459,501**	**149,684**	**372,326**	**107,768**

* Included non-executive Vice-Presidents, Chief Officers, Chief Executive Officer, Executive Directors and Managing Directors.

14. Share-based payments

To fuel support for the Group's successful development, at the end of the year shareholders decided to provide senior management with option share schemes and shares.

Under the General Management Share Option Plan, the Group, at its discretion, may grant share options of the parent to management, once the management has completed six months of service. Management must remain in service for a period of three years from the date of grant. The fair value of share options granted is estimated at the date of grant on the basis of the income approach to valuation, the essence of which is the generation of profit in the course of business activities.

As of the date of realization, the price for the shares transferred will be equal to the market value of the share, but not more than the sum of the% EBITDA increase in individual years.

The option plan valuation for the year ended 31 December 2017 were follows (CZK '000):

CZK '000	Amount
Option plan value in 2019	11,907
Discount (equity cost)	14,80%
Total value at the measurement date (for year 2017)	**1,984**

Total value at the measurement date was calculated with forfeited rate established on the basis of management experiences.

Movement during the year

The following table illustrates the number and weighted average exercise prices (WAEP) of and movements in share options during the year:

CZK '000	2017 Number	2017 WAEP	2016 Number	2016 WAEP
Outstanding at 1 January	–	–	–	–
Granted during the year	45	14,664	–	–
Forfeited during the year*	3	–	–	–
Outstanding at 31 December	**42**	**14,664**	**–**	**–**

* The option was forfeited at the moment of termination of the shareholder's share in the company. The price per share in this case is CZK 1.

15. Research and development costs

Research and development costs that are not eligible for capitalization have been expensed in the period incurred for the year ended 31 December 2017 and 2016 was CZK 82 081 thousand and CZK 24 183 thousand, respectively, and they are recognized in operating expenses.

16. Depreciation and amortization

Amortization of non-current assets for the year ended 31 December (CZK '000):

CZK '000	2017	2016
Client portfolio	32,715	–
Patents and right	135	118
Software	23,367	18,291
Other intangible assets	291	–
Total	**56,508**	**18,409**

Depreciation of non-current assets for the year ended 31 December (CZK '000):

CZK '000	2017	2016
Buildings and structures	10,108	9,238
Leasehold improvements	3,450	3,384
Machinery and equipment	34,098	25,710
Vehicles	10,542	8,440
Fixtures and fittings	3,688	2,610
Low-value tangible fixed assets	34	62
Total	**61,920**	**49,444**

17. Other operating expenses

Other operating expenses for the year ended 31 December were as follows (CZK '000):

CZK '000	2017	2016
Insurance of receivables	11,026	14,058
Acquisition of a subsidiary	3,386	–
Loss from sold and written-off receivables	16,701	8,558
Change in provisions	70,686	16,545
Rental costs	37,427	40,392
Services – cost of turnover	61,170	36,476
Deficits and damages	1,110	3,851
Gifts to foundations	5,328	2,440
Value adjustments in respect of receivables	22,269	11,898
Market research, consultancy	59,123	30,745
Legal services	21,995	15,191
Repairs and maintenance	12,109	15,400
Travel costs	23,155	16,770
Representational costs	24,826	9,596
IT services	31,227	8,343
Accounting services	10,324	11,611
Telephone, internet services	8,325	6,370
Other operating expenses	99,941	70,758
Total	**520,128**	**319,002**

18. Finance income

Finance income for the year ended 31 December were as follows (CZK '000):

CZK '000	2017	2016
Financing of refund VAT and excise tax	30,038	24,366
Gain from foreign currency exchange rate differences	–	8,206
Gain from the revaluation of securities and derivatives	4,608	–
Interest income	510	313
Others financial income	671	20
Total	**35,827**	**32,905**

19. Finance costs

Finance costs for the year ended 31 December were as follows (CZK '000):

CZK '000	2017	2016
Loss from foreign currency exchange rate differences	6,440	–
Bank fees	18,452	11,165
Bank guarantees fee	5,396	6,620
Bank loan prolongation fee	316	–
Interest expense	10,320	6,155
Loss from the revaluation of securities and derivatives	–	3,409
Acquisition of a subsidiary	288	–
Others	11	544
Total finance costs	**41,223**	**27,893**

Net loss on financial instruments at fair value through profit or loss relates to foreign exchange forward contracts that did not qualify for hedge accounting.

20. Income tax

Corporate income tax for companies in the Czech Republic for the years 2017 and 2016 was in line with the Income Tax Act set at the rate of 19%. The tax rate applicable for 2018 and beyond is 19%.

Structure of the income tax for the year ended 31 December is as follows (CZK '000):

CZK '000	2017	2016
Current income tax charge	106,686	93,638
Adjustments in respect of current income tax of previous year	3,001	(812)
Deferred tax	(16,440)	(5,631)
Total	**93,247**	**87,195**

Reconciliation of tax expense and the accounting profit multiplied by the parent domestic tax rate for 2016 and 2017 (CZK '000):

CZK '000	2017	2016
Accounting profit before income tax from continuing operations	440,583	398,673
Profit/(loss) before tax from a discontinued operation	–	–
Accounting profit before income tax	**440,583**	**398,673**
At Czech Republic's statutory income tax rate of 19%	83,711	75,748
Adjustments in respect of current income tax of previous years	3,001	(812)
Impact of income tax calculated from turnover by Hungarian companies	4,354	3,421
Effect of different tax rates in other countries of the Group	(11,835)	(549)
Change in unrecognized deferred tax assets	(3,246)	(320)
Non-taxable incomes and expenses	17,264	9,707
At the effective income tax rate of 21,16% (2016: 21,87%)		
Income tax expense reported in the statement of profit or loss	93,247	87,195
Income tax attributable to a discontinued operation	–	–

The Group quantified deferred taxes as at 31 December as follows (CZK '000):

Deferred tax items	2017		2016	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Difference between net book value of fixed assets for accounting and tax purposes	213	(16 334)	161	(1,379)
Other temporary differences:				
Allowances	9,510	–	8,145	–
Provisions	20,525	–	1,467	–
Other	278	(4,901)	2,946	(318)
Total	**30,526**	**(21,235)**	**12,719**	**(1,697)**

Reflected in the statement of financial position for the year ended 31 December as follows (CZK '000):

CZK '000	2017	2016
Deferred tax assets	23,844	11,684
Deferred tax liabilities	(14,553)	(662)
Deferred tax assets, net	**9,291**	**11,022**

Changes in deferred tax for the year ended 31 December (CZK '000):

CZK '000	2017 asset / (liability)		2016 asset / (liability)	
As of 1 January	11,684	(662)	6,894	(1,821)
Acquisition of a subsidiary	54	(20,343)	–	–
Charge to profit or loss	16,244	6,421	4,472	1,159
Charge to other comprehensive income	(4,138)	31	318	–
As of 31 December	**23,844**	**(14,553)**	**11,684**	**(662)**

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

21. Intangible assets

Cost of intangible assets (CZK '000):

CZK '000	Client portfolio	Patents and rights	Software	Other intangible assets	Assets in progress	Total
1 January 2016	**–**	**2,279**	**97,252**	**135**	**3,117**	**102,783**
Additions	–	–	–	–	45,171	45,171
Transfer	–	–	13,254	–	(13,254)	–
Acquisition of a subsidiary	–	–	–	–	–	–
Assets held for sale	–	–	–	–	–	–
Disposals	–	–	(992)	–	–	(992)
Translation differences	–	–	1	–	–	1
31 December 2016	**–**	**2,279**	**109,515**	**135**	**35,034**	**146,963**
Additions	–	–	–	–	136,908	136,908
Transfer	–	–	125,398	3,494	(128,892)	–
Acquisition of a subsidiary	107,068	51	44	–	–	107,163
Assets held for sale	–	–	–	–	–	–
Disposals	–	–	–	–	–	–
Translation differences	–	(4)	(35)	–	–	(39)
31 December 2017	**107,068**	**2,326**	**234,922**	**3,629**	**43,050**	**390,995**

Accumulated amortization and impairment of intangible assets (CZK '000):

CZK '000	Client portfolio	Patents and rights	Software	Other intangible assets	Assets in progress	Total
1 January 2016	**–**	**(737)**	**(83,420)**	**(135)**	**–**	**(84,292)**
Amortization	–	(118)	(18,291)	–	–	(18,409)
Assets held for sale	–	–	–	–	–	–
Disposals	–	–	994	–	–	994
Impairment	–	–	–	–	–	–
Translation differences	–	–	(3)	–	–	(3)
31 December 2016	**–**	**(855)**	**(100,720)**	**(135)**	**–**	**(101,710)**
Amortization	(32,715)	(135)	(23,367)	(291)	–	(56,508)
Assets held for sale	–	–	–	–	–	–
Disposals	–	–	–	–	–	–
Impairment	–	–	–	–	–	–
Translation differences	–	2	35	–	–	37
31 December 2017	**(32,715)**	**(988)**	**(124,052)**	**(426)**	**–**	**(158,181)**

CZK '000	Goodwill	Client portfolio	Patents and rights	Software	Other intangible assets	Assets in progress	Total
Net book value at 1 January 2016	32,338	–	1,542	13,832	–	3,117	50,829
Net book value at 31 December 2016	32,335	–	1,424	8,795	–	35,034	77,588
Net book value at 31 December 2017	655,017	74,353	1,338	110,870	3,203	43,050	887,831

Breakdown of goodwill movements is as follows:

CZK '000	2017	2016
Opening balance as at 1 January	**32,335**	**32,338**
Newly consolidated companies	623,831	–
Goodwill impairment and write-offs charged to income	(234)	–
Translation differences	(915)	(3)
Closing balance as at 31 December	**655,017**	**32,335**

Impairment testing

Goodwill acquired through business combinations is allocated to the respective subsidiaries CGUs for impairment testing.

Carrying amount of the goodwill allocated to each of the CGUs (CZK '000):

CZK '000	31 December 2017	31 December 2016
Reamon Tax, a.s.	15,637	15,637
W.A.G. payment solutions AT GmbH	15,783	16,698
HI Software Development s.r.o. and Princip a.s.	623,597	–

For the impairment testing, the Group has prepared the valuation using the discounted cash flow model.

Reamon Tax, a.s./Refund of taxes

The recoverable amount of CGU, CZK 15,637 thousand as at 31 December 2017, has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period, which shows growth in revenues. The post-tax discount rate applied to cash flow projections is 9.09% (2016: 9.05%) and cash flows beyond the five-year period are extrapolated using a 2.0% growth rate (2016: 2.0%) that is in line with the Czech National Bank inflation targeting.

W.A.G. payment solutions AT GmbH

The recoverable amount of CGU, CZK 15,753 thousand as at 31 December 2017, has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period, which shows growth in revenues. The post-tax discount rate applied to cash flow projections is 9.09% (2016: 9,05%) and cash flows beyond the five-year period are extrapolated using a 2.0% growth rate (2016: 2.0%).

HI Software Developlment s.r.o. and Princip a.s.

The recoverable amount of CGU, CZK 623,598 thousand as at 31 December 2017, has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period, which shows growth in revenues.

Key Assumption Used for Impairment testing

Discounted cash flow model and parametric formula are based on the following key assumptions:

- Revenue growth
- Discount rate

Revenue growth was determined by the management separately for an each controlled subsidiary and for each segment of revenues. The growth is based on the knowledge of each particular market taking into account the historical development of revenues and estimated macroeconomic developments in individual regions. Estimated revenue growth represents the best possible assumption of the Group's management considering the future development as at the end of the period.

Discount rate reflects specific risks relating to the industry in which the Group operates. Used discount rate is based on the weighted average cost of capital (WACC) of the Group as presumed by Capital Asset Pricing Model.

22. Property, plant and equipment

Cost of property, plant and equipment (CZK '000):

CZK '000	Buildings	Plants	Leasehold improve-ments	Machinery and equipment	Vehicles	Furniture and fixtures	Other tangibles	Tangibles in progress	Total
1 January 2016	**229,599**	**110,431**	**16,642**	**157,669**	**36,008**	**10,978**	**1,051**	**11,572**	**573,950**
Additions	–	–	–	–	–	–	–	77,422	77,422
Transfer	12,654	1,402	3,058	26,873	15,683	4,198	30	(63,898)	–
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–
Assets held for sale	–	–	–	–	–	–	–	–	–
Disposals	(148)	(56,597)	–	(7,827)	(3,332)	(4)	(303)	(2,342)	(70,553)
Translation differences	414	249	–	358	12	1	–	61	1,095
31 December 2016	**242,519**	**55,485**	**19,700**	**177,073**	**48,371**	**15,173**	**778**	**22,815**	**581,914**
Additions	–	–	–	–	–	–	–	280,946	280,946
Transfer	40,161	51,147	2,141	74,478	5,406	5,157	33	(178,523)	–
Acquisition of a subsidiary	26,862	1,060	–	859	3,383	244	–	224	32,632
Assets held for sale	–	–	–	–	–	–	–	–	–
Disposals	(31,578)	(1,060)	–	(773)	(8,968)	(161)	–	(4,444)	(46,984)
Translation differences	(3,996)	(2,413)	–	(3,408)	(10)	(74)	(44)	(2,942)	(12,887)
31 December 2017	**273,968**	**104,219**	**21,841**	**248,229**	**48,182**	**20,339**	**767**	**118,076**	**835,621**

Accumulated depreciation and impairment of property, plant and equipment (CZK '000):

CZK '000	Buildings	Plants	Leasehold improve-ments	Machinery and equipment	Vehicles	Furniture and fixtures	Other tangibles	Tangibles in progress	Total
1 January 2016	**(48,395)**	**(10,000)**	**(4,516)**	**(78,263)**	**(10,741)**	**(2,453)**	**(1,042)**	**–**	**(155,410)**
Depreciation charge	(9,238)	–	(3,384)	(25,710)	(8,440)	(2,610)	(62)	–	(49,444)
Assets held for sale	–	–	–	–	–	–	–	–	0
Disposals	148	–	–	7,646	2,803	4	369	–	10,970
Impairment	–	10,000	–	–	–	–	–	–	10,000
Translation differences	(19)	–	–	(71)	(12)	(3)	0	–	(105)
31 December 2016	**(57,504)**	**–**	**(7,900)**	**(96,398)**	**(16,390)**	**(5,062)**	**(735)**	**–**	**(183,989)**
Depreciation charge	(10,108)	–	(3,450)	(34,098)	(10,542)	(3,688)	(34)	–	(61,920)
Assets held for sale	–	–	–	–	–	–	–	–	–
Disposals	2,102	–	–	585	6,976	170	–	–	9,833
Impairment	–	–	–	–	–	–	–	–	–
Translation differences	375	–	–	1,173	6	28	41	–	1,623
31 December 2017	**(65,135)**	**–**	**(11,350)**	**(128,738)**	**(19,950)**	**(8,552)**	**(728)**	**–**	**(234,453)**

CZK '000	Buildings	Plants	Leasehold improve-ments	Machinery and equipment	Vehicles	Furniture and fixtures	Other tangibles	Tangibles in progress	Total
Net book value at 1 January 2016	181,204	100,431	12,126	79,406	25,267	8,525	9	11,572	418,540
Net book value at 31 December 2016	185,015	55,485	11,800	80,675	31,981	10,111	43	22,815	397,925
Net book value at 31 December 2017	208,833	104,219	10,491	119,491	28,232	11,787	39	118,076	601,168

There was not any asset held under finance lease as at 31 December 2017.

In 2016 there was released allowance for land in amount CZK 10,000 thousands as the asset was sold to third party during the year.

Land, buildings and gas stations are subject to security of bank loans as at 31 December 2017 in total amount CZK 215,077 thousands (2016: CZK 215,077 thousands).

23. Other non-current assets

CZK '000	31 December 2017	31 December 2016
Prepaid expenses and accrued incomes	28,560	13,883
Derivative receivable	3,177	–
Long-term advances granted	5,807	–
Total	**37,544**	**13,883**

Other non-current assets as at 31 December 2017 and 2016 represent particularly bonuses dependent on project completion, implementation of the acceptance system, licences, software and guarantees, derivative receivable and long-term advances granted.

24. Inventories

Inventories (CZK '000):

CZK '000	31 December 2017	31 December 2016
Raw materials (at lower of cost and net realizable value)	7,199	1,753
Goods (at lower of cost and net realizable value)	58,378	53,970
Finished products	439	–
Total	**66,016**	**55,723**

During the year ended 31 December 2017 was recognized allowance for inventories in total amount CZK 972 thousands. During the year ended 31 December 2016 there was not recognized any allowance for inventories.

25.Trade and other receivables

CZK '000	31 December 2017	31 December 2016
Trade receivables	2,693,508	1,977,304
Receivables from tax authorities	66,186	29,742
Advances granted	110,211	101,798
Unbilled revenue	40,993	27,024
Miscellaneous receivables	377,311	170,873
Prepaid expenses and accrued income	25,666	14,164
Total	**3,322,561**	**2,320,905**

Trade receivables are non-interest bearing and are generally payable on terms from 30 to 90 days. Trade and other receivables are non-derivative financial assets carried at amortized cost.

Miscellaneous receivables as at 31 December 2017 and 2016 include mainly receivables from foreign tax authorities and from financing of tax refunds to customers until processing of the application for tax refund by EU tax authorities. Receivables are subject to security of bank loans as at 31 December 2017 in total amount CZK 1,354,409 thousands (2016: CZK 1,078,866 thousands).

Allowances against outstanding receivables that are considered doubtful were charged to income statement based on the analysis of their collectability in the year ended 31 December 2017 and 2016.

CZK '000	Amount
Allowances at 1 January 2016	**113,438**
Charged	54,808
Utilized	(7,188)
Unused amounts reversed	(35,723)
FX differences	–
Allowances at 31 December 2016	**125,335**
Charged	81,403
Utilized	(15,743)
Unused amounts reversed	(43,260)
FX differences	(211)
Allowances at 31 December 2017	**147,524**

As of 31 December 2017 and 2016, receivables overdue for more than 365 days totaled CZK 38,836 thousand and CZK 3,982 thousand, respectively.

The ageing analysis of trade and other receivables was as follows (carrying amounts after valuation allowance in CZK '000):

CZK '000	Neither past due nor impaired	Past due but not impaired				Total
		Past due 1–90 days	Past due more than 90 days	Past due more than 180 days	Past due more than 365 days	
As at 31 December 2016	1,802,384	477,138	25,370	12,031	3,982	2,320,905
As at 31 December 2017	2,433,620	822,764	10,976	7,679	38,836	3,313,875

The fair value of trade and other receivables approximates their carrying value due to their short term maturities.

26. Derivative assets

CZK '000	2017	2016
Derivatives not designated as hedging instruments		
Foreign exchange forwards (EUR/CZK)	–	1,996
Foreign exchange forwards (EUR/PLN)	315	83
Foreign exchange forwards (RON/EUR)	16	–
Foreign exchange options	–	1,025
Interest swap 975	975	
Total financial instruments at fair value	**1,306**	**3,104**
Current	331	3,104
Non-current	975	–

Derivatives not designated as hedging instruments reflect the positive change in fair value of those foreign exchange forwards and foreign exchange option contracts that are not designated in hedge relationships, but are, nevertheless, intended to reduce the level of foreign currency risk for expected sales and purchases.

Cash flow hedges

Foreign currency risk

Foreign exchange forward contracts measured at fair value through OCI are designated as hedging instruments in cash flow hedges of forecast sales in EUR. These forecast transactions are highly probable, and they comprise about 54% of the Group's total expected sales for fuel and about 78% of the Group's total expected sales for toll.

While the Group also enters into other foreign exchange forward contracts with the intention of reducing the foreign exchange risk of expected sales and purchases, these other contracts are not designated in hedge relationships and are measured at fair value through profit or loss. The foreign exchange forward contract balances vary with the level of expected foreign currency sales and purchases and changes in foreign exchange forward rates.

CZK '000	31 December 2017	31 December 2016
Foreign currency forward contracts designed as hedging instruments		
Fair value	12,560	–
Current	10,359	–
Non-current	2,201	–

The terms of the foreign currency forward contracts match the terms of the expected highly probable forecast transactions. As a result, there is no hedge ineffectiveness to be recognized in the statement of profit or loss.

Hedged items are incoming payments in EUR from sale of fuel and toll and procurement of tax refunds from payments placed in foreign countries. Hedged item is not total amount of expenses but only proportional part which is not covered by revenues in EUR. Transaction represents hedging of revenues incurred in EUR which are not covered by expenses paid in EUR.

Total volume of hedged revenues in 2017 was following (in EUR):

EUR '000	31 December 2017
Revenues from fuel	313,912
Revenues from toll	7,067
Total	**320,979**

In 2017 Company did not hedge revenues relating to procurement of tax refunds.

Hedging is planned as 100% effective because the amount of effect from hedging items in EUR will be equal to the amount of revenues in EUR (hedged items).

Hedging items

In 2017 Company used following hedging instruments with Fair Value:

CZK '000	31 December 2017
Foreign forwards	3,063
Foreign options	10,875
Loans	8,100
Total	**22,038**

Hedging effects to statement of profit and loss in 2017 were following:

CZK '000	31 December 2017
Foreign forwards	5,956
Foreign options	2,218
Reading of FWDs from 2016	(778)
	7,396
Loan 5 milion EUR	3,000
Loan 10 milion EUR	4,241
	7,241
Total	**14,637**

27. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following (CZK '000):

CZK '000	31 December 2017	31 December 2016
Cash at banks and on hand	961,369	1,359,663
Short-term deposits	–	–
Cash at banks and short-term deposits attributable to discontinued operations	–	–
Bank overdrafts	(458,147)	(404,977)
Cash and cash equivalents	503,222	954,686

As of 31 December 2017 the Group has a bank overdraft of EUR 9,983 thousand (CZK 254,973 thousand), 984 thousand (CZK 25,135 thousand) and CZK 178,039 thousand. As at 31 December 2016 the Group has a bank overdraft of EUR 9,988 thousand (CZK 269,877 thousand) and EUR 5,000 thousand (CZK 135,100 thousand).

The fair value of cash and cash equivalents approximates their carrying value due to their short term maturities.

28. Shareholders' equity

During the year 2017, the Group decided to increase the share capital. The total number of issued shares changed:

CZK '000	2017	2016
Priority shares of CZK 50 each	45	–
Ordinary shares of CZK 1 each	1,447,204	–
Ordinary shares of CZK 1,000,000 each	108	108
Ordinary shares of CZK 196,000 each	1	1
Ordinary shares of CZK 50,000 each	30	30
Shares with special rights CZK 1 each	3	–

Priority shares issued and fully paid

CZK '000	Shares	CZK '000
At 1 January 2016 and 31 December 2016	**–**	**–**
Issued on 13 February 2017	18	1
Issued on 15 February 2017	27	1
At 31 December 2017	**45**	**2**

Ordinary shares issued and fully paid

CZK '000	Shares	CZK '000
At 1 January 2016 and 31 December 2016	**139**	**109,796**
Issued on 14 September 2017	964,802	965
Issued on 14 December 2017	482,402	482
At 31 December 2017	**1,447,343**	**111,243**

Shares with special rights issued and fully paid

CZK '000	Shares	CZK '000
At 1 January 2016 and 31 December 2016	**–**	**–**
Issued on 14 December 2017	3	–
At 31 December 2017	**3**	**–**

During the year, the authorized share capital was increased by CZK 1,449,457 by the issue of 1,447,204 ordinary shares of CZK 1 each, CZK 2,250 by the issue of 45 priority shares of CZK 50 each and by the issue of 3 shares with special rights of CZK 1 each.

Share premium

CZK '000	CZK '000
At 1 January 2016	**9,500**
At 31 December 2016	**9,500**
Issuance of share capital	48,920
At 31 December 2017	**58,420**

During the year, the authorized share premium was increased by CZK 48,215,980 by the issue of ordinary shares with the right to participate and vote on the general meeting and entitled to dividend, CZK 657,630 by the issue of priority shares with the right to participate on the general meeting and entitled to dividend and CZK 46,134 by the issue of shares with special rights of participate on the general meeting and entitled to dividend.

Share-based payments

The Group has share portion scheme under which options to subscribe for the Group's shares have been granted to certain senior executives.

The share-based payments reserve is used to recognize the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. Refer to Note 14 for further details of these plans.

Changes in shareholders' equity

Upon the decision of the regular General Meeting of Shareholders held on 30 June 2017 the Group decided to divide the profit to the shareholders and keep the part of profit it in the company in the Retained earnings.

CZK '000	Number of shares	Share capital	Share premium	Reserve fund	Foreign currency translation difference	Cash flow hedge reserve	Retained earnings
At 1 January 2016	**139**	**109,796**	**9,500**	**10,791**	**(3,097)**	**–**	**372,281**
Increase in share capital	–	–	–	–	–	–	–
Foreign exchange translation differences	–	–	–	–	(2,873)	–	–
Net profit	–	–	–	–	–	–	311,479
At 31 December 2016	**139**	**109,796**	**9,500**	**10,791**	**(5,970)**	**–**	**683,760**
Increase in share capital	1,447,252	1,449	48,920	–	–	–	–
Foreign exchange translation differences	–	–	–	–	(12,172)	17,601	–
Cash dividends	–	–	–	–	–	–	(155,154)
Contribution to reserve fund	–	–	–	748	–	–	(748)
Net profit	–	–	–	–	–	–	347,336
At 31 December 2017	**1,447,391**	**111,245**	**58,420**	**11,539**	**(18,142)**	**17,601**	**875,194**

29. Interest bearing loans and borrowings

Interest bearing loans and borrowings (CZK '000):

	Currency	Maturity	Interest rate	31 December 2017			31 December 2016	
				Total limit in currency	Amount in original currency	Amount in CZK thousands	Amount in original currency	Amount in CZK thousands
Bank loans								
Česká spořitelna, a.s.	CZK	2018/12	1M PRIBOR + bank margin	14,580	243	243	2,701	2,701
ČSOB Leasing	CZK	2018/05	fix rate	1,772			850	850
ČSOB Leasing	CZK	2018/06	fix rate	3,275	560	560	1,662	1,662
ČSOB Leasing	CZK	2018/07	fix rate	1,515	302	302	811	811
ČSOB Leasing	CZK	2018/10	fix rate	945	267	267	583	583
ČSOB Leasing	CZK	2018/12	fix rate	3,379	1,142	1,142	2,268	2,268
ČSOB Leasing	CZK	2019/02	fix rate	3,178	1,252	1,252	2,309	2,309
ČSOB Leasing	CZK	2019/03	fix rate	5,517	2,327	2,327	4,160	4,160
ČSOB Leasing	CZK	2019/04	fix rate	964	434	434	754	754
ČSOB Leasing	CZK	2019/05	fix rate	2,559	777	777	2,070	2,070
ČSOB Leasing	CZK	2019/07	fix rate	2,601	1,387	1,387	2,246	2,246
ČSOB Leasing	CZK	2019/09	fix rate	876	516	516	804	804
ČSOB Leasing	CZK	2019/10	fix rate	656	405	405	621	621
ČSOB Leasing	CZK	2019/11	fix rate	1,307	843	843	1,273	1,273
ČSOB Leasing	CZK	2019/12	fix rate	1,078	724	724	1,078	1,078
ČSOB Leasing	CZK	2020/04	fix rate	1,777	1,777	1,777	–	–
ČSOB, a.s.	CZK	2019/01	1M PRIBOR + bank margin	30,000	6,500	6,500	12,500	12,500
ČSOB, a.s.	CZK	2024/09	fix rate	35,500	35,067	35,067	–	–
ČSOB, a.s.	CZK	2024/12	fix rate	630,000	575,217	575,216	–	–
ČSOB, a.s.	EUR	2019/01	1M EURIBOR + bank margin	500	108	2,754	208	5,616
Raiffeisenbank, a.s.	EUR	2021/09	3M EURIBOR + bank margin	2,400	1,102	28,152	1,380	37,723
Raiffeisenbank, a.s.	EUR	2026/02	fix rate	3,676	3,676	93,885	–	–
s Autoleasing	CZK	2017/01	fix rate	1,966	–	–	58	58
s Autoleasing	CZK	2017/05	fix rate	3,743	–	–	539	539
s Autoleasing	CZK	2017/06	fix rate	2,823	–	–	407	407
s Autoleasing	CZK	2017/07	fix rate	1,147	–	–	231	231
s Autoleasing	CZK	2017/08	fix rate	1,509	–	–	346	346
s Autoleasing	CZK	2017/10	fix rate	3,471	–	–	993	993
s Autoleasing	CZK	2017/11	fix rate	1,771	–	–	557	557
s Autoleasing	CZK	2018/06	fix rate	1,382	236	236	701	701
s Autoleasing	CZK	2018/07	fix rate	1,277	254	254	683	683
s Autoleasing	CZK	2018/08	fix rate	2,446	625	625	1,443	1,443
s Autoleasing	CZK	2018/09	fix rate	683	174	174	403	403
s Autoleasing	CZK	2018/10	fix rate	683	174	174	403	403
Reiffeisen – Leasing, s.r.o.	CZK	2020/04	fix rate	1,341	812	812	–	–
ČSOB a.s. Slovensko	EUR	2021/12	fix rate	870	542	13,851	678	18,317
Overdrafts								
Komerční banka, a.s.	EUR		O/N EUR LIBOR + bank margin		9,983	254,973	9,988	269,877
Citi	EUR		O/N EUR LIBOR + bank margin		984	25,135	–	–
ČSOB a.s.	CZK		O/N EUR LIBOR + bank margin		178,039	178,039	–	–
UniCredit bank Czech Rep., a.s.	EUR		1M EURIBOR + bank margin		–	–	5,000	135,100
Total	**CZK**			**–**	**1,228,803**	**–**	**510,087**	
Current				–	585,532	–	442,897	
Non-current				–	643,271	–	67,190	

The Group does not draw a loan from a non-bank entity.

The interest expense relating to bank loans and borrowings for the year ended 31 December 2017 and 2016 was CZK 10,320 thousand and CZK 6,155 thousand, respectively.

Interest bearing loans and borrowings are non-derivative financial liabilities carried at amortized cost.

As at 31 December 2017, the following pledges have been made to cover the aforementioned loans:
- pledge of receivables (Note 25);
- pledge of bank accounts;
- blank bills of exchange issued;
- pledge of real estate (Note 22);
- pledge of shares.

The loan agreements with ČSOB, a.s., Česká spořitelna, a.s., Raiffeisenbank, a.s., Komerční banka, a.s. and UniCredit bank Czech Rep., a.s. contain covenants that the Group must comply with. As of 31 December 2017 and 31 December 2016 the Group complied with all of these covenants.

The fair value of interest bearing loans and borrowings approximates their carrying value due to their short term maturities.

30. Provisions

The changes in the provision accounts were as follows (CZK '000):

CZK '000	Provisions – refundable damages	Provisions for severance payment	Provisions for bonuses	Other provisions
At 1 January 2016	**6,000**	**5,478**	**–**	**1,070**
Additions	25,706	–	–	–
Utilized	(2,623)	(1,288)	–	–
Unused amounts reversed	–	(4,190)	–	(1,060)
Change in estimate	–	–	–	–
Unwinding of discount	–	–	–	–
FX difference	–	–	–	–
At 31 December 2016	**29,083**	**–**	**–**	**10**
Additions	35,300	–	63,962	–
Utilized	–	–	131	–
Unused amounts reversed	(28,324)	–	–	–
Unwinding of discount	–	–	–	–
Changes in the discount rate	–	–	–	–
FX difference	–	–	(255)	–
At 31 December 2017	**36,058**	**–**	**63,838**	**10**

CZK '000	Provisions – refundable damages	Provisions for severance payment	Provisions for bonuses	Other provisions
Current at 1 January 2016	2,624	5,478	–	1,059
Non-current at 1 January 2016	3,376	–	–	11
Current at 31 December 2016	27,533	–	–	–
Non-current at 31 December 2016	1,550	–	–	10
Current at 31 December 2017	35,300	–	63,838	–
Non-current at 31 December 2017	758	–	–	10

In 2015 the Group created provision for severance payment due to planned personnel changes regarding several gas stations. In 2016 the plan was realized and the provision was released.

31. Trade and other liabilities

CZK '000	31 December 2017	31 December 2016
Trade payables	2,848,299	2,370,401
Employee related liabilities	52,606	38,106
Advances received	209,130	188,259
Miscellaneous payables	206,598	85,274
Accruals and deferred income	163,813	175,383
Total	**3,480,447**	**2,857,423**
Current	3,478,463	2,857,423
Non-current	1,984	–

Trade payables are non-interest bearing and are normally settled on 30-day terms.

Miscellaneous payables as at 31 December 2017 and 2016 include mainly settlement of tax refund from processed application from EU tax authorities, which was paid to customer after balance sheet date and payables from sold receivables to factoring companies.

Accruals and deferred income as at 31 December 2017 and 2016 include mainly unbilled supplies of fuel, accrual for employee bonuses, proportion of revenue related to outstanding administration of tax refund and accruals related to advisory, legal and other services.

For explanations on the Group's liquidity risk management processes, refer to Note 34.

As of 31 December 2017 and 2016, the Group had no current payables that were secured by collateral or guarantees in favor of a creditor.

Trade and other payables are non-derivative financial liabilities carried at amortized cost.

As at 31 December 2017 and 2016, employee related liabilities include liabilities from social security and health insurance, liabilities from employees for salaries and accrued employee vacation to be taken or compensated for in the following accounting period.

The fair value of trade and other payables approximates their carrying value due to their short term maturities.

32. Derivative liabilities

Derivative liabilities (CZK '000):

	2017	2016
Derivatives not designated as hedging instruments		
Foreign exchange forwards (EUR/CZK)	–	471
Foreign exchange forwards (EUR/PLN)	408	3
Foreign exchange forwards (RON/EUR)	357	–
Foreign exchange options	–	488
Foreign exchange swap	–	–
Interest swap	4,930	9,374
Total financial instruments at fair value	**5,695**	**10,336**
Current	5,275	962
Non-current	420	9,374

Derivatives not designated as hedging instruments reflect the negative change in fair value of those foreign exchange forward, foreign exchange options and interest swap contracts that are not designated in hedge relationships, but are, nevertheless, intended to reduce the level of foreign currency risk for expected sales and purchases or interest rate risk.

Cash flow hedges

Foreign currency risk

Foreign exchange forward contracts measured at fair value through OCI are designated as hedging instruments in cash flow hedges of forecast sales in EUR. These forecast transactions are highly probable, and they comprise about 54% of the Group's total expected sales for fuel and about 78% of the Group's total expected sales for toll.

While the Group also enters into other foreign exchange forward contracts with the intention of reducing the foreign exchange risk of expected sales and purchases, these other contracts are not designated in hedge relationships and are measured at fair value through profit or loss. The foreign exchange forward contract balances vary with the level of expected foreign currency sales and purchases and changes in foreign exchange forward rates.

CZK '000	31 December 2017	31 December 2016
Foreign currency forward contracts designed as hedging instruments		
Fair value	87	–
Current	9	–
Non-current	78	–

The terms of the foreign currency forward contracts match the terms of the expected highly probable forecast transactions. As a result, there is no hedge ineffectiveness to be recognized in the statement of profit or loss.

Hedged items are incoming payments in EUR from sale of fuel and toll and procurement of tax refunds from payments placed in foreign countries. Hedged item is not total amount of expenses but only proportional part which is not covered by revenues in EUR. Transaction represents hedging of revenues incurred in EUR which are not covered by expenses paid in EUR.

Total volume of hedged revenues in 2017 was following (in EUR):

EUR '000	31 December 2017
Revenues from fuel	313,912
Revenues from toll	7,067
Total	**320,979**

In 2017 Company did not hedge revenues relating to procurement of tax refunds.

Hedging is planned as 100% effective because the amount of effect from hedging items in EUR will be equal to the amount of revenues in EUR (hedged items).

Hedging items

In 2017 Company used following hedging instruments with nominal value:

CZK '000	31 December 2017
Foreign forwards	3,063
Foreign options	10,875
Loans	8,100
Total	**22,038**

Hedging effects to statement of profit and loss in 2017 were following:

CZK '000	31 December 2017
Foreign forwards	5,956
Foreign options	2,218
Reading of FWDs from 2016	(778)
	7,396
Loan 5 milion EUR	3,000
Loan 10 milion EUR	4,241
	7,241
Total	**14,637**

33. Fair values

Set out below is a comparison, by class, of the carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

CZK '000	31 December 2017		31 December 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Foreign exchange forwards	12,891	12,891	2,079	2,079
Foreign exchange options	–	–	1,025	1,025
Interest swap	975	975	–	–
Total	**13,866**	**13,866**	**3,104**	**3,104**

CZK '000	31 December 2017		31 December 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Foreign exchange forwards	853	853	474	474
Foreign exchange options	–	–	488	488
Interest swap	4,929	4,929	9,374	9,374
Total	**5,782**	**5,782**	**10,336**	**10,336**

The management assessed that the fair values of cash and cash equivalents, trade and other receivables, trade and other payables and interest-bearing loans and borrowings approximates their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

34. Financial risk management

The Group's classes of financial instruments correspond with the line items presented in the consolidated statement of financial position.

The Group's principal financial liabilities, other than derivatives, comprise loans and borrowings, and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade and other receivables, and cash and cash equivalents that derive directly from its operations. The Group also enters into derivative transactions.

The Group is exposed to market risk, credit risk and liquidity risk. The management of the Group identifies the financial risks that may have adverse impact on the business objectives and through active risk management reduces these risks to an acceptable level.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: interest rate risk and currency risk.

The sensitivity analyses in the following sections relate to the position as at 31 December 2017 and 2016.
The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and derivatives and the proportion of financial instruments in foreign currencies are all constant.

The analyses exclude the impact of movements in market variables on: provisions; and the non-financial assets and liabilities of foreign operations.

The following assumptions have been made in calculating the sensitivity analyses:

- The sensitivity of the relevant statement of profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December 2017 and 2016.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank loans and borrowings with floating interest rates.

The Group manages its interest rate risk by entering into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 31 December 2017 and 2016, after taking into account the effect of interest rate swaps, approximately 93% and 95% of the Group's borrowings are at a fixed rate of interest.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

Effect on profit before tax as at 31 December (CZK '000):

Base rate	% change	2017	2016
1M PRIBOR	+/- 10%	3 / (3)	6 / (6)
1W EURIBOR	+/- 10%	–	9 / (9)
3M EURIBOR	+/- 10%	–	44 / (44)
3M PRIBOR	+/- 10%	–	9 / (9)
O/N EUR LIBOR	+/- 10%	106 / (106)	24 / (24)
O/N PRIBOR	+/- 10%	59 / (59)	1 / (1)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency).

The Group manages its foreign currency risk by using foreign currency forwards, swaps and options.

The Group invoices mainly in EUR and HUF. However, there are transactional currency exposures that arise from sales and purchases also in other currencies, in particular RON, TRY and PLN.

Financial assets and liabilities include cash and cash equivalents, trade and other receivables and interest-bearing loans and borrowings and trade and other payables. All remaining assets and liabilities in foreign currencies are immaterial or not subject to exchange rate exposure (such as property, plant and equipment).

The table below presents the sensitivity of the profit before tax to a hypothetical change in EUR, HUF, PLN, RON, TRY and other currencies and the impact on financial assets and liabilities of the Group. The sensitivity analysis is prepared under the assumption that the other variables are constant.

Effect of the change in exchange rates between CZK and EUR, HUF, PLN, RON, TRY and other currencies on profit before tax as at 31 December (CZK '000):

CZK '000	% change in rate	2017	2016
EUR	+/- 10%	+/- 26,554	+/- 32,299
HUF	+/- 10%	+/- 4,244	+/- 9,295
PLN	+/- 10%	+/- 3,415	+/- 2,462
RON	+/- 10%	+/- 1,997	+/- 1,848
TRY	+/- 10%	+/- 129	+/- 1,055
Others	+/- 10%	+/- 3,965	+/- 2,440

Effect of the change in exchange rates between EUR and HUF, PLN, RON and other currencies on profit before tax as at 31 December (CZK '000):

CZK '000	% change in rate	2017	2016
HUF	+/- 10%	+/- 1,138	+/- 2,111
PLN	+/- 10%	+/- 297	+/- 11
RON	+/- 10%	+/- 171	+/- 37
Others	+/- 10%	–	–

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables and payables).

The outstanding balances of receivables are monitored on a regular basis, and the aim of management is to minimize exposure of credit risk to single counterparty or group of similar counterparties. As of 31 December 2017 and 2016, there is no significant concentration of credit risk as there were no individually significant customers.

The Group did not issue any guarantees or credit derivatives.

The ageing of receivables is regularly monitored by Group management.

Liquidity risk

The Group performs regular monitoring of its liquidity position to keep sufficient financial resources to settle its liabilities and commitments.

As at 31 December 2017 and 2016, the Group's current ratio (current assets divided by current liabilities) was 1.03 and 1.11, respectively.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments (CZK '000):

31 December 2017	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Interest-bearing loans and borrowings	–	493,544	104,479	556,721	112,071	1,266,815
Trade and other payables	–	3,439,842	38,621	1,984	–	3,480,447
Total	**–**	**3,933,386**	**143,100**	**558,705**	**112,071**	**4,747,262**

31 December 2016	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Interest-bearing loans and borrowings	–	10,178	433,477	70,260	–	513,915
Trade and other payables	–	2,599,905	257,518	–	–	2,857,423
Total	**–**	**2,610,083**	**690,995**	**70,260**	**–**	**3,371,338**

35. Capital management

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximize the shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using the equity/total assets ratio. The Group's policy is to keep the equity/total assets ratio between 10% and 30%.

CZK '000	31 December 2017	31 December 2016
Equity	1,055,857	807,877
Total assets	5,921,126	4,241,822
Equity ratio (Equity/TA)	17,83 %	19,05 %

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current period.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2017 and 2016.

36. Related party disclosures

The Company provided no loans, credit, security or other benefits in either monetary or in-kind form to persons who are the governing body or to members of governing or other management and supervisory bodies, including former officers and members of those bodies.

Selected employees benefit from the private use of company cars.

37. Commitments

Operating lease commitments

The Group has entered into operating leases on office and other premises and vehicles, with lease terms between 5 and 30 years. The Group has the option, under some of its leases, to lease the assets for additional terms of 5 years.

Expense at the period of 2017 and 2016 of rental payable under non-cancellable operating leases were CZK 32,723 thousands and CZK 28,150 thousands.

Future minimum rentals payable under non-cancellable operating leases are, as follows:

CZK '000	31 December 2017	31 December 2016
Within one year	29,896	30,391
After one year but not more than five years	51,658	99,243
More than five years	26,766	53,364
Total	**108,320**	**182,998**

Finance lease commitments

In The Group are no assets from finance leases.

38. Subsequent events

As early as the start of the year 2018, the Group decided to negotiate with Aldobec. This efforts culminated on 16 January 2018 the Group acquired 100% of the voting shares of Aldobec technologies, s.r.o., an unlisted company based in 2006, Slovak Republic. Aldobec technologies, s.r.o. is a leading provider of web services for fleet monitoring, management and optimization in Slovakia, specializing in the road freight segment. The company is also successfully engaged in the monitoring of semi-trailers, transported goods and many other IoT projects (Internet of Things).

Prepared on: 8 June 2018	Signature of entity's statutory body:	Person responsible for financial statements:	Person responsible for accounting:
	Martin Vohánka Founder and Chief Executive Officer	**Tomáš Michek** Chief Financial Officer	**Martina Kudrnová** Head of Accounting Department

Contact Details

W.A.G. payment solutions, a.s.
Na Vítězné pláni 1719/4
140 00 Praha 4, Czech Republic

Incorporated in the Commercial Register
maintained by the Municipal Court in Prague,
Czech Republic, Section B, file 6882.
Reg. No: 26415623
VAT No: CZ 26415623

E-mail: wag@eurowag.com
Internet: www.eurowag.com