ZOOT a.s.

Interim Report 1H 2018

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Report of the Board of Directors

1. ZOOM on ZOOT

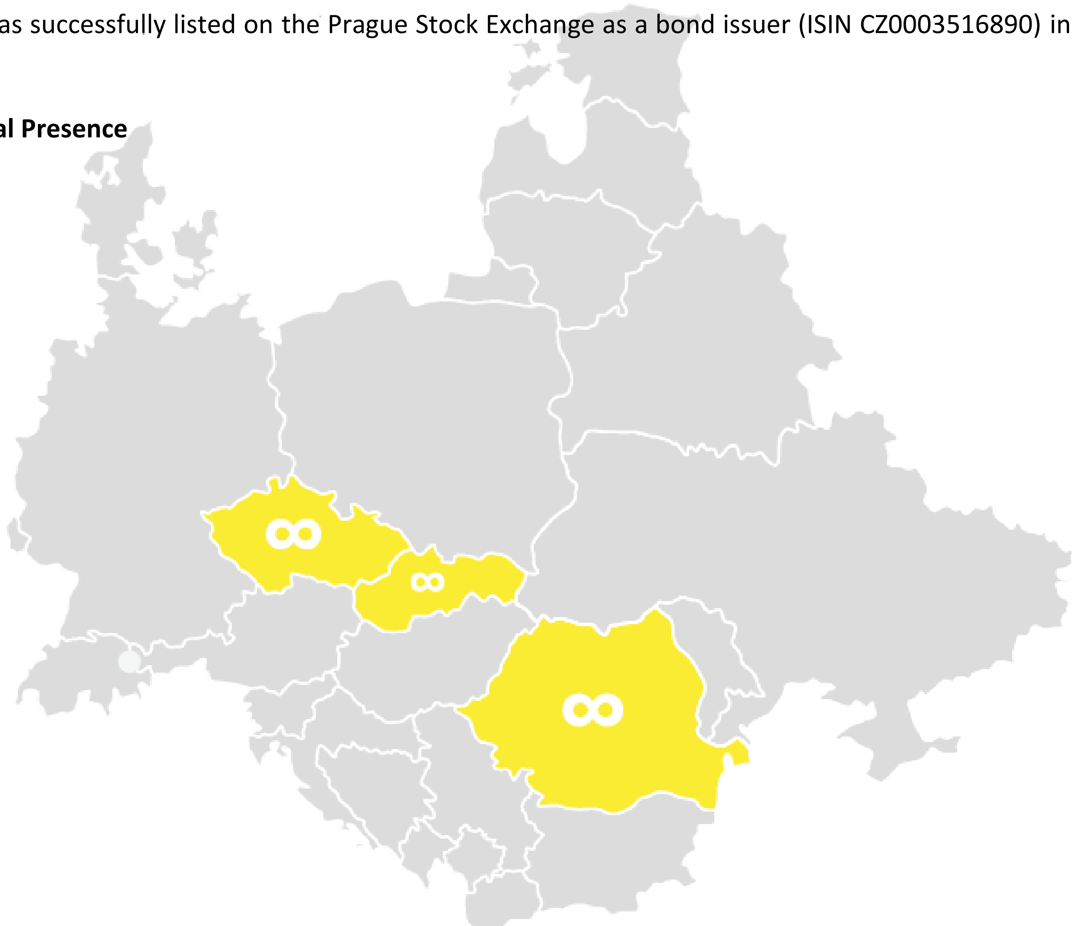
ZOOT is a fast-growing Central and Eastern European fashion market player with a unique data-driven platform that combines the best of the online and offline retail worlds. The Company's portfolio includes fashion and home accessories for women, men and children from more than 300 brands, representing renowned international labels and aspiring local designers.

ZOOT's mission is to spread happiness by bringing the power and beauty of fashion to the people. To deliver on this ambitious purpose, ZOOT aims to disrupt the established fashion sales environment and to drive inspiration by fully leveraging the powerful ZOOT brand, its omni-channel platform and an innovative team.

ZOOT's strategic goal is to become the leading fashion omni-channel network within the CEE region. Apart from the Czech Republic, where it is the largest online fashion store, ZOOT also operates in Slovakia and Romania.

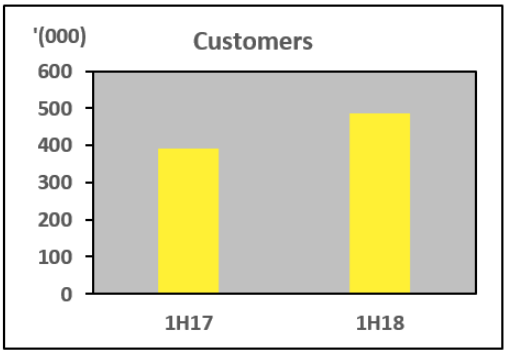
ZOOT a.s. was successfully listed on the Prague Stock Exchange as a bond issuer (ISIN CZ0003516890) in 2017.

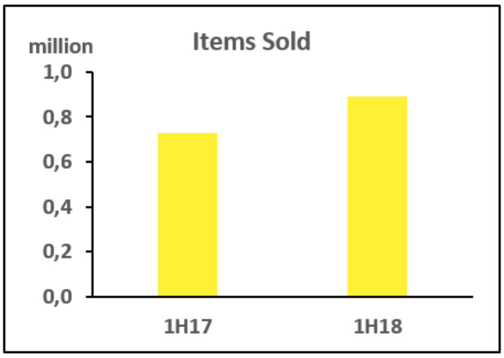
Geographical Presence



1.1. Highlights 1H 2018

- More than 486 thousand customers[1] representing a 24 % increase YoY compared to 391 thousand in 1H2017





- The number of Items sold was 890 thousand representing a 22% increase YoY compared to 727 thousand in 1H2017

- Implementation of customer base segmentation with focus on positive buy motivation for profitable customers and negative buy motivation for non-profitable customers (e.g. upfront payment, payment for goods delivery)

- Centralization of sales and marketing activities to headquarters in Prague for Slovak and Romania markets

- Delivered a record high for total half-year revenue of CZK 0.5 billion, driven by purely organic growth

- Gross margin decreased by 0.6% compared to 1H 2017 as a result of significant seasonal reduction in our spring sales impacted by increased sale discounts

- Adjusted EBITDA reached a negative value of CZK (55.2) million representing a decrease compared to the CZK 3.4 million reported in 1H 2017

- Shareholder's equity reached a negative value of CZK (67.7) million representing a decrease from 74.8 million as at 31 December 2017

- Trade receivable due from related parties decreased in 1H 2018, reaching CZK 327.8 million (compared to CZK 342.5 million as at 31 December 2017), of which none is overdue for more than 1 year (compared to CZK 1 million as at 31 December 2017)

- Company wasn't successful to reduce good's return rate below targeted threshold during 6 months ended 30 June 2018

[1] Of the total number of customers, the Czech customer base remains the largest, with a share of 76%. The Company only sells directly to Czech customers, whereas to Slovak and Romania customers it sells indirectly via its related distributing entities.

1.2. Bond Issuer Information

Name of Company:	ZOOT a.s.
Registered office:	Zubatého 295/5, Smíchov, 150 00 Prague 5
Contact:	Website: https://corporate.ZOOT.cz/ Tel.: +420 601 585 732 Email: recepce@zoot.cz
Legal status:	Joint-stock company
Corporate ID:	282 06 592
LEI code:	315700M0HUBNA7947O55
Commercial registry:	Register of Companies maintained by the Municipal Court in Prague, File No. B 13119
Registration date:	10 December 2007
Ownership:	Fully owned by ZOOT B.V. having its corporate seat at Strawinskylaan 937, Amsterdam, 1077XX, The Netherlands, registration number 56539932

1.3. Success and awards in 1H 2018

In 2018, ZOOT has been awarded a couple of prestigious prizes for its innovative approach in retail and content marketing during last year:

1. *Mastercard Retailer of the Year*
   1st place Mastercard Millennials Retailer of the Year (top of mind research by GFK in age group up to 30 years)

2. *Zlatý středník*
   The Best B2C Magazine -2nd place Zoot Magazine
   The Best Company Magazine in Retail and FMCG - 1st place Zoot Magazine

3. *Fenix Content Marketing*
   B2C Magazines - 1st Place Zoot Magazine

2. BUSINESS OVERVIEW

2.1. Overall performance in 1H 2018

ZOOT sells mainstream and specialist fashion brands using its unique omni-channel platform. Successful portfolio selection is critical to the success of our business. New brands and suppliers are evaluated and added to our portfolio on an ongoing basis. Our experienced industry experts located in Prague travel extensively in order to build efficient relationships with suppliers and keep abreast of fashion trends.
The brands in ZOOT´s portfolio have reached a certain level of penetration that does not allow for experimentation with very many new brands. In 1H 2018 ZOOT continued its focus on a consignment model that should allow it to test new brands without high risks of overstock at the end of the season. At the same time, niche and lesser known brands provide the desired and unique point of difference for ZOOT´s customers.

During 1H 2018, ZOOT expanded the brand portfolio with following new brands:

- Killtec, Woox, Puma, Covert Undewear, Kari Traa, maloja

The ZOOT business model combines the best of the online and offline worlds, by allowing both home-delivery and "try before you buy" alternatives for purchase deliveries. Customer convenience is paramount for us. Our same-day purchase delivery is a key competitive advantage, which fully leverages customer spontaneity.

ZOOT has one distribution hub located in Říčany outside of Prague. All items sold in any market are first processed and warehoused in this hub. There were no major changes in this hub during 1H 2018 as the logistics automatization and a warehouse extension were successfully completed in 2017. This achievement extended available storage up to 1.3 million items, thus providing logistics capacity until the year 2020.

In 1H 2018, we maintained our Try & Buy store network stable with no major changes.

The overall 1H 2018 performance of the Company was negatively impacted by significant seasonal reduction in our spring sales as a result of a protracted low-temperature period at the end of the winter and an extremely swift start of the summer. This impacted negatively customer's interest in our spring goods which subsequently had to be sold out at very high discounts. In addition, the Company wasn't successful in reducing good's return rate below targeted threshold. The above mentioned resulted in a decrease of gross margin, deterioration of EBITDA and significant reduction in the Company's cash position, prompting the Company to take a number of actions during 1H 2018, such as reduction in the employee workforce, adoption of restrictions in the sale process to avoid purchases by non-profitable customers, etc.

In 1H 2018, we further grew our customer base to more than 486 thousand customers. This represents a 24% increase in comparison to 30 June 2017 or a 6.8% increase compare to 31 December 2017. Of the total number of customers, the Czech customer base remains the largest with a share of 76%. The remaining share of 24% is represented by our customer bases in Romania and Slovakia, where the Company sells its portfolio brands via local distributors fully owned by ZOOT BV. In addition to the growth of the customer base, we are happy to report that the total number of items sold amounted to 890 thousand in 1H 2018, representing an increase of 22% compared to 1H 2017.

2.2. Financial performance

Presented below is a description of the financial performance and financial position of the Company in 2018. It should be read along with the financial statements and with other financial information contained in the attached financial statements. The Board of Directors is presenting and commenting on the financial results including one-off events which took place during 1H 2018.

The operating profit of the Company for the 6M period ended 30 June 2018 was affected by the following one-off items:

- Costs connected with the Company reorganization of CZK 2 931 thousand
- Trade receivable impairment of CZK 63 962 thousand

Financial results	**6M18 CZK'000**	**6M17 CZK'000**	**Change CZK'000**	**Change %**
Revenue	518 104	474 394	43 710	9,2%
Cost of sales	(294 344)	(249 227)	(45 117)	18,1%
Gross profit	**223 760**	**225 167**	**(1 407)**	**(0,6)%**
Gross profit margin	*43,2%*	*47,5%*	*-*	*(9,9)%*
Marketing and other services	(118 952)	(89 495)	(29 457)	32,9%
Employee benefits expenses	(104 971)	(81 109)	(23 862)	29,4%
Shipping and distribution costs	(24 228)	(26 576)	2 348	(8,8)%
Rental costs	(23 494)	(16 619)	(6 875)	41,4%
Consumption of materials	(9 297)	(6 929)	(2 368)	34,2%
Other operating expenses, net	(64 876)	(1 050)	(63 826)	<100%
EBITDA*	**(122 058)**	**3 389**	**(125 447)**	**>100,0%**
EBITDA margin	*(23,6)%*	*0,7%*	*-*	*>100,0%*
Amortization and depreciation	(8 378)	(5 123)	(3 255)	63,5%
Operating profit	**(130 436)**	**(1 734)**	**(128 702)**	**<100,0%**
Finance expenses, net	(12 546)	(23 485)	10 939	(46,6)%
Income tax	(31)	-	(31)	n/a
Net loss for the period	**(143 013)**	**(25 219)**	**(117 794)**	**<100,0%**

* EBITDA refers to operating profit plus depreciation and amortization

REVENUE

In 6M18, the Company's revenue was CZK 518 104 thousand which represents an increase by CZK 43 710 thousand or 9.2% from CZK 474 394 thousand in 6M17. The revenue grew in all segments except Romania. The Czech segment with the main 77.0% share on revenue increased organically by 16.1%. The Slovak segment with 18.5% share on revenue increased by 3.0% and the Romanian segment with 4.6% share on revenue decreased by 37.8% due to the discontinuation of the Try & Buy stores concept on the Romanian market.

The following table sets forth revenue from sales split by countries for 6M18 and 6M17. The allocation of revenue to a particular country segment is based on the geographical location of customers.

Geographical segments revenue	**6M18 CZK'000**	**6M18 %**	**6M17 CZK'000**	**6M17 %**	**change CZK'000**	**change %**
Czech Republic	398 732	77,0%	343 425	72,4%	55 307	16,1%
Slovak Republic	95 702	18,5%	92 938	19,6%	2 764	3,0%
Romania	23 670	4,6%	38 031	8,0%	(14 361)	(37,8)%
Total	**518 104**	**100,0%**	**474 394**	**100,0%**	**43 710**	**9,2%**

COST OF SALES
In 6M18, the Company's Cost of sales was CZK 294 344 thousand which represents an increase by CZK 45 117 thousand or 18.1% from CZK 249 227 thousand in 6M17.

GROSS PROFIT
In 6M18, the Company's Gross profit was CZK 223 760 thousand which represents a decrease by CZK 1 407 thousand or 0.6% from CZK 225 167 thousand in 6M17. The reduction is primarily caused by decrease in gross profit margin by 4.3% to 43.2% in 6M18 from 47.5% in 6M17 due to the higher sale discount campaigns focused on spring goods which was caused by a protracted low-temperature period at the end of the winter and an extremely swift start of the summer.

EBITDA and ADJUSTED EBITDA
The following table sets forth information regarding EBITDA and ADJUSTED EBITDA for 6M18 and 6M17.

Adjusted EBITDA	**6M18 CZK'000**	**6M17 CZK'000**	**Change CZK'000**	**Change %**
EBITDA	(122 058)	3 389	(125 447)	>100,0%
Adjustments:				
Reorganization expenses	2 931	-	2 931	n/a
Impairment trade receivable	63 962	-	63 962	n/a
Adjusted EBITDA**	**(55 165)**	**3 389**	**(58 554)**	**>100,0%**
*Adjusted EBITDA margin****	*(10,6)%*	*0,7%*		

* EBITDA refers to operating profit plus depreciation and amortization.
** Adjusted EBITDA refers to EBITDA adjusted for the effects of events and transactions that are non-recurring, extraordinary or unusual in nature, including in particular costs not arising from ordinary operations, such as those associated with the impairment of fixed assets, financial assets, goodwill and intangible assets, relocation costs and the costs of Company layoffs.
*** Calculated as (Adjusted EBITDA/Revenue)*100%

The EBITDA of the Company for 6 months ended 30 June 2018 was affected by the following one-off items:

- Reorganization expenses in connection with layoff during second quarter 2018 of CZK 2 931 thousand
- Other operating expenses with respect to the partial impairment of trade receivable of the Company's related distributor in Romania of CZK 63 962

In 6M18, the Company's adjusted EBITDA was CZK (55 165) thousand which represents a decrease by CZK 58 554 thousand from CZK 3 389 thousand in 6M17. The reduction is primarily caused by an increase in marketing and other services by CZK 29 457 thousand or 32.9%, wage and salaries by CZK 23 862 thousand or 29.4% and rental costs by CZK 6 875 thousand or 41.4% offset by decrease in shipping and distribution expenses by CZK 2 348 thousand or 8.8%. The marketing expenses increased primarily due to higher marketing campaigns supporting spring sales. The wage and salaries increased due to bigger employee workforce as comparison to 6M17 and one-off termination expenses incurred during 2Q18 resulting from employee reduction.

OPERATING PROFIT
In 6M18, the Company's operating profit was CZK (122 058) thousand which represents a decrease by CZK 128 702 thousand from CZK (1 734) thousand in 6M17. In addition to the reasons explained above, the operating profit decreased by CZK 3 255 thousand due to an increase in amortization and depreciation primarily as a result of amortization of a roller conveyor purchased in second half of 2017.

FINANCE EXPENSE, NET

In 6M18, the Company's net Finance expense was CZK 12 546 thousand which represents a decrease by CZK 10 939 thousand from CZK 23 485 thousand in 6M17. The decrease in primarily caused by lower foreign exchange expenses by CZK 10 484 thousand and reduction in interest expense by CZK 1 318 thousand.

NET LOSS FOR THE PERIOD

Due to the reasons described above, in 6M18, the Company's Net loss for the period was CZK 143 013 thousand which represents a decrease by CZK 117 794 thousand from the Company's Net loss CZK 25 219 thousand in 6M17.

2.3. Financial position

Statement of financial position	30.06.2018 CZK'000	31.12.2017 CZK'000	Change CZK'000	Change %
Non-current assets	**91 056**	**85 782**	**5 274**	**6,1%**
Intangible assets	31 033	24 291	6 742	27,8%
Investment in an subsidiary	200	200	-	0,0%
Property, plant and equipment	45 463	48 889	(3 426)	(7,0)%
Non-current deferred tax assets	9 067	9 099	(32)	(0,4)%
Other non-current assets	5 293	3 303	1 990	60,2%
Current assets	**544 815**	**643 991**	**(99 176)**	**(15,4)%**
Inventories	199 645	192 369	7 276	3,8%
Trade and other receivables	344 520	390 294	(45 774)	(11,7)%
Other current assets	493	12 649	(12 156)	(96,1)%
Cash and cash equivalents	157	48 679	(48 522)	(99,7)%
Equity	**(67 706)**	**74 775**	**(142 481)**	**>100,0%**
Non-current liabilities	**226 078**	**328 666**	**(102 588)**	**(31,2)%**
Provisions	1 098	1 143	(45)	(3,9)%
Loans from the third parties LT	224 980	327 523	(102 543)	(31,3)%
Current liabilities	**477 499**	**326 332**	**151 167**	**46,3%**
Trade and other payables	185 342	228 207	(42 865)	(18,8)%
Loans from the third parties ST	186 930	118	186 812	<100,0%
Liabilities to employees	23 798	19 189	4 609	24,0%
Other current liabilities	81 429	78 818	2 611	3,3%

ASSETS

At 30 June 2018, the Company's Property, plant and equipment was CZK 45 463 thousand which represents a decrease by CZK 3 426 thousand from CZK 48 889 thousand at 31 December 2017. This change was primarily caused by depreciation charges of a roller conveyor purchased last year for CZK 20.7 million.

At 30 June 2018, the Company's Intangible assets was CZK 31 033 thousand which represents an increase by CZK 6 742 thousand from CZK 24 291 thousand at 31 December 2017. This change was primarily caused by continuous internally developed and capitalized costs with respect to the new ERP system which is not depreciated yet.

The Company's current assets as at 30 June 2018 was CZK 544 815 thousand, of which 36% is represented by Inventories and 63% is represented by Trade and other receivable. The net decrease is primarily caused by reduction in Cash and cash equivalents by CZK 48 522 thousand, decrease in Trade and other receivable by CZK 45 774 thousand and decrease in Other current assets by CZK 12 156 thousand, offset by an increase in Inventory by CZK 7 276 thousand. Trade and other receivable decreased primarily due to a partial impairment of trade receivable of related distributor in Romania.

LIABILITIES AND EQUITY

At 30 June 2018, the Company's Current and Non-current liabilities were CZK 703 577 thousand which represents an increase by CZK 48 579 thousand from CZK 654 998 at 31 December 2017. The increase in primarily caused by increase in short term facility credit lines and long term loans by CZK 84 269 thousands offset by a decrease in trade and other payable by CZK 42 865. The reason for execution the increase in the facility agreements was a financing our operational activities.

The Company's net debt (calculated as total non-current and current liabilities related to credits, loans, bonds, leases and other debt instruments less cash and cash equivalents) was CZK 411 753 thousand as at 30 June 2018, which represents an increase of CZK 132 791 thousand or 47.6% compared to CZK 278 962 thousand at 31 December 2017. The increase is primarily due to additional financing from external banks to cover operational activities in particular due to low gross profit margin from spring sales despite increased marketing spend as compare to 6M17.

2.4. Cashflows

NET CASH FLOW FROM OPERATING ACTIVITIES

In 6M18, the Company's net cash flow from operation activities were CZK (109 231) thousand which represents a decrease by CZK 102 048 thousand from CZK (7 183) thousand in 6M17. The decrease is primarily caused by higher net loss for the period adjusted for non-cash movements of CZK 51 065 thousand and a decrease in working capital of CZK 51 085 thousand.

NET CASH FLOW USED IN INVESTING ACTIVITIES

In 6M18, the Company's net cash flow used in investing activities were CZK (22 656) thousand which represents an increase by CZK 81 569 thousand from CZK (104 225) thousand in 6M17. The increase is primarily caused by lower cash outflow for borrowings to related distribution partners in Slovakia and Romania by CZK 93 474 thousand, offset by higher cash outflow for purchases in Property, plant and equipment and Intangible assets by CZK 11 905 thousand mainly due to installments for the new roller conveyor.

NET CASH FLOW FROM FINANCING ACTIVITIES

In 6M18, the Company's net cash flow from financing activities were CZK 83 365 thousand which represents a decrease by CZK 9 310 thousand from CZK 92 675 thousand in 6M17. The decrease is primarily result of an additional paid in capital from Company's parent entity partially offset by repayment of loan in net amount of CZK 59 262 in 6M17 and an increase in cash inflow from credit facility loans in the amount of CZK 49 952 thousand in 6M18.

2.5. Expected development in subsequent 6 months

The Company aims to continue its growth strategy on revenue and recover from 1H 2018 losses by improving its operational profitability during the fourth quarter which is typically the strongest period in the year due to our business segment seasonality.

Despite the negative EBITDA for 6M 2018, the Company expects to maintain positive equity going forward, which should be achieved by fulfilment of its financial plan with positive EBITDA for Q4 2018 and going forward. The main effort will be put into the overall operational profitability and on variable cost optimization. Furthermore, the Company expects to improve its available operating capital by additional paid in capital from its shareholders and other external investors.

2.6. Alternative performance indicators

For better understanding the Company provides a reconciliation of our Alternative Performance Indicators ("APM") for the calculation of EBITDA, Gross profit, Net debt and related margins.

Definition and reconciliation of APM to the financial statements (FS)		FS	Line in FS
Revenue	A	Statement of comprehensive income	Revenue
Cost of sales	(B)	Statement of comprehensive income	Cost of sales
Gross profit	**A+B=C**	**Statement of comprehensive income**	**Gross profit**
Marketing and other services	(D)	Statement of comprehensive income	Marketing and other services
Employee benefits expenses	(E)	Statement of comprehensive income	Employee benefits expenses
Shipping and distribution costs	(F)	Statement of comprehensive income	Shipping and distribution costs
Rental costs	(G)	Statement of comprehensive income	Rental costs
Consumption of materials	(H)	Statement of comprehensive income	Consumption of materials
Other operating expense, net	(i)	Statement of comprehensive income	Other operating expense reduced for Other operating income
EBITDA	**C+D+E+F+ G+H+I=J**	**n/a**	**n/a**
Amortization and depreciation	K	Statement of Cash Flows	Amortization and depreciation
Operating profit	**J-K=L**	**Statement of comprehensive income**	**Operating profit**
Gross profit margin	**C/A*100%**	**n/a**	**n/a**
EBITDA margin	**J/A*100%**	**n/a**	**n/a**

Purpose of APM:

A. EBITDA and EBITDA MARGIN
The Company uses EBITDA because it is an important economic indicator showing a business's operating efficiency comparable to other companies, as it is unrelated to the Company's depreciation and amortization policy, capital structure and tax treatment. EBITDA indicator is also treated as a good approximation for operating cash flow.

B. GROSS PROFIT and GROSS PROFIT MARGIN
The Company uses GROSS PROFIT as it represents a key factor of the most fundamental business considerations, in pricing, return on marketing spending, earnings forecasts, and analyses of customer profitability.

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

C. NET DEBT

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

2.7. Subsequent events

Between the balance sheet date of 30 June 2018 and the date of publication of this 1H 2018 Interim Report, no significant events have occurred that would have an impact on the fulfilment of the purpose of this Interim Report, pursuant to Section 21 (1) of Act No. 563/1991, the Accounting Act, as amended, other than the following:

- During 3rd quarter, the Company has been negotiating with Raiffeisenbank a.s. and Citibank Europe plc, as its financing banks, about the prolongation of the current repayment date of some of the short-term loans until second quarter 2019 and the terms related thereto.

- In September 2018, Citibank Europe plc has reduced a part of the uncommitted loan facility by approx. CZK 16 million to CZK 84 million.

- The Company expects to improve its available operating capital by additional paid in capital from its shareholders and/or other external investors. While some of the shareholders declined the requirement for such additional paid in capital, other shareholders and potential investors are in the process of considering the provision of any such additional equity.

3. BOND PERFORMANCE IN 1H 2018

3.1. Primary market activity

On 9 September 2016 and 1 September 2017, the Company issued subordinated bonds in a total value of CZK 80 million and CZK 150 million, respectively, with fixed 6.5% p.a. interest paid regularly at the end of a six month period. The bonds were issued for a period of 4 years with the due date of 8 September 2020 and 31 August 2021 respectively. More information on the rights and obligations in relation to bond holding issued on 1 September 2017 is available in the Bond prospectus, section C8.

3.2. Secondary market activity

In September 2017, the bonds were admitted for trading on the Prague Stock Exchange with no trading restriction, under ISIN CZ0003516890. Based on publicly available information provided by PSE, there has been a lack of liquidity for this bond issuance during 1H 2018.

3.3. Selected bond information

	Sept 2017	**Sept 2016**
First date of trading	01.09.2017	n/a
Bond issue	CZK 150 000 000	CZK 80 000 000
Interest rate	6.5%	6.5%
Maturity	31 August 2021	8 September 2020
Interest paid in 1H 2018 (CZK '000)	4 875	2 600
Trading procedure	Auction	Auction

3.4. Acquisition of own bonds

At of 30 June 2018, the Company did not hold any of its own bonds.

Interim Condensed Financial Statements

ZOOT.

UDĚLEJTE SI RADOST. JEN TAK.

ZOOT a.s.

Interim Condensed Financial Statements for the six months ended 30 June 2018 prepared in accordance with International Financial Reporting Standards as adopted by EU – first time adoption of IFRS

1. INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June (CZK '000)	Notes	JUN 2018	JUN 2017
Revenues	6	518 104	474 394
Cost of sales		(294 344)	(249 227)
Gross profit		**223 760**	**225 167**
Marketing and other services		(118 952)	(89 495)
Employee benefits expenses	9	(104 971)	(81 109)
Shipping and distribution costs		(24 228)	(26 576)
Rental costs		(23 494)	(16 619)
Consumption of materials		(9 297)	(6 929)
Depreciation and amortization		(8 378)	(5 123)
Other operating expense		(67 085)	(2 358)
Other operating income		2 209	1 308
Operating profit		**(130 436)**	**(1 734)**
Finance income		14 873	3 518
Finance expenses	10	(27 419)	(27 003)
Profit before tax		**(142 982)**	**(25 219)**
Income tax expense	8	(31)	-
PROFIT FOR THE PERIOD		**(143 013)**	**(25 219)**
OTHER COMPREHENSIVE INCOME		**-**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(143 013)**	**(25 219)**

2. INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at (CZK '000)	Notes	30 JUN 2018	31 DEC 2017	31 JAN 2017
ASSETS				
Non-current assets		**91 056**	**85 782**	**35 873**
Intangible assets		31 033	24 291	14 797
Investment in an subsidiary		200	200	200
Property, plant and equipment		45 463	48 889	18 461
Non-current deferred tax assets	9	9 067	9 099	-
Other non-current assets		5 293	3 303	2 415
Current assets		**544 815**	**643 991**	**368 540**
Inventories		199 645	192 369	158 535
Trade and other receivables	15	344 520	390 294	170 416
Other current assets		493	12 649	17 192
Cash and cash equivalents		157	48 679	22 397
TOTAL ASSETS		**635 871**	**729 773**	**404 413**
SHAREHOLDERS‘ EQUITY AND LIABILITIES				
Shareholder’ equity		**(67 706)**	**74 775**	**(154 638)**
Share capital		2 334	2 334	2 334
Share premium		396 150	396 150	145 988
Retained earnings		(330 446)	(306 633)	(269 874)
Net loss for the period		(143 013)	(23 813)	(36 759)
Share based compensation reserve	9	7 269	6 737	3 673
Non-current liabilities		**226 078**	**328 666**	**348 631**
Provisions		1 098	1 143	547
Loans from the third parties	10	224 980	327 523	157 183
Loans from the shareholders		-	-	190 900
Other non-current liabilities		-	-	1
Current liabilities		**477 499**	**326 332**	**210 420**
Trade and other payables		185 342	228 207	174 875
Loans from the third parties	10	186 930	118	290
Liabilities to employees		23 798	19 189	13 353
Other current liabilities		81 429	78 818	21 902
TOTAL EQUITY AND LIABILITIES		**635 871**	**729 773**	**404 413**

3. INTERIM CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(CZK '000)	Notes	Share capital	Share premium	Share based compensation reserve	Retained earnings	Total equity
At 1 January 2017		**2 334**	**145 988**	**3 673**	**(306 633)**	**(154 638)**
Profit for the year		-	-	-	(25 219)	**(25 219)**
Other comprehensive income		-	-	-	-	**-**
Comprehensive income for the year		-	-	-	(25 219)	**(25 219)**
Additional paid in capital		-	250 162	-	-	**250 162**
Additional share based compenstaion reserve	9	-	-	715	-	**715**
Dividends distribution		-	-	-	-	**-**
At 30 June 2017		**2 334**	**396 150**	**4 388**	**(331 852)**	**71 020**
Profit for the year		**-**	**-**	**-**	1 406	**1 406**
Other comprehensive income		**-**	**-**	**-**	**-**	**-**
Comprehensive income for the year		-	-	-	1 406	**1 406**
Additional paid in capital		**-**	**-**	**-**	**-**	**-**
Additional share based compenstaion reserve	9	**-**	**-**	2 349	**-**	**2 349**
Dividends distribution		**-**	**-**	**-**	**-**	**-**
At 31 December 2017		**2 334**	**396 150**	**6 737**	**(330 446)**	**74 775**
Profit for the year		-	-	-	(143 013)	**(143 013)**
Other comprehensive income		-	-	-	-	**-**
Comprehensive income for the year		-	-	-	(143 013)	**(143 013)**
Additional paid in capital		-	-	-	-	**-**
Additional share based compenstaion reserve	9	-	-	532	-	**532**
Dividends distribution		-	-	-	-	**-**
At 30 June 2018		**2 334**	**396 150**	**7 269**	**(473 459)**	**(67 706)**

4. INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the six months ended 30 June (CZK '000)	Notes	JUN 2018	JUN 2017
Cash flows from operating activities			
Profit before tax for the year		**(142 982)**	**(25 219)**
Non-cash adjustments to reconcile profit before tax to net cash flows:			
Amortization and depreciation		8 378	5 123
Provisions and allowances		997	15
SBC expense	9	532	715
Interest expense	10	11 179	12 497
Impairment loss on trade receivable	12	63 962	-
Working capital adjustments:			
(Increase) / decrease in inventories		(7 276)	5 726
(Increase) / decrease in trade and other receivables		(6 091)	12 234
Increase / (decrease) in trade and other payables		(27 666)	(5 779)
Interest paid		(10 264)	(12 495)
Net cash flows from operating activities		**(109 231)**	**(7 183)**
Cash flows from investing activities			
Acquisition of intangible assets		(9 951)	(7 594)
Acquisition of property, plant and equipment		(10 774)	(1 226)
Borrowings to related parties		(1 931)	(95 405)
Net cash used in investing activities		**(22 656)**	**(104 225)**
Cash flows from financing activities			
External borrowings		83 365	33 413
Loan repayment		-	(190 900)
Additional paid in capital		-	250 162
Net cash used in financing activities		**83 365**	**92 675**
Net increase / (decrease) in cash and cash equivalents		(48 522)	(18 733)
Cash and cash equivalents at beginning of period		48 679	22 397
Cash and cash equivalents at end of period		**157**	**3 664**

5. NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR 6 MONTHS ENDED 30 JUNE 2018

1. GENERAL INFORMATION

ZOOT Company ("ZOOT a.s." or "Company") is a retailer with hybrid business model which connects the advantages of e-commerce and classical brick-and-mortar outfits, a unique omni-channel concept that combines the best of the online and offline worlds into a fast-growing brand. With over 300 international brands, ZOOT offers fashion and home accessories for men, women and children at both mass market and premium price levels.

Stock exchange listing

The company is listed on the Prague Stock Exchange as a bond issuer (ISIN CZ0003516890).

Management

BOARD OF DIRECTORES

- Ladislav Trpák - Chairman
- Petr Ladžov
- Hana Matuštíková (term of her function expired on 30 June 2018)

On 30 June 2018 terms of Ladislav Trpák, Petr Ladžov and Hana Matuštíková functions expired. Ladislav Trpák and Petr Ladžov were reelected in their functions for another 5 years.

SUPERVISORY BOARD

- Oldřich Bajer - Chairman
- Kamila Říhová
- Elbruz Yilmaz
- Luděk Palata

AUDIT COMMITTEE

- Stanislav Staněk - Chairman
- Jiří Pelák
- Radko Matyáš

Company structure and identification

The Company is part of the ZOOT BV Group (hereinafter the "ZOOT Group") based in Strawinskylaan 937, 1077XX Amsterdam, The Netherlands. The Parent Company prepares consolidated IFRS financial statements in accordance with IAS 34 as adopted by EU which are available at the registered address of the Parent Company.

The Company is directly own by ZOOT B.V. of which the ultimate shareholders as of 31 December 2016 and 2017 are as follows:

	Interest in ultimate parent share capital	
	30 June 2018	31 December 2017
Oldřich Bajer	39,08%	39.36%
TCEE Fund III S.C.A. SICAR	37,46%	35.76%
Ladislav Trpák	13,03%	13.82%
Petr Ladžov	5,60%	5.93%
BHS Fund II. – Private Equity, investment fund a.s.	4,84%	5.13%

The Company holds an equity investment BOREM s.r.o. (100% shares). This company is not engaged in any business activity.

The Company has sister related parties ZOOT SK s.r.o. (hereinafter the "ZOOT SK") and ZOOT srl (hereinafter the "ZOOT RO") which are sales and distribution partners for the Slovak and Romanian markets.

2. BASIS OF PREPARATION

These Interim Condensed Interim Financial Statements ("Financial Statements") for the six months ended 30 June 2018 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted in the European Union. These are the Company's first International Financial Reporting Standard (IFRS Standard) Condensed Interim Financial Statements for part of the period covered by the first IFRS annual Financial Statements and IFRS 1 First-time Adoption of International Financial Reporting Standards, as adopted by the European Union, has been applied. These Financial Statements do not include all of information required for full set of annual Financial Statements prepared under IFRS.

The interim condensed financial statements have been prepared on a historical cost basis. The accompanying interim condensed financial statements were prepared on going concern basis. The Company's fiscal year begins on 1 January and ends on 31 December.

Functional and presentation currency

The financial statements are presented in Czech crowns (CZK), which is the Company's functional and presentation currency. All values are rounded to the nearest thousand (CZK '000), except where otherwise indicated.

Information on independent auditor

The interim condensed financial statements of the ZOOT a.s. were not audited.

3. FIRST TIME ADOPTION

The Company has adopted IFRS effective for its annual financial statements beginning 1 January 2018. The audited financial statements for the year ended December 2018 will be the first annual financial statements that comply with IFRS, including the application of IFRS 1 "First time Adoption of International Reporting Standards". IFRS 1 requires an entity to adopt IFRS in its first annual financial statements prepared under IFRS by making an explicit and unreserved statement of compliance with IFRS in those financial statements. We will make this statement of compliance when we issue our 2018 annual financial statements.

The interim condensed financial statements for the six – month period ended 30 June 2018 are the first financial statements that the Company has prepared in accordance with IFRS. The Company has prepared the interim financial statements which comply with IFRS applicable for periods ended on or after 30 June 2018, together with the comparative period data as at and for the year ended 31 December 2017, as described in the accounting policies in Note 4. In preparing these financial statements, the Company's opening statement of financial position was prepared as at 1 January 2017, the Company's date of transition to IFRS.

For periods up to and including the year ended 31 December 2017, the Company prepared its financial statements only in accordance with Czech Generally Accepted Accounting Principles (GAAP) issued in the Czech Republic (the "Czech GAAP").

The Company has applied IFRS 1 First-time Adoption of International Financial Reporting Standards in preparing the opening statement of financial position at the date of transition to IFRS. IFRS 1 sets out the procedures that the

Company must follow when it adopts IFRS for the first time as the basis for preparing its consolidated financial statements. The Company is required to establish its IFRS accounting policies as at 30 June 2018 and, in general, apply these retrospectively to determine the IFRS opening statement of financial position at its date of transition, 1 January 2017.

This standard allows certain exemptions from retrospective application of certain requirements under IFRS applicable for periods ended on or after 30 June 2018. The Company did not elect to apply any exemptions for first-time IFRS adoption.

The estimates at 1 January 2017 and at 31 December 2017 are consistent with those made for the same dates in accordance with local generally accepted accounting principles ("Local GAAP") (after adjustments to reflect any differences in accounting policies).

In preparing its IFRS based interim condensed financial statements for the six-month periods ended 30 June 2018, the Company has analysed the impact and noted that following adjustments are required to be made to the amounts previously reported in the financial statements prepared in accordance with the Czech GAAP.

Company's reconciliation of equity as at 1 January 2017 (date of transition to IFRS)

CZK '000	Notes	Local GAAPs	Local GAAPs to IFRS adjustments	IFRS
Non-current assets		**35 504**	**369**	**35 873**
Intangible assets		14 797	-	14 797
Investment in an subsidiary		200	-	200
Property, plant and equipment	B	18 092	369	18 461
Other non-current assets		2 415	-	2 415
Current assets		**368 540**	**-**	**368 540**
Inventories		158 535	-	158 535
Trade and other receivables		170 416	-	170 416
Other current assets		17 192	-	17 192
Cash and cash equivalents		22 397	-	22 397
TOTAL ASSETS		**404 044**	**369**	**404 413**
Shareholders' equity		**(157 394)**	**2 756**	**(154 638)**
Share capital		2 334	-	2 334
Share premium		145 988	-	145 988
Retained earnings	B,C	(272 988)	3 114	(269 874)
Net profit / (loss) of period	refer to P&L	(32 728)	(4 031)	(36 759)
Reserve	C	0	3 673	3 673
Non-current liabilities		**353 058**	**(4 427)**	**348 631**
Provisions	B, C	2 040	(1 493)	547
Loans from the third parties LT	D,F	160 000	(2 817)	157 183
Loans from the shareholders		190 900	-	190 900
Other non-current liabilities	E	118	(117)	1
Current liabilities		**208 380**	**2 040**	**210 420**
Trade and other payables	E	175 165	(290)	174 875
Loans from the third parties ST	E	0	290	290
Liabilities to employees	C	11 313	2 040	13 353
Other current liabilities		21 902	-	21 902
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**404 044**	**369**	**404 413**

Company's reconciliation of equity as at 30 June 2017

CZK '000	Notes	Local GAAPs	Local GAAPs to IFRS adjustments	IFRS
Non-current assets		**39 510**	**281**	**39 791**
Intangible assets		19 624	-	19 624
Investment in an subsidiary		200	-	200
Property, plant and equipment	B	17 267	281	17 548
Other non-current assets		2 419	-	2 419
Current assets		**427 248**	**-**	**427 248**
Inventories		152 809	-	152 809
Trade and other receivables		266 883	-	266 883
Other current assets		3 892	-	3 892
Cash and cash equivalents		3 664	-	3 664
TOTAL ASSETS		**466 758**	**281**	**467 039**
Shareholders' equity		**68 982**	**2 038**	**71 020**
Share capital		2 334	-	2 334
Share premium		396 149	-	396 149
Retained earnings	B, C, D	(305 715)	(917)	(306 632)
Net profit / (loss) of period	refer to P&L	(23 786)	(1 433)	(25 219)
Reserve	C	-	4 388	4 388
Non-current liabilities		**189 077**	**(1 757)**	**187 320**
Provisions	B	-	779	779
Loans from the third parties LT	D	189 077	(2 563)	186 541
Current liabilities		**208 699**	**-**	**208 699**
Trade and other payables		128 402	-	128 402
Loans from the third parties ST		4 743	-	4 743
Liabilities to employees		21 181	-	21 181
Other current liabilities		54 373	-	54 373
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**466 758**	**281**	**467 039**

Company's reconciliation of equity as at 31 Dec 2017

CZK '000	Notes	Local GAAPs	Local GAAPs to IFRS adjustments	IFRS
Non-current assets		**82 923**	**2 859**	**85 782**
Intangible assets		24 291	-	24 291
Investment in an subsidiary		200	-	200
Property, plant and equipment	B	48 330	559	48 889
Non-current deferred tax assets	B, C, D	6 799	2 300	9 099
Other non-current assets		3 303	-	3 303
Current assets		**643 991**	**-**	**643 991**
Inventories		192 369	-	192 369
Trade and other receivables		390 294	-	390 294
Other current assets		12 649	-	12 649
Cash and cash equivalents		48 679	-	48 679
TOTAL ASSETS		**726 914**	**2 859**	**729 773**
Shareholders' equity		**65 920**	**8 855**	**74 775**
Share capital		2 334	-	2 334
Share premium		396 149	-	396 149

Retained earnings	B, C, D	(305 715)	(917)	(306 632)
Net profit / (loss) of period	refer to P&L	(26 848)	3 035	(23 813)
Reserve	C	-	6 737	6 737
Non-current liabilities		**334 662**	**(5 996)**	**328 666**
Provisions	B	1 215	(72)	1 143
Loans from the third parties LT	D	333 447	(5 924)	327 523
Current liabilities		**326 332**	**-**	**326 332**
Trade and other payables		228 207	-	228 207
Loans from the third parties		118	-	118
Loans from the shareholders		19 189	-	19 189
Other current liabilities		78 818	-	78 818
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**726 914**	**2 859**	**729 773**

Reconciliation of total comprehensive income for the six month period ending 30 June 2017

CZK '000	Notes	Local GAAPs	Local GAAPs to IFRS adjustments	IFRS
Revenues	A	476 256	(1 862)	474 394
Cost of sales		(249 227)	-	(249 227)
Gross profit		**227 029**	**(1 862)**	**225 167**
Operating expenses		**(227 647)**	**746**	**(226 901)**
Marketing and other services	A,B	(91 051)	1 556	(89 495)
Employee benefits expenses	C	(80 299)	(810)	(81 109)
Shipping and distribution costs		(26 576)	-	(26 576)
Rental costs		(16 619)	-	(16 619)
Consumption of materials		(6 929)	-	(6 929)
Depreciation and amortization		(5 123)	-	(5 123)
Other operating expenses		(2 358)	-	(2 358)
Other operating income		1 308	-	1 308
Operating profit		**(618)**	**(1 116)**	**(1 734)**
Finance income	C	3 423	95	3 518
Finance expense	B, D	(26 591)	(412)	(27 003)
Profit before tax		(23 786)	(1 433)	(25 219)
Income tax		-	-	-
PROFIT FOR THE YEAR		(23 786)	(1 433)	(25 219)
Other comprehensive income		-	-	-
COMPREHENSIVE INCOME FOR THE YEAR		(23 786)	(1 433)	(25 219)

Reconciliation of total comprehensive income for the 12 month period ending 31 December 2017

CZK '000	Notes	Local GAAPs	Local GAAPs to IFRS adjustments	IFRS
Revenues	A	1 075 760	(2 774)	1 072 986
Cost of sales		(548 340)	-	(548 340)
Gross profit		**527 420**	**(2 774)**	**524 646**

Operating expenses		**(511 011)**	**439**	**(510 572)**
Marketing and other services	A,B	(219 003)	3 598	(215 405)
Employee benefits expenses	C	(166 065)	(3 159)	(169 224)
Shipping and distribution costs		(52 294)	-	(52 294)
Rental costs		(35 871)	-	(35 871)
Consumption of materials		(19 369)	-	(19 369)
Depreciation and amortization		(12 367)	-	(12 367)
Other operating expenses		(10 443)	-	(10 443)
Other operating income		4 401	-	4 401
Operating profit		**16 409**	**(2 335)**	**14 074**
Finance income	C	11 783	95	11 878
Finance expense	B, D	(61 839)	2 975	(58 864)
Profit before tax		**(33 647)**	**735**	**(32 912)**
Income tax		-	-	-
Deferred tax income / expense	B, C, D	6 799	2 300	9 099
PROFIT FOR THE YEAR		**(26 848)**	**3 035**	**(23 813)**
Other comprehensive income		-	-	-
COMPREHENSIVE INCOME FOR THE YEAR		**(26 848)**	**3 035**	**(23 813)**

Explanation of material adjustments to the statement of cash flow (local GAAP vs. IFRS) for 12 month period ending 31 December 2017

CZK '000	**Notes**	**Local GAAPs**	**Local GAAPs to IFRS adjustments**	**IFRS**
Profit before tax for the year	refer to P&L	**(33 647)**	**735**	**(32 912)**
Non-cash adjustments to reconcile profit before tax to net				
Amortization and depreciation		12 367	-	12 367
Loss / (gain) on disposals of non-current assets		128	(128)	-
Provisions and allowances		(801)	816	15
Share based compensation expense	C	-	3 064	3 064
Interest income		-	(1)	(1)
Interest expense		20 719	1 135	21 854
Unrealized foreign exchange gains and losses and other non-cash transactions		4 808	(4 808)	-
Working capital adjustments:				
(Increase) / decrease in inventories		(49 548)	15 714	(33 834)
(Increase) / decrease in trade and other		(70 300)	(20 891)	(91 191)
Increase / (decrease) in trade and other	B,C,D	61 680	8 488	70 168
Interest received		1	-	1
Interest paid	D	(15 737)	(4 124)	(19 861)
Net cash flows from operating activities		**(70 330)**	**-**	**(70 330)**
Cash flows from investing activities				
Acquisition of intangible assets		(16 271)	-	(16 271)
Acquisition of property, plant and equipment		(15 974)	356	(15 618)
Borrowings to related parties		(103 919)	-	(103 919)

Net cash used in investing activities		**(136 164)**	**356**	**(135 808)**
Cash flows from financing activities				
External borrowings		173 330	(172)	173 158
Company loan financing	F	-	(190 900)	(190 900)
Additional paid in capital	F	59 446	190 716	250 162
Net cash used in financing activities		**232 776**	**(356)**	**232 420**
Net increase in cash and cash equivalents		26 282	-	26 282
Cash and cash equivalents at beginning of period		**22 397**	**-**	**22 397**
Cash and cash equivalents at end of period		**48 679**	-	**48 679**

Notes to the reconciliation of equity as at 1 January 2017, 30 June 2017 and 31 December 2017, total comprehensive income for the year ending 30 June 2017 and 31 December 2017 and statement of cash flow for the year ending 30 December 2017 (except for reclassifications):

A. Barter business

Under Local GAAP, the Company recognized advertising revenue and expenses from barter transactions for which the revenue cannot be measured reliably. Under IFRS, such revenue and expenses are not recognized.

B. Restoration provision

Under Local GAAP, the Company did not recognize restoration provision for leased premises. The provision was recorded for IFRS conversion.

C. Share based payments

Under Local GAAP, the Company recognized shared based payment awards as a liability at fair value which is remeasured at the end of each reporting period (until March 2017) or is not recognized at all (from April 2017). Under IFRS, the Company's share based payments must be treated as equity settled and therefore measured at the fair value as of the grant date in the Equity (and not remeasured at the end of each reporting period).

D. Bond issuance costs

Under Local GAAP, the Company records bonds issuance costs directly to finance expenses in the period of bond issuance, under IFRS the bond issuance costs are determined using effective interest rate method.

E. Reclassification

Under Local GAAP, the Company recognizes some items as a Trade and other liabilities, under the IFRS such items are recognized as a long-term and short-term loans from the third parties.

F. Parent company loan capitalization

Under the Local GAAP, the Company reports the cash outflow from a repayment of the parent company loan and cash inflow from provided additional paid in capital from its parent company on a net basis, under the IFRS these are reported as a two separate transactions in statement of cash flow.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim condensed financial statements as at 30 June 2018 were prepared in accordance with International Standard IAS 34 and were not audited by an independent auditor. The interim consolidated financial statements do not contain all the information required in the annual financial statements.

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

4.1. New and amended standards and interpretations

The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2018. The Group applies, for the first time, IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments. There are no changes in accounting policies regarding revenues and financial instruments, as this is the first set financial statements issued based on IFRS.

Standards issued but not yet effective and not early adopted
The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- **IFRS 16: Leases**
  The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. Management is in the process of assessing the impact of the standard which is likely to result in a decrease in operating expenses offset by an increase in depreciation and finance costs but is not expected to have a material impact on profit before tax. In addition, there is expected to be an increase in property, plant and equipment with a corresponding increase in liabilities as applicable leases are brought onto the balance sheet.

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**
  The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. The amendments do not have any impact on the Company, given that it has no subsidiaries, associates or joint ventures.

- **IFRS 9: Prepayment features with negative compensation (Amendment)**
  The Amendment is effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be 'negative compensation'), to be measured at amortized cost or at fair value through other comprehensive income. This amendment does not have any significant impact on the Company's financial statements.

- **IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments)**
  The Amendments are effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendments relate to whether the measurement, in particular impairment requirements, of long term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 Financial Instruments, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long- term interests that arise from applying IAS 28. These Amendments have not yet been endorsed by the EU. The amendments do not have any impact on the Company, given that it has no associates or joint ventures.

- **IFRIC INTERPRETATION 23: Uncertainty over Income Tax Treatments**
  The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. This Interpretation has not yet been endorsed by the EU. This IFRIC interpretation does not have any significant impact on the Company's financial statements.

- **IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)**
  The Amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The amendments require entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement has occurred. The amendments also clarify how the accounting for a plan amendment, curtailment or settlement affects applying the asset ceiling requirements. These Amendments have not yet been endorsed by the EU. The amendments do not have any impact on the Company, given that it has no defined benefit pension plans.

- **Conceptual Framework in IFRS standards**
  The IASB issued the revised Conceptual Framework for Financial Reporting on 29 March 2018. The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. IASB also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. It's objective is to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction. For preparers who develop accounting policies based on the Conceptual Framework, it is effective for annual periods beginning on or after 1 January 2020.

- The **IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. These annual improvements have not yet been endorsed by the EU. These improvements do not have any significant impact on the Company's financial statements.

  - ***IFRS 3 Business Combinations and IFRS 11 Joint Arrangements***: The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
  - ***IAS 12 Income Taxes***: The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.
  - ***IAS 23 Borrowing Costs***: The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

4.2. Current versus non-current classification

The Company 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
- 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
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

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

4.3. Recognition of Revenue from Contracts with Customers

(a) Sale of goods

Revenue consists primarily of internet and store sales of fashion and home accessories.

The Company's contracts with customers for the sale of fashion and home accessories generally include one performance obligation. In case that the customer orders more items at the same time then single contract has more performance obligations. The Company has concluded that revenue from sale of goods should be recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

i. Variable consideration

Contracts for the sale of fashion and home accessories provide customers with a right of return. Under IFRS 15, rights of return give rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. For estimation of expected returns the Company uses method of expected value (based on prior experience) – the Company estimates the percentage of returns from last 3 month sales of the accounting period (90 days) based on returns in prior years. Usually it is expected that about 5-6% of revenues will be returned back to the Company.

The Company presents a refund accrual within *Other current liabilities* and the initial carrying amount of goods expected to be returned within *Inventories* in the statement of financial position.

ii. Principal versus agent considerations

Part of the Company's revenues are done via consignment sales - the goods of the supplier are sold to the final customer via the Company. Under the consignment sales terms the Company is eligible for a commission computed from sold goods, usually as a % from the amount billed to the customer.

The IFRS 15 states that if an entity does not obtain control of the goods in advance of transferring them to the customer, then it is an agent for that good. If the entity is an agent for the sale of goods then only recognizes the net revenue, i.e. commission. The Company performed Principal/Agent analysis and concluded that the Company should be recognized as an Agent for consignment sales for revenue recognition purposes. The Company therefore recognizes revenue on a net basis, i.e. revenue equals only to the sales margin.

iii. Presentation and disclosure requirements

As required for the condensed interim financial statements, the Company disaggregated revenue recognized from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Company also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. Refer to Note 7 for the disclosure on disaggregated revenue.

(b) Rendering of services

The Company provides strategic and business support services mainly to its subsidiaries. These services are sold separately, i.e. not bundled with sale of other goods or services of the Company. The Company assesses there is one performance obligation in a contract for these services. The corresponding revenue is recognized over time, because the customer simultaneously receives and consumes the benefits provide by the Company. In addition, the services are regularly computed and charged on monthly basis for the services provided in the current month.

The Company doesn't recognize advertising revenue and expenses from barter transactions for which the revenue cannot be measured reliably.

4.4. Cost of sales

Expenses directly connected with sale of products and provision of services are recognized as cost of revenues. Costs that are not incremental to the sale of an additional product or service or are not directly connected to the sale of products or provision of services are classified as operating costs.

4.5. Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

4.6. Operating profit

Operating profit is defined as profit before financial results and taxes and represents profit from the business operations.

4.7. Financial income and expenses

Financial income and expenses consist of foreign exchange gains and losses, interest income, interest expense and other financial expense. When a non-current liability is discounted to a net present value the unwinding of the discount is presented as an interest expense.

4.8. 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 Company 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 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.

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.

4.9. Foreign currency transactions

Transactions in foreign currencies are initially recorded by the Company at the 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.

4.10. Intangible Assets

Intangible assets are carried at cost less 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.

Intangible assets with finite lives are amortized over their 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. The amortization expense on intangible assets with finite lives is recognized in the income statement in the separate expense category.

Items of intangibles with a cost not exceeding CZK 2 thousand are directly expensed.

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

	Years
Software	2-7
Patents and rights	10

Gains or losses arising from de-recognition 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 income statement when the asset is de-recognized.

Patents and rights

The Company made upfront payments to register patents and purchase rights. The patents granted for definite periods are amortized over their useful lives.

4.11. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. 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.

The present value of the expected cost for the restoration of rented premises after the end of their use is included in the cost of construction if the recognition criteria for a provision are met. Refer to the accounting policy on Provisions for further information about the recorded restoration provision.

Ordinary repairs and maintenance costs are charged to the income statement in the accounting period during which they are incurred.

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

	Years
Buildings	3-10
Leasehold improvements	3-10
Machinery and equipment	3-10

Furniture and fixtures	3-10
Other tangibles	3-10

Gains or losses arising from de-recognition of tangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is de-recognized.

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.

Items of property, plant and equipment with useful lives of more than one year and with a cost not exceeding CZK 1 thousand are directly expensed.

4.12. 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.

Operating leases

Leases where the Company as a lessee does not obtain substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments, other than contingent rentals, are recognized as an expense in the statement of income on a straight-line basis over the lease term.

Finance leases

Leases which transfer to the Company substantially all the risks and rewards incidental to ownership of the leased item are classified as finance leases and are capitalized at the inception of the lease at the 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 income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company 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.

4.13. Inventories

Inventories are valued at the lower of cost and net realizable value, using first-in-first-out (FIFO) cost basis.

Cost of purchase comprises the purchase price including import duties and other taxes, transport and handling costs and any other directly attributable costs, less trade discounts.

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

Inventories older than 3 years are fully provided for. Damaged inventories are provisioned to 50% of their book value due to expected sale at discount in *ZOOTLet* promotions.

4.14. Receivables

Trade receivables are carried at the original invoice amount, including value-added tax and other sales taxes, and less allowance for doubtful receivables. Subsequently they are measured at amortized costs.

Trade receivables do not include a significant financing component because they are due within 14 days of the invoice date. The Company therefore applies the simplified approach and recognizes lifetime expected credit loss (ECL) on the trade receivables. The Company applies the provision matrix as a practical expedient to calculate ECLs under the simplified approach. The provision matrix is based on Company's historical observed loss rates and is adjusted for forward-looking information. At every reporting date, the historical observed loss rates are updated and changes in the forward-looking information are analyzed. In determining lifetime ECLs for trade receivables without a significant financing component, the time value of money will not need to be considered as it is insignificant. The ECLs therefore does not need to be discounted.

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

The Company has a low retail credit risk with external customers due to transactions being principally of high volume, low value and instant maturity.

The Company has no significant concentration of retail credit risk with external customers, as exposure is spread over a large number of counterparties and customers.

The Company has also two related party distributors, towards which the trade receivables are significant. The Company assessed the credit risk of these two customers individually - refer to Note 12.

4.15. Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and liquid valuables.

For the purpose of the 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 Company's cash management.

Cash at banks represent current account on demand, therefore 12-month and lifetime expected losses are the same. Moreover, all cash is held at banks with high creditworthiness (i.e. a high credit rating) therefore no significant credit losses are expected.

4.16. Provisions

Provisions are recognized when the Company 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.

Restoration provision

The provision for restoration of the leased premises is recorded at the present value of expected costs to settle the obligation using estimated cash flows and is recognized as part of the cost of leasehold improvements. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the restoration provision. The unwinding of the discount is expensed as incurred and recognized in the income statement as a finance cost. The estimated future costs of restoration are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

4.17. Employee benefits

Pension obligations

Contributions are made to the Government's health, retirement benefit and unemployment plan at statutory rates applicable during the period and are based on gross salary payments. The arrangements of the Government's health, retirement benefit and unemployment plans qualify as defined contribution plans. The Company has no further payment obligations once the contributions have been paid. The expense for the contributions is charged to profit or loss in the same period as the related salary expense.

Provision for untaken vacation

The provision for untaken vacation entitlement is recorded based on analysis of untaken holiday in current accounting period and average wages including social security and health insurance cost for individual employees.

4.18. Share-based payments

Employees or freelancers of the Company ("Authorized Persons") may receive remuneration in the form of share-based payment transactions from the parent Company ZOOT B.V. whereby employees or freelancers render services as consideration for Share Appreciation Rights Certificates ("SARs") which are settled in cash (cash-settled transactions) by ZOOT B.V. The Company receives services but incurs no obligation to its employees and freelancers to settle the share-based payment transactions (the obligation is at ZOOT B.V). The share-based payment transactions are therefore accounted for by the Company as equity-settled.

Equity-settled transactions

The cost of equity-settled transactions is measured by reference to the fair value of the equity instruments granted at the grant date, further details are given in Note 22. This fair value is expensed over the period until the vesting date with corresponding credit entry in Equity. Therefore, initially at grant date, fair value of the award is determined. At each subsequent reporting date until vesting, the entity calculates a best estimate of the cumulative charge to profit and loss at the date, being the product of:

i. the grant date fair value of the award
ii. the current best estimate of the number of awards that will vest; and
iii. the expired portion of the vesting period

The charge (or credit) to profit or loss (Personnel expenses) for the period is the cumulative amount calculated in points above less the amounts already charged in previous periods. There is a corresponding credit (or debit) to equity.

4.19. 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 Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

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.

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.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, 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.

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

Share-based payment transactions

The Company initially measures the cost of equity-settled transactions with employees using a binomial model to determine the fair value of the award provided. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions at the grant date are disclosed in Note 11.

Refund accruals

Accruals for sales returns are estimated on the basis of historical returns. These accruals are reviewed regularly and updated to reflect management's latest best estimates, although actual returns could vary from these estimates.

Inventory valuation

Inventory is carried at the lower of cost and net realizable value, based on FIFO, which requires an estimation of products' future selling prices.

Taxes

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

The Company has CZK 284 780 thousand of tax losses carried forward as at 30 June 2018 (CZK 220 286 thousand as of 31 December 2017). These losses do expire and may not be fully used to offset taxable income in the Company. The Company recognized deferred tax assets in the amount of CZK 4 225 thousand only for a part of tax losses amounting to CZK 22 238 thousand. With respect to the residual tax losses, the Company doesn't have any tax planning opportunities available that could support the recognition of these losses as deferred tax assets. On this basis, the Company has determined that it cannot recognize deferred tax assets on the tax losses carried forward except for the part mentioned above.

If the Company was able to recognize all unrecognized deferred tax assets, profit and equity would have increased by CZK 49 883 thousand. Further details on taxes are disclosed in Note 9.

Restoration provision

As part of the recognition of technical improvement of leased premises the Company has recognized a provision for restoration of those premises. In determining the the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, assumptions and estimates are made in relation to discount rates, the expected cost to dismantle and remove the technical improvement performed and the expected timing of those costs. The carrying amount of the provision as at 30 June 2018 was CZK 1 098 thousand (as at 31 December 2017: CZK 1 143 thousand). The Company estimates that the costs would be realized in 1 years' time upon the expiration of the lease and calculates the provision using the DCF method based on the following assumptions:

- Discount rate – 2.70%

If the estimated pre-tax discount rate used in the calculation had been 1.0% higher than management's estimate, the carrying amount of the provision would have been CZK 25 thousand lower.

6. REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenues for the six months ended 30 June were as follows (CZK '000):

	30 June 2018	30 June 2017
Gross revenue	544 301	500 733
Discounts	(10 753)	(12 093)
Refund accruals	(15 444)	(14 246)
Total revenue from contracts with customers	**518 104**	**474 394**

Disaggregation of the Company's revenue from contracts with customers (CZK '000):

For the six months ended 30 June 2018	CZ customers	Abroad customers	Total
Goods transferred at point in time	383 814	78 109	461 923
Services transferred over time	14 918	41 263	56 181
Total revenue from contracts with customers	**398 732**	**119 372**	**518 104**

For the six months ended 30 June 2017	CZ customers	Abroad customers	Total
Goods transferred at point in time	339 492	81 306	420 798
Services transferred over time	3 933	49 663	53 596
Total revenue from contracts with customers	**343 425**	**130 969**	**474 394**

The CZ customers represent sales to the end users located in Czech whereas the Abroad customers represent sales to the Slovak and Romanian related party distributors.

Significant customers

The Company did not identify any customer in the six-month periods ended 30 June 2018 and 30 June 2017 that generated more than 10 % of the Company's revenue other than ZOOT SK, related party distributor in Slovakia. ZOOT SK contributed by 19 % and 20 % to the total revenue in the six-month periods ended 30 June 2018 and 30 June 2017 respectively.

Seasonality

Seasonality is associated with periodic deviation in demand and supply, of certain significance in the shaping of the Company's general sales trends. Fashion internet sales peak appears in the 4th quarter of the year. This is caused by Black Friday and Christmas shopping. In the year ended 31 December 2017, about 21 % (23 % in 2016) of revenue from the sales of fashion products was earned in the 1st quarter, with 23 % (22 % in 2016), 21 % (20 % in 2016) and 35 % (34 % in 2016) of the annual revenues earned in the 2nd, 3rd and 4th quarters, respectively.

7. SEGMENTAL INFORMATION

IFRS 8 'Operating Segments' requires operating segments to be determined based on the Company's internal reporting to the Chief Operating Decision Maker. The Chief Operating Decision Maker has been determined to be the Management Board who receive information on the basis of the Company's operations in key geographical territories, based on the Company's management and internal reporting structure. The Management Board assesses the performance of each segment based on revenue and gross profit after distribution expenses, which excludes administrative expenses.

For the six months ended 30 June 2018

CZK '000	CZ	SK	RO	TOTAL segment	Intercompany adjustments	Reconci-liation
Sale of goods (end users)	383 814	93 848*	22 632*	500 294	(38 371)*	461 923
Sale of services	14 918	-	-	14 918	41 263	56 181
Total	**398 732**	**93 848**	**22 632**	**515 212**	**2 892**	**518 104**
Cost of sales	(228 439)	(52 581)	(13 324)	(294 344)	-	(294 344)
Gross profit	**170 293**	**41 267**	**9 308**	**220 868**	**2 892**	**223 760**
Distribution expenses	(17 114)	(4 099)	(3 016)	(24 228)	-	(24 228)
Segment result	**153 180**	**37 168**	**6 292**	**196 640**	**2 892**	**199 532**
Operating and other expenses net of intercompany service recharges				(288 705)	(41 263)	(329 968)
Operating profit				**(92 065)**	**(38 371)**	**(130 436)**
Finance expense, net				(12 577)	-	(12 577)
Profit before tax				**(104 642)**	**(38 371)**	**(143 013)**

For the six months ended 30 June 2017

CZK '000	CZ	SK	RO	TOTAL segment	Intercompany adjustments	Reconci-liation
Sale of goods (end users)	339 492	73 439*	26 509*	439 440	(18 642)*	420 798
Sale of services	3 933	-	-	3 933	49 663	53 596
Total	**343 425**	**73 439**	**26 509**	**443 373**	**31 021**	**474 394**
Cost of sales	(194 901)	(40 111)	(14 215)	(249 227)	-	(249 227)
Gross profit	**148 524**	**33 328**	**12 294**	**194 146**	**31 021**	**225 167**
Distribution expenses	(16 595)	(5 299)	(4 682)	(26 576)	-	(26 576)
Segment result	**131 929**	**28 029**	**7 612**	**167 570**	**31 021**	**198 591**
Administrative expenses net of intercompany service recharges				(150 662)	(49 663)	(200 325)
Operating profit				**16 908**	**(18 642)**	**(1 734)**
Finance expense, net				(23 485)	-	(23 485)
Profit before tax				**(6 577)**	**(18 642)**	**(25 219)**

* Sale of goods (end users) in SK and RO represents sales to the final SK and RO customers generated by abroad related distributors. The remuneration for distributor's sale activities is based on transfer pricing study which is adjusted as an intercompany adjustment.

Due to the nature of its activities, the Company is not reliant on any individual major external customers. No analysis of the assets and liabilities of each operating segment is provided to the Chief Operating Decision Maker in the monthly management accounts. Therefore no measure of segments assets or liabilities is disclosed in this note.

The Company had all its non-current assets located in the Company's country of domicile (Czech Republic) as at 30 June 2018 and 30 December 2017 respectively.

8. INCOME TAX

Structure of the income tax for the six months ended 30 June is as follows (CZK '000):

	30 June 2018	30 June 2017
Current income tax	-	-
Deferred tax	31	-
Total	**31**	**-**

Reconciliation of effective income tax expense computed at the statutory rate and actual income tax expense incurred for the period ended 30 June is as follows (CZK '000):

	30 June 2018	30 June 2017
Accounting profit before income tax	(142 982)	(25 219)
At Czech Republic's statutory rate of 19 %	(27 167)	(4 792)
Creation of tax loss	12 255	(178)
Permanent differences	856	3 208
Temporary differences	14 087	1 762
Income tax expense	**31**	**-**
Effective tax rate	***(0.0)%***	***0.0%***

The Group quantified deferred taxes as at 30 June as follows (CZK '000):

Deferred tax items	30 June 2018		31 December 2017	
	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	1 859	-	1 639	-
Other temporary differences:				
Allowances	352	-	352	-
Provisions	1 702	-	583	-
Tax losses	54 108	-	41 854	-
Other	2 335	67	2 406	106
Total	**60 356**	**67**	**46 834**	**106**
Valuation allowance	(51 222)	-	(37 629)	-
Deferred tax asset, net	**9 067**	**-**	**9 099**	**-**

The Company can carry forward tax losses generated for up to 4 – 7 years based on the Czech jurisdiction. The remaining tax loss carryforward from the years 2010 through 2018, the benefit of which has been only partially recognized in the accompanying financial statements for the tax loss amounted to CZK 22 238 thousand and has not been recognized for tax loss amounted to CZK 262 542 thousand as at 30 June 2018. It will be recorded when realized.

9. SHARE-BASED PAYMENTS

Share Appreciation Rights Program

The Company's employees and ZOOT freelances ("Authorized Persons") can be granted share appreciation rights certificates ("SARs") from the parent Company ZOOT B.V., which are settled in cash (cash-settled transactions) by ZOOT B.V. The Company receives services but incurs no obligation to its employees and freelancers to settle the share-based payment transactions (the obligation is at ZOOT B.V). The share-based payment transactions are therefore accounted for by the Company as equity-settled.
The size of the SARs claim of an Authorized Person depends on the length of the time period starting 15 December 2014 ("3TS Investment Date") during which the Authorized Person was an employee or a Freelancer of ZOOT until the exit date. The exit date represents a day upon which i) settlement of sale of any ordinary registered shares issued by the Company occurs; and ii) the Shareholders receive remuneration from such sale.

SARs Performance is calculated as follows:

SARs Performance = Aggregate Price x Number of SARs / Aggregate Number of Shares

- A claim in the amount of 25 % of the SARs Performance is awarded for the time period starting on the 3TS Investment Date until two years from the 3TS Investment Date (i.e., up to and including December 15, 2016);

- If the Authorized Person was an employee or a freelancer of ZOOT for the time period from two to three years after the 3TS Investment Date (i.e. from (and including) December 16, 2016 through December 15, 2017), the Authorized Person shall have a claim for a further part of up to 35 % of the Option Performance, as per the following formula:

  Part of the SARs Performance = 25% + 10% x (Number of days – 730) / 365

  with the specific amount to be determined proportionally to the number of days during which the Authorized Person was an employee or a freelancer of ZOOT in the given time period;

- If the Authorized Person was an employee or a freelancer of ZOOT for the time period of three years after the 3TS Investment Date, the Authorized Person has a claim for 50 % of the Option Performance; and

- If the Authorized Person was an employee or a freelancer of ZOOT for a time period exceeding three years after the 3TS Investment Date but not until the Exit Date, then the Authorized Person shall have a claim for up to 100% of the Option Performance, as per the following formula:

  Part of the SARs Performance = 50% + 50% x (Number of days – 1095) / (Days until Exit Date – 1095)

- If the Authorized Person was an employee or a freelancer of ZOOT until the Exit Date, the Authorized Person has a claim for 100 % of the Option Performance.

The carrying amount of the equity relating to the SARs at 30 June 2018, 31 December 2017 and 1 January 2017 is CZK 7 269 thousand, CZK 6 737 thousand and CZK 3 673 thousand. No SARs were exercised or forfeited at 30 June 2018, 31 December 2017 and 1 January 2017.

10. LOANS FROM THIRD PARTIES

CZK '000	Maturity	Interest rate p.a.	Total limit	Amount as at 30 June 2018	Amount as at 31 December 2017	Amount as at 1 January 2017
Raiffeisenbank securitized loan	Revolving	1M PRIBOR + 4.55%	100 000	100 000	80 000	80 000
Raiffeisenbank securitized loan	Loan (short-term)	1M PRIBOR + 3.9%	35 000	35 000	-	-
Citibank securitized loan	Revolving	1M PRIBOR CITI+ 4.5%	40 000	24 127	23 447	-
Citibank virtual credit card	Loan (short-term)	3M interest free	50 000	27 803	-	-
Corporate bonds	Sept 2020	6.50%	80 000	78 253	77 859	77 066
Corporate bonds	Sept 2021	6.50%	150 000	146 727	146 217	-
Asset-backed purpose loan 1	Feb 2018	8.97%	-	-	25	108
Asset-based purpose loan 2	May 2018	7.99%	-	-	46	136
Asset-back purpose loan 3	May 2018	8.38%	-	-	47	163
Total				**411 910**	**327 641**	**157 473**
Current				186 930	118	290
Non-current				224 980	327 523	157 183

The Company has credit financing from Raiffeisenbank a.s. in the form of an overdraft loan facility in the amount of CZK 15 million, short-term investing loan in the amount of 35 million and a combined line of a revolving loan, stand-by letters of credit and bank guarantees in the amount of CZK 165 million. In addition, the amount of the revolving loan is determined based on a lower value of 60% of the inventory value or CZK 100 million.

Raiffeisenbank credit financing collateral:

- Pledged legal title to the trade mark based on a collateral agreement for the trade mark;
- Pledged legal title to moveable assets in favour of the Bank based on a collateral agreement for movable assets;
- Pledged legal title to receivables from the Client's current accounts;
- Pledged legal title to receivables from deposits;
- Pledged legal title to inventory;
- Endorsed blank bill of exchange;
- Blocking of property insurance proceeds;
- Blocking of immovable assets (inventory) insurance proceeds; and
- Pledge of all trade receivables.

As at 30 June 2018, 31 December 2017 and 1 January 2017 the Company utilized the Raiffeisenbank revolving loan and short-term investing loan facilities in the amount of CZK 135 000 thousand, CZK 80 000 thousand and CZK 80 000 thousand.

The Company has credit financing from Citibank Europe plc, organizational branch, in the amount of CZK 100 million in the form of a combined line of a revolving plan, stand-by letters of credit and bank guarantees. The amount of the revolving loan is determined by a maximum amount of CZK 40 million.

Citibank credit financing collateral:

- Finance guarantee issued by ZOOT RO based on the guarantee agreement;
- Finance guarantee issued by ZOOT SK based on the guarantee agreement;
- Pledged legal title to moveable assets in favour of the Bank based on a collateral agreement for movable assets based on terms in the inter-credential agreement;
- Pledged legal title to receivables from the Client's current accounts;
- Pledged legal title to receivables from ZOOT RO and ZOOT SK;
- Pledged legal title to inventory; and
- Blocking of immovable assets (inventory) insurance proceeds.

As at 30 June 2018, 31 December 2017 and 1 January 2017 the Company utilized the Citibank revolving loan facility in the amount of CZK 24 127 thousand, CZK 23 447 thousand and CZK 0 thousand.

The credit financing is collateralised as follows:

- Pledge legal title to property from 30 July 2017 in favour of Raiffeisenbank a.s., as amended;
- Bill of exchange from 14 December 2016 between Petr Ladžov, Ladislav Trpák and Citibank Europe plc, organizational branch;
- Finance guarantee from 14 December 2016 issued by ZOOT RO in favour of Citibank Europe plc, organizational branch;
- Finance guarantee from 14 December 2016 issued by ZOOT SK in favour of Citibank Europe plc, organizational branch;
- Pledged legal title to receivables from the Company's current accounts from 14 December 2016 in favour of Citibank Europe plc, organizational branch;
- Pledged legal title to receivables from ZOOT RO a ZOOT SK from 14 December 2016 in favour of Citibank Europe plc, organizational branch;
- Bill of exchange from 30 July 2014 between the Company and Raiffeisenbank a.s. to the Contract for a non-binding overdraft loan;
- Pledged legal title to deposit receivables from 30 July 2014 in favour of Raiffeisenbank a.s., as amended;
- Pledged legal title to trade receivables from 30 July 2014 in favour of Raiffeisenbank a.s., as amended;
- Pledged legal title to inventory from 30 July 2014 in favour of Raiffeisenbank a.s., as amended; and
- Contract for the establishment of a pledge on trade marks, as amended.

The Company also uses a virtual credit card issued by Citibank Europe plc, UK Branch in the amount of CZK 27 803 thousand as of 30 June 2018. The virtual credit card has a maximum limit of CZK 50 000 thousand and an interest free period of 60 to 90 days.

As at 30 June 2018, the Company has open with Raiffeisenbank a.s. a guarantee in amount of CZK 5 081 thousand and letter of credit in amount of CZK 33 165 thousand.

As at 30 June 3018, the Company has open with Citibank Europe plc a guarantee in amount of CZK 5 985 thousand and letter of credit in amount of CZK 24 925 thousand.

The interest expense relating to bank loans and borrowings for the six months ended 30 June 2018 and 30 June 2017 was CZK 11 179 thousand and CZK 12 497 thousand, respectively.

11. FUTURE COMMITMENTS, CONTINGENT ASSETS AND LIABILITES

As at 30 June 2018, the Company had off-balance sheet commitments for future rent payments of its Try&Buy stores, Company's office and warehouse in the amount of CZK 70,827 thousand. The vast majority of the commitment relates to the future rent payments related to the Company's warehouse which was recently renewed for 5 year fixed period.

The table below summarizes the maturity profile of the Company's commitments (CZK '000):

As at 30 June 2018	Less than 1 year	1 to 5 years	More than 5 years	Total
Rent fee commitments	14 089	56 739	-	70 827
Total	**14 089**	**56 739**	**-**	**70 827**

Other than the above mentioned the Company does not have any other material future investment or commitments.

12. FINANCIAL RISK MANAGEMENT

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

The Company's principal financial liabilities comprise loans and borrowings, and trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include trade and other receivables, and cash and short-term deposits that derive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The management of the Company identifies the financial risks that may have adverse impact on the business objectives and through active risk management mitigates 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. Financial instruments affected by market risk include loans and borrowings and deposits.

The sensitivity analyses in the following sections relate to the position as at 30 June 2018, 31 December 2017 and 1 January 2017.

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 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 30 June 2018, 31 December 2017 and 1 January 2017

Interest rate risk

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

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 Company's profit before tax is affected through the impact on floating rate borrowings, as follows:

Effect on profit before for 6 months ended 30 June 2018 and year ended 31 December (CZK '000):

Base rate	% change	6M 2018	2017	2016
1M PRIBOR	+/- 1.0%	(1 798) / 1798	(2 937) / 2 937	(2 305) / 2 305

Foreign currency risk

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

The Company invoices mainly in CZK, EUR and RON. However, there are other transactional currencies which give rise to foreign currency exposure, in particular GBP and USD.

The Company does not use any hedging instruments or foreign currency forwards.

Significant part of goods purchases and some external financing are realized in EUR, GBP and USD and hence are subject to foreign currency risk.

The following table shows financial assets and liabilities in individual currencies, net:

30 June 2018 (CZK '000)	CZK	RON	EUR	USD	GBP
Trade and other receivables	16 108	77 914	250 497	1	-
Cash and cash equivalents	(402)	308	205	23	23
Current assets	**15 706**	**78 222**	**250 702**	**24**	**23**
Loans from the third parties	224 980	-	-	-	-
Loans from the shareholders	-	-	-	-	-
Non-current liabilities	**224 980**	**-**	**-**	**-**	**-**
Trade and other payables	120 525	-	48 018	603	16 196
Loans from the third parties	186 930	-	-	-	-
Other current liabilities	81 429	-	-	-	-
Current liabilities	**388 884**	**-**	**48 018**	**603**	**16 196**
Total 30 June 2018	**(598 158)**	**78 222**	**202 684**	**(579)**	**(16 173)**

31 December 2017 (CZK '000)	CZK	RON	EUR	USD	GBP
Trade and other receivables	46 340	139 816	204 131	-	7
Cash and cash equivalents	43 409	1 000	4 090	9	171

Current assets	**89 749**	**140 816**	**208 221**	**9**	**178**
Loans from the third parties	327 523	-	-	-	-
Non-current liabilities	**327 523**	**-**	**-**	**-**	**-**
Trade and other payables	148 328	3	9 412	1 188	69 276
Loans from the third parties	118	-	-	-	-
Other current liabilities	78 818	-	-	-	-
Current liabilities	**227 264**	**3**	**9 412**	**1 188**	**69 276**
Total 31 December 2017	**(465 038)**	**140 813**	**198 809**	**(1 179)**	**(69 098)**

1 January 2017 (CZK '000)	**CZK**	**RON**	**EUR**	**USD**	**GBP**
Trade and other receivables	11 240	70 272	88 900	-	4
Cash and cash equivalents	19 898	801	1 528	136	34
Current assets	**31 138**	**71 073**	**90 428**	**136**	**38**
Loans from the third parties	157 183	-	-	-	-
Loans from the shareholders	190 900	-	-	-	-
Non-current liabilities	**348 083**	**-**	**-**	**-**	**-**
Trade and other payables	125 672	-	40 476	135	8 592
Loans from the third parties	290	-	-	-	-
Other current liabilities	21 902	-	-	-	-
Current liabilities	**147 864**	**-**	**40 476**	**135**	**8 592**
Total 1 January 2017	**(464 808)**	**71 073**	**49 952**	**1**	**(8 554)**

Financial assets and liabilities include cash and cash equivalents, trade and other receivables and interest-bearing loans and borrowings, trade and other payables, lease liabilities and other current liabilities. 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, GBP and RON currencies and the impact on assets and liabilities of the Company. The sensitivity analysis is prepared under the assumption that the other variables are constant.

Effect on profit before tax for 6 months ended 30 June 2018 and years ended 31 December (CZK ‘000):

Currency	**% change**	**6M 2018**	**2017**	**2016**
EUR	+/- 5.0%	9 651 / (9 651)	9 468 / (9 468)	2 379 / (2 379)
GBP	+/- 5.0%	(770) / 770	(3 291) / 3 291	(406) / 406
RON	+/- 5.0%	3 725 / (3 725)	6 706 / (6 706)	3 384 / (3 384)

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 Company is exposed to credit risk from its operating activities (primarily trade receivables and payables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The Company's credit risk is primarily attributable to its trade and other receivables. The amounts included in the Statement of Financial Position are net of allowances for doubtful receivables. The Company applies the simplified approach and recognizes lifetime expected credit loss (ECL) on the trade receivables. The Company applies the provision matrix as a practical expedient to calculate ECLs under the simplified approach. The provision matrix is based on Company's historical observed loss rates and is adjusted for forward-looking information. At every reporting date, the historical observed loss rates are updated and changes in the forward-looking information are analyzed. In determining lifetime ECLs for trade receivables without a significant financing component, the time value of money will not need to be considered as it is insignificant. The ECLs therefore does not need to be discounted.

The Company has a low retail credit risk with external customers due to transactions being principally of high volume, low value and instant maturity. The ageing of receivables is regularly monitored by Company management. The Company has no significant concentration of credit risk with external customers, as exposure is spread over a large number of counterparties and customers.

The Company has also two related party distributors - ZOOT SK and ZOOT RO - the receivables towards which are significant. Outstanding trade receivable balances as at 30 June 2018 are CZK 249 647 thousand and CZK 78 060 thousand, respectively. The Company assessed the credit risk of these two customers individually based on country and specific credit risk factors. For receivables from ZOOT RO the Company recorded an allowance of CZK 63 962 thousand which is the individual estimate of the loss the Company will have to incur. For receivables from ZOOT SK the Company did not create any allowance.

The table below summarizes the maturity profile of the Company's trade receivable with such related parties (CZK '000):

Credit risk	**30 June 2018**		**31 December 2017**	
Neither past due nor impaired	**ZOOT SK**	**ZOOT RO**	**ZOOT SK**	**ZOOT RO**
Related party companies	72 421	18 390	95 923	36 043
Total neither past due nor impaired	**72 421**	**18 390**	**95 923**	**36 043**
Past due but not impaired				
- Less than 3 months overdue	58 342	18 646	97 532	18 215
- 3 to 12 months overdue	118 883	41 024	8 324	84 706
- 1 to 5 years overdue	-	-	-	998
- more than 5 years overdue	-	-	-	-
Total past due but not impaired	**177 226**	**59 670**	**105 856**	**103 919**
Individually determined to be impaired (gross)				
- Less than 3 months overdue	-	-	-	-
- 3 to 12 months overdue	-	4 345	-	-
- 1 to 5 years overdue	-	59 618	-	-
- more than 5 years overdue	-	-	-	-

Total individually impaired (gross)	**-**	**63 962**	**-**	**-**
Less impairment provision (-)	**-**	**(63 962)**	**-**	**-**
TOTAL	**249 647**	**78 060**	**201 779**	**139 962**

Subject to the above, management believes that the credit risk has been accounted for in the financial statements through the creation of appropriate allowances. The Company did not issue any guarantees or credit derivatives.

Liquidity risk

The Company performs regular monitoring of its liquidity position to keep sufficient financial sources to settle its liabilities and commitments. For monitoring the Company's trade receivable refer to section Credit risk.

As at 30 June 2018, 31 December 2017 and 1 January 2017, the Company's current ratio (current assets divided by current liabilities) was 1.14, 1.97 and 1.75, respectively.

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

30 June 2018	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**	**Total**
Interest-bearing loans and borrowings	-	62 803	124 127	224 980	-	411 910
Other financial liabilities	-	-	-	-	-	-
Trade and other payables	54 089	120 197	11 056	-	-	185 342
Total	**54 089**	**183 000**	**135 183**	**224 980**	**-**	**597 252**
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	-	-	118	224 076	103 447	327 641
Other financial liabilities	-	-	-	-	-	-
Trade and other payables	27 108	197 952	3 147	-	-	228 207
Total	**27 108**	**197 952**	**3 265**	**224 076**	**103 447**	**555 848**
1 January 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	-	-	-	77 473	80 000	157 473
Other financial liabilities	-	-	-	-	190 900	190 900
Trade and other payables	28 614	144 775	1 486	-	-	174 875
Total	**28 614**	**144 775**	**1 486**	**77 473**	**270 900**	**523 248**

13. CAPITAL MANAGEMENT

For the purpose of the Company'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 Company's capital management is to maximize the shareholder value.

The Company 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 Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company's policy is to keep the gearing ratio below 3.0 during the growth phase of the ZOOT brand. The Company includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and short-term deposits.

CZK '000	30 June 2018	31 December 2017	1 January 2017
Interest-bearing loans and borrowings	411 910	327 641	348 373
Trade and other payables	185 342	228 207	174 875
Less: cash and short – term deposits	157	48 679	22 397
Net debt	**597 095**	**507 169**	**500 851**
Equity (resp. Net assets)	(67 706)	74 775	(154 638)
Net debt and Net assets	**529 389**	**581 944**	**346 213**
Gearing ratio*	**1.1**	**0.9**	**1.4**

* Calculated as (Net debt and Net assets/Net debt)

In order to achieve this overall objective, the Company'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 banks to immediately call loans and borrowings. There have been no changes in breaches in the financial covenants of any interest-bearing loans and borrowing in the current period as compare to the prior period however some of the financial covenants were not met as at 30 June 2018. The Company has regular ongoing discussions with the banks on particular covenant breaches.

No changes were made in the objectives, policies or processes for managing capital during the 6 months ended 30 June 2018, years ended 31 December 2017 and 2016.

14. FAIR VALUES

The management assessed that cash and cash equivalents, trade receivables and other receivables, other current assets, trade payables and other payables, liabilities to employees, bank overdrafts, other current liabilities, lease liability, provisions and loans approximate their carrying amounts largely due to the short-term maturities of these instruments.

15. RELATED PARTY DISCLOSURES

Shareholders structure, subsidiaries and associates

Shareholders structure, interests in subsidiaries and associates are set out in section 1.

Stock Option Plans

As at 30 June 2018, 31 December 2017 and 1 January 2017, some members of statutory and supervisory bodies owned SARs issued by the Company.

Remuneration of the Company's key management personnel

The table below summarizes the structure of the remuneration of Company´s key management personnel in 6 months ended 2018:

Compensation	Members of the Company's Board of Directors	Members of the Company's Supervisory Board	Members of the Company's Audit Committee	Other key management personnel	Total
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Financial	2 112	816	265	2 657	5 850
Non-financial	17	18	-	17	52
Total	**2 129**	**834**	**265**	**2 674**	**5 902**

Other related party transactions

The table below summarizes the total amounts of transactions concluded with the Company's related parties:

Profit or loss impact		**30 June 2018**		**30 June 2017**	
Entity	**Relation to the Company**	**Revenues**	**Costs**	**Revenues**	**Costs**
Zoot B.V. (NL)	Parent	-	(10)	35	(2 657)
Zoot SK s.r.o. (SK)	Fellow subsidiary	95 701	(561)	92 938	(112)
Zoot SRL (RO))	Fellow subsidiary	23 671	(4)	38 031	-
Total		**119 372**	**(575)**	**131 004**	**(2 769)**

Trade Receivable from Related Parties

Entity	**Relation to the Company**	**30 June 2018**	**31 December 2017**	**1 January 2017**
Zoot B.V. (NL)	Parent	110	770	3 182
Zoot SK s.r.o. (SK)	Fellow subsidiary	249 647	201 779	85 773
Zoot SRL (RO)	Fellow subsidiary	78 060	139 962	77 487
Total		**327 817**	**342 511**	**166 442**

Payables to Related Parties

Entity	**Relation to the Company**	**30 June 2018**	**31 December 2017**	**1 January 2017**
Zoot B.V. (NL)	Parent	1 546	-	-
Borem s.r.o. (CZ)	Subsidiary	185	185	185
Zoot SK s.r.o. (SK)	Fellow subsidiary	291	225	84
Total		**2 022**	**410**	**269**

The payables to related parties are all classified as other short-term liabilities.

There have been no material changes to the Company's related party transactions during six months ended 2018 other than above mentioned.

16. GOING CONCERN

During 6 months 2018, the total equity decreased by CZK 142 481 thousand from CZK 74 775 thousand at 31 December 2017 to CZK (67 706) thousand at 30 June 2018, mainly due to the loss created during 6 months ended 30 June 2018. As a result, the Company reported accumulated losses of CZK 473 459 thousand as at 30 June 2018 which is primarily due to its quick expansion and fulfilment of strategic objectives. The loss for 6 month ended 30 June 2018 was primarily caused by significant seasonal reduction in the Company's spring sales as a result of protracted low-temperature period at the end of the winter and an extremely swift start of the summer. This impacted negatively customer's interest in our spring goods which subsequently had to be sold out at very high discounts. In addition, the Company wasn't successful to reduce good's return rate below targeted threshold during

6 months ended 30 June 2018. The loss for 6 months ended 30 June 2018 was also impacted by a partial impairment of related party distributor's trade receivable in the amount of CZK 63 962 thousand.

Despite an unexpected negative results for 6 months ended 30 June 2018, the Company expects to maintain positive equity going forward, which should be achieved by fulfilment of its financial plan with positive EBITDA for 4th quarter 2018 and going forward. The main effort will be put into the overall operational profitability and on variable cost optimization. Furthermore, the Company expects to improve its available operating capital by additional paid in capital from its shareholder and other external investors.

The management is focused on its business strategy execution which is key for its future and going concern. In addition the management is reasonably confident that the Company will have sufficient funds to continue in its activities. As such, the interim financial statements for the 6 months ended 30 June 2018 have been prepared assuming that the Company will continue to operate as a going concern.

17. SUBSEQUENT EVENTS

The impact of events that occurred between the balance sheet date and the date of the financial statements preparation is recognized in the financial statements provided these events provide additional evidence about conditions that existed at the date of the balance sheet.

If material events reflecting the facts occurring after the balance sheet date happened between the balance sheet date and the date of the financial statements preparation the consequences of these events are disclosed in the notes to the financial statements but not recognized in the financial statements.

- During 3rd quarter, the Company has been negotiating with Raiffeisenbank a.s. and Citibank Europe plc, as its financing banks, about the prolongation of the current repayment date of some of the short-term loans until second quarter 2019 and the terms related thereto.

- In September 2018, Citibank Europe plc has reduced a part of the uncommitted loan facility by approx. CZK 16 million to CZK 84 million.

- The Company expects to improve its available operating capital by additional paid in capital from its shareholders and/or other external investors. While some of the shareholders declined the requirement for such additional paid in capital, other shareholders and potential investors are in the process of considering the provision of any such additional equity.

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

6. STATUTORY DECLARATION AND APPROVAL FOR PUBLICATION

The Board of Directors declares that, according to the best of their knowledge, the 6M 2018 interim report of ZOOT a.s. gives a true and fair view of the financial position, business activities and financial performance of the Company for the six month period ended 30 June 2018 and of the outlook for the future development of its financial position, business activities and financial performance.

The 1H 2018 Interim report was approved for publication on 27 September 2018.

…………………………………………………	……………………………………………….
Ladislav Trpák	Petr Ladžov
Chairman of the Board of Directors	Member of the Board of Directors