Invia.cz, a.s.

Consolidated Annual Report

31 December 2016

CONTENT

Report of Chairman of the Board of Directors

INVIA group with its parent company Invia.cz, a.s. (further Invia.cz or "the Company") is the biggest group of online travel agencies in Central Europe operating its business in Czech Republic, Poland, Slovakia and Hungary ("the Group"). Travel package is the main product of the business and it is complemented by insurance and parking. All INVIA companies sell travel packages offered by almost each big and medium-sized tour operator in the respective country. The Group also sell air tickets, accommodation, euroweekends and tickets to cultural events. All products are sold through websites and chain of almost 200 own branches or branches of franchise partners.

The Group had registered several trademarks and logo Invia and Travelplanet.pl are the most important.

The year 2016 was a very difficult one for all subjects in the travel industry. Migration crisis, terrorist attacks in Europe, in North Africa and in Turkey, and several air plane crashes or hijacks negatively influenced demand on trips to popular destinations. Many tour operators reported a drop in demand in tens of per cents on several popular destinations. Despite of all these negative factors the Total transaction value of the sold products ("TTV") increased by 4% and reached CZK 7.1 billion, but Slovakia as the only country in the Group suffered a drop in TTV by 8%. Profit distributable to the owners of the company has decreased from CZK 86.3 million in 2015 to CZK 32.9 million in 2016. Management EBITDA has decreased from CZK 160 million to CZK 115 million.

Change of the shareholding structure was the most important event of 2016. Rockaway Travel SE became the sole shareholder of INVIA group in March 2016.

The parent company Invia.cz, a.s. was continuously buying back shares of Travelplanet.pl S.A. during the year and it became the sole shareholder of Travelplanet.pl in October 2016. At the same time, Travelplanet.pl was removed from trading on the Warsaw Stock Exchange.

Subsidiary Invia International was founded in September 2016. This company received a trade license for operating tour operator's business in February 2017 and all the Company's tour operator activities should be transferred to this new company during 2017. The Company will become purely a travel agency. Invia International will focus mainly on incoming business of Chinese tourists.

The Group does not engage in any activities in the field of research and development, environmental protection or human resources management.

The parent company has no organizational office abroad.

The main goals for the year 2017 remain the same as in previous years. We plan further strengthening of our lead position in CEE market by achieving growth in the Group. We will mainly focus on the development of the Polish and Hungarian market which are still under potential. To finish the liquidation of the company INVIA.PL Sp. Z o. o., which has become dormant because of the acquisition of the Polish company Travelplanet.pl S.A., and support of the business activities of the tour operator Invia International are the other goals for 2017.

Important information for the Annual report about events realized after Balance Sheet day are described in the Notes to the Consolidated Financial Statements.

Yours sincerely,

28 August 2017

Jaroslaw Adam Czernek	Michal Drozd
Chairman of the Board of Directors	Member of the Board of Directors

TTV Statement for the Year Ended 31 December 2016

1. TTV Definition

The Management of Invia.cz, a.s. Group prepared the TTV statement containing total value of sold tours and related services for the year ended 31 December 2016 (“TTV”).

TTV represents total amount paid by end customers for the tours and related services sold by the Group. In most of the cases the Group stands as intermediary between travel agencies and customers.

TTV calculation is based on definition of “value of sold tours and related services” in compliance with the contract between the Group INVIA and travel agencies, specifically:

- TTV per the TTV declaration represents all travel and related services sold to the end customers, per all tour operators;
- TTV per the TTV declaration is presented accurately and thus represents the value of the travels and related services sold to the end customers by the Company;
- TTV per the TTV declaration relates to the year ended 31 December 2016 only; and
- TTV per the TTV declaration consists of travels and related services sold to the end customers by the Company supported by the confirmation from the tour operator or signed contracts with the customers.

2. TTV calculation

Value of sold tours and related services for year ended 31 December 2016 was in total CZK 7,122,754 thousand.

Invia.cz, a.s.

Consolidated Financial Statements and
Notes to the Consolidated Financial Statements

31 December 2016

Contents

INDEPENDENT AUDITOR'S REPORT

CONSOLIDATED FINANCIAL STATEMENTS

Notes to the Consolidated Financial Statements

In thousands of CZK	Note	31 December 2016	31 December 2015
ASSETS			
Non-current assets			
Goodwill	7	65,106	65,106
Other intangible assets	8	137,452	151,017
Property, plant and equipment	8	33,357	35,805
Investments		597	68
Long-term receivables	10	5,148	24,011
Deferred tax asset	23	11,274	13,282
Total non-current assets		**252,934**	**289,289**
Current assets			
Inventories		37	13
Trade and other receivables	11	501,633	417,655
Income tax receivables		7,558	-
Cash and cash equivalents	12	142,233	96,988
Total current assets		**651,461**	**514,656**
NON CURRENT ASSETS HELD FOR SALE		**208**	**-**
TOTAL ASSETS		**904,603**	**803,945**
EQUITY			
Share capital	13	12,059	12,059
Other reserves	13	43,181	37,255
Accumulated other comprehensive income	13	(23,350)	(23,832)
Retained earnings		150,408	117,520
Total shareholder's equity attributable to the owners of the parent		**182,298**	**143,002**
Non-controlling interest	13	**-**	**3,217**
TOTAL EQUITY		**182,298**	**146,219**
LIABILITIES			
Non-current liabilities			
Long-term borrowings	14	417	50,921
Loans from related parties	15	134,007	-
Long-term other liabilities	16	2,956	126,023
Deferred tax liabilities	23	22,035	27,098
Total non-current liabilities		**159,415**	**204,042**
Current liabilities			
Trade and other liabilities	17	559,560	359,093
Short-term borrowings	14	168	80,083
Current income tax liability		-	11,022
Liabilities to employees		3,162	3,486
Total current liabilities		**562,890**	**453,684**
TOTAL LIABILITIES		**722,305**	**657,726**
TOTAL LIABILITIES AND EQUITY		**904,603**	**803,945**

In thousands of CZK	**Note**	**31 December 2016**	**31 December 2015**
Revenue	18	860,437	778,472
Cost of sales	19	(393,364)	(352,446)
GROSS PROFIT		**467,073**	**426,026**
Selling expenses	19	(253,276)	(224,594)
Administrative expenses	19	(137,638)	(121,819)
Other gains and losses	20	(17,147)	54,136
Finance income		941	3,536
Finance expense	21	(13,129)	(22,450)
PROFIT BEFORE TAXATION		**46,824**	**114,835**
Income tax	23	(15,342)	(29,564)
PROFIT FOR THE YEAR		**31,482**	**85,271**
- Non-controlling interest (Travelplanet.pl)	13	(1,406)	(1,051)
PROFIT FOR THE YEAR of the owners of the company		**32,888**	**86,322**
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation difference, net of tax		306	951
Cash-flow hedges		260	(545)
Other comprehensive income for the year, net of tax		**566**	**406**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**32,048**	**85,677**
Total comprehensive income is attributable to:			
- Owners of the Company		33,370	86,728
- Non-controlling interest		(1,322)	(1,051)

	Attributable to owners of the Parent							
		Other reserves						
In thousands of CZK	**Share capital**	**Share premium**	**Other capital funds**	**Accumulated other comprehensive income**	**Retained earnings**	**Total share-holder's equity attributable to the owners of the Parent**	**Non-controlling interest**	**TOTAL EQUITY**
At 1 January 2015	**12,059**	**16,675**	**18,234**	**(24,238)**	**33,544**	**56,274**	**4,268**	**60,542**
Contribution to other capital funds	-	-	2,346	-	(2,346)	-	-	-
Profit for the year	-	-	-	-	86,322	86,322	(1,051)	85,271
Other comprehensive income for the year	-	-	-	406	-	406	-	406
Balance at 31 December 2015	**12,059**	**16,675**	**20,580**	**(23,832)**	**117,520**	**143,002**	**3,217**	**146,219**
Contribution to other capital funds	-	-	16,000	-	-	16,000	-	16,000
Profit for the year	-	-	-	-	32,888	32,888	(1,406)	31,482
Other comprehensive income for the year	-	-	-	482	-	482	84	566
Acquisition of non-controlling interest	-	-	(10,074)	-	-	(10,074)	(1,895)	(11,969)
Balance at 31 December 2016	**12,059**	**16,675**	**26,506**	**(23,350)**	**150,408**	**182,298**	**-**	**182,298**

Invia.cz, a.s. Group
Consolidated Statement of Cash Flow for the year 31 December 2016

In thousands of CZK	**Note**	**31 December 2016**	**31 December 2015**
Cash flows from operating activities			
Profit before income tax		46,824	114,835
Adjustment for:			
Depreciation and amortization	19	47,773	31,949
Provision for doubtful debts	11	2,423	4,907
Provisions and impairment		12,858	(3,861)
Net interest		10,132	16,623
Profit resulting from the disposal of non-current assets		(87)	(45,315)
Other expenses not involving cash payments and non-cash effective income		368	(10,796)
Cash flow before changes in working capital		**120,291**	**108,342**
Decrease/(increase) in Long term receivables		18,863	261
Decrease/(increase) in Trade and other receivables		(134,234)	18,160
Decrease/(increase) in Inventories		(24)	(13)
Increase/(decrease) in Trade and other liabilities		198,609	(4,612)
Interest paid		(8,742)	(20,540)
Income taxes paid		(37,038)	(24,279)
Net cash from operating activities		**157,725**	**77,319**
Cash flows from investing activities:			
Purchases of tangible and intangible assets		(45,657)	(43,530)
Income from the disposal of fixed assets		48,250	184
Interest received		645	1,612
Net cash from investing activities		**3,238**	**(41,734)**
Cash flows from financing activities:			
Proceeds from borrowings		150,007	62,089
Repayments of borrowings		(253,486)	(75,399)
Purchase of shares from non-controlling interests		(11,969)	-
Net cash from financing activities		**(115,448)**	**(13,310)**
Effect of exchange rate changes on cash and cash equivalents		(270)	(848)
Net increase / (decrease) in cash and cash equivalents		**45,245**	**21,427**
Cash and cash equivalents at the beginning of the year		96,988	75,561
Cash and cash equivalents at the end of the year		142,233	96,988

Approved for issue and signed on 28 August 2017.

Jaroslaw Adam Czernek
Chairman of the Board of Directors

Michal Drozd
Member of the Board of Directors

Radek Vondál
Financial director

1 Invia Group and its Operations

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by European Union for Invia.cz, a.s. (the "Company" or „the Parent") and its subsidiaries (the "Group") for the year ended 31 December 2016.

The Company is a joint-stock company registered on 22 July 2002. Its registered office is Praha 4 - Nusle, Na hřebenech II 1718/8, Czech Republic (until 31 January 2017 Praha 1, Senovážné náměstí 1463/5, Czech Republic) and the identification number is 26702924. The Company is recorded in the Commercial Register kept by the Municipal Court in Prague, section B, Insert No. 15601.

The Company was incorporated and is domiciled in the Czech Republic. The Company is a joint stock company limited by shares and was set up in accordance with the Czech regulations.

The Group is an intermediary in the online sale of travel agency tours, flight tickets and travel insurance.

List of significant entities constituting the Group covered by consolidation as at 31 December 2016:

Company	Country of registered office	Share held by the Group	Type of relation	Method of consolidation
Invia.cz, a.s.	Czech Republic	n/a	n/a	Full method
Travelplanet.pl S.A.	Poland	100%	Subsidiary	Full method
Aero.pl Sp. z o.o.	Poland	100%	Subsidiary	Full method
Invia.sk, s.r.o.	Slovak Republic	100%	Subsidiary	Full method
Invia.hu Kft.	Hungary	100%	Subsidiary	Full method

List of significant entities constituting the Group covered by consolidation as at 31 December 2015:

Company	Country of registered office	Share held by the Group	Type of relation	Method of consolidation
Invia.cz, a.s.	Czech Republic	n/a	n/a	Full method
Travelplanet.pl S.A.	Poland	87.99%	Subsidiary	Full method (sub-consolidation with Aero.pl Sp. Z o.o.)
Aero.pl Sp. z o.o.	Poland	87.99%	Subsidiary	Full method (sub-consolidation with Travelplanet.pl S.A.)
Invia.sk, s.r.o.	Slovak Republic	100.00%	Subsidiary	Full method
Invia.hu Kft.	Hungary	100.00%	Subsidiary	Full method

Information about the change in the Group structure

Change of the shareholding structure of the Group was the most significant event of 2016. Rockaway Travel SE became the sole shareholder of the Group in March 2016.

In 2016, the Company bought the remaining shares of Travelplanet.pl S.A. (further "Travelplanet.pl") and it became the sole shareholder of Travelplanet.pl in October 2016. At the same time Travelplanet.pl was removed from trading on the Warsaw Stock Exchange.

Structure of shareholders as at 31 December 2016 and 2015

	31 December 2016	31 December 2015
Rockaway Travel SE, Czech Republic	100%	-
MCI Private Ventures FIZ	-	83.28%
Michal Drozd	-	8.42%
AMC III (Malta) Limited	-	8.30%
Total	**100%**	**100.00%**

2 Summary of Significant Accounting Policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") under the historical cost convention, unless stated otherwise. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The preparation of financial statements in conformity with IFRS as adopted by the EU requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

Consolidated financial statements. Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct the relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of the investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have a practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than the majority of the voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of the investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and the fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill" or a "bargain purchase") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all the liabilities and contingent liabilities assumed and reviews the appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including the fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs related to the acquisition of and incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt as part of the business combination are deducted from the carrying amount of the debt and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies of the Group.

Foreign currency translation. The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in Czech koruna ("CZK"), which is the Group's presentation currency.

Transactions and balances. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation at year-end exchange rates denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within "Other gains and losses". All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within 'Other operating expense/income'.

Group companies. Loans between Group entities and related foreign exchange gains or losses are eliminated upon consolidation. However, where the loan is between Group entities that have different functional currencies, the foreign exchange gain or loss cannot be eliminated in full and is recognised in the consolidated profit or loss, unless the loan is not expected to be settled in the foreseeable future and thus forms part of the net investment in foreign operation. In such a case, the foreign exchange gain or loss is recognized in other comprehensive income.

The results and financial position of each Group entity (the functional currency of none of which is a currency of a hyperinflationary economy) are translated into the presentation currency as follows:

(i) Assets and liabilities for each statement of financial position are translated at the closing rate at the end of the respective reporting period;

(ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);

(iii) Components of equity are translated at the historic rate; and;

(iv) All resulting exchange differences are recognised in other comprehensive income.

When control over a foreign operation or a subsidiary with a functional currency other than the presentation currency of the Group is lost, the exchange differences recognised previously in other comprehensive income are reclassified to profit or loss for the year as part of the gain or loss on disposal. On partial disposal of a subsidiary without loss of control, the related portion of accumulated currency translation differences is reclassified to non-controlling interest within equity.

Property, plant and equipment. Property, plant and equipment are stated at cost, less accumulated depreciation and provision for impairment, where required. Property, plant and equipment includes assets under construction for future use as property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Costs of minor repairs and day-to-day maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired.

At the end of each reporting period management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs of disposal and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed where appropriate if there has been a change in the estimates used to determine the asset's value in use or fair value less costs of disposal.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss for the year within other operating income or costs.

Depreciation. Depreciation on items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Useful lives
Buildings	10 to 20 years
Technical improvements realised on leased premises	According to duration of the rental contract
Computers, furniture, equipment	3 to 7 years
Cars	3 to 4 years
Other tangible assets	30 months

The residual value of an asset is the estimated amount that the Group would currently obtain from the disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Goodwill. Goodwill is carried at cost less accumulated impairment losses, if any. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or groups of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment.

The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. The carrying value of the cash-generating unit containing goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Intangible assets other than goodwill. The Group's intangible assets other than goodwill are capitalised on the basis of the costs incurred to acquire and bring them to use.

Development costs that are directly associated with identifiable and unique software controlled by the Group are recorded as intangible assets if an inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred.

Intangible assets are amortised using the straight-line method over their useful lives, unless stated otherwise.

	Useful lives
Trademarks and internet domains	6 years
Technology and content	5 years
Licensed software	2 - 3 years
Contractual relationships	12 years

If impaired, the carrying amount of intangible assets is written down to the higher of value in use and fair value less costs of disposal.

Intangible assets include the following:

a) Trademarks and key internet domains

These include the cost of acquiring brands and trademarks (in particular Net Travel.cz, s.r.o., Lastminute.sk, s.r.o. and Travelplanet.pl S.A.) by mean of business combinations and are directly linked with the brand name of the company. These assets can be considered as assets, which show the performance of the company on the market and as a key factor influencing the success of the entity on the market. When a brand is deemed to contribute to Group net cash inflows indefinitely, then it is treated as having an indefinite useful life. As such it would not be amortized until its useful life is determined to be finite, impairment tests will be performed annually or whenever there are signs that suggest impairment.

b) Internet domains not directly linked with brand name

These domains are not directly linked with the brand name and are not in use. These domains are held for speculative reasons, but the company doesn’t actually consider to offering them for sale. These assets are treated as having an indefinite useful life and impairment tests will be performed annually or whenever there are signs that suggest impairment.

c) Technology and Content

This heading includes the costs of acquiring technology and content by means of acquisitions through business combinations. These assets (reservation system in particular) are the combination of software elements and travel content. This combination allows the processing of travel transactions (bookings) between supply (travel providers) and demand (customers), and it makes travel information available to users through the web page. It particularly includes internally developed software applications and IT solutions. It is reasonably anticipated that these assets will be recovered through future activities or benefits in future periods.

d) Licensed software

This includes the cost of acquiring software through separate acquisitions. These assets are amortized by applying the straight-line method over the estimated useful life of 2 - 3 years.

e) Contractual relationships

This includes the cost of contractual relationships with Travel Agencies, as acquired through business combination. These assets relate to relationships with Travel Agencies made with the objective of increasing the number of clients. Thanks to these contractual relationships the company is able to obtain better commission terms than a newly starting company. Impairment tests will be performed to adjust the carrying amount by taking into consideration existing results of cooperation and the assumption of the further continuation of the contractual relationship.

Intangible assets directly linked with brand name of the Company, other intangible assets of business nature (e.g. other domains) and contractual relationships are treated as assets with an indefinite useful life based on independent expert’s opinion and impairment tests are performed. The value of these intangible assets was not impaired in 2015 and 2016.

Impairment of non-financial assets. Intangible assets that have an indefinite useful life or intangible assets not ready for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Financial instruments – key measurement terms. Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes *transaction costs*. Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured and derivatives that are linked to, and must be settled by, delivery of such unquoted equity instruments.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Classification of financial assets. Financial assets have the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss have two sub-categories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading.

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the near term. The Group's loans and receivables comprise of 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position.

Other financial assets at fair value through profit or loss are financial assets designated irrevocably, at initial recognition, into this category. Management designates financial assets into this category only if (a) such classification eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or (b) a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information on that basis is regularly provided to and reviewed by the Group's key management personnel. Recognition and measurement of this category of financial assets is consistent with the accounting policy for trading investments.

Classification of financial liabilities. Financial liabilities have the following measurement categories: (a) held for trading which also includes financial derivatives and (b) other financial liabilities. Liabilities held for trading are carried at fair value with changes in value recognised in profit or loss for the year (as finance income or finance costs) in the period in which they arise. Other financial liabilities are carried at amortised cost. The Group's other financial liabilities comprise of 'trade and other payables' and 'borrowings' in the statement of financial position.

Initial recognition of financial instruments. Financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Derecognition of financial assets. The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Offsetting financial instruments. Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

Cash and cash equivalents. Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost.

Trade and other receivables. Trade and other receivables are recognised initially at fair value and are subsequently carried at amortised cost using the effective interest method.

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment. The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and reliability of related collateral, if any. The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- The counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains;
- The counterparty considers bankruptcy or a financial reorganisation;
- There is adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty; or
- The value of collateral, if any, significantly decreases as a result of deteriorating market conditions.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment, are estimated on the basis of the contractual cash flows of the assets and the experience of management in respect of the extent to which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods, and to remove the effects of past conditions that do not exist currently.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the counterparty, impairment is measured using the original effective interest rate before the modification of terms. The renegotiated asset is then derecognized and a new asset is recognized at its fair value only if the risks and rewards of the asset substantially changed. This is normally evidenced by a substantial difference between the present values of the original cash flows and the new expected cash flows.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the impairment loss account within the profit or loss for the year.

Trade and other payables. Trade payables are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently carried at amortised cost using the effective interest method.

Borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently carried at amortised cost using the effective interest method.

Financial guarantees. Financial guarantees are irrevocable contracts that require the Group to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the obligation at the end of the reporting period.

Operating leases. Where the Group is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Group, the total lease payments are charged to profit or loss for the year on a straight-line basis over the lease term. The lease term is the non-cancellable period for which the lessee has contracted to lease the asset together with any further terms for which the lessee has the option to continue to lease the asset, with or without further payment, when at the inception of the lease it is reasonably certain that the lessee will exercise the option.

Finance lease liabilities. Where the Group is a lessee in a lease which transferred substantially all the risks and rewards incidental to ownership to the Group, the assets leased are capitalised in property, plant and equipment at the commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of future finance charges, are included in borrowings. The interest cost is charged to profit or loss over the lease period using the effective interest method. The assets acquired under finance leases are depreciated over their useful life or the shorter lease term, if the Group is not reasonably certain that it will obtain ownership by the end of the lease term.

Income taxes. Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill, and subsequently for goodwill which is not deductible for tax purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient future taxable profit available against which the deductions can be utilised.

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

Prepayments. Prepayments are carried at cost less provision for impairment. A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year.

Share capital. Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of the consideration received over the par value of shares issued is recorded as share premium in equity.

Revenue recognition. Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods and services supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. When the fair value of goods received in a barter transaction cannot be measured reliably, the revenue is measured at the fair value of the goods or service given up.

Sales of services. Sales of services are recognised in the accounting period in which the services are rendered, by reference to the stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Sales of goods. Revenues from sales of goods are recognised at the point of transfer of risks and rewards of ownership of the goods. If the Group agrees to transport goods to a specified location, revenue is recognised when the goods are passed to the customer at the destination point.

Interest income. Interest income is recognised on a time-proportion basis using the effective interest method.

Employee benefits. Wages, salaries, contributions to the state pension and social insurance funds and paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group. The Group has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

3 Changes in presentation, restatements and corrections of prior year misstatements

Changes in presentation

During the year, the Group decided to change the names of following financial statement lines in the statement of financial position:

a. Share premium is newly presented as Other reserves;
b. Profit / Loss for the year is newly presented in one line within Retained earnings. In prior year it was presented as a separate line.

The Group believes that the change provides reliable and more relevant information. In accordance with IAS 8, the change has been made retrospectively and comparatives have been restated accordingly.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Estimated impairment of goodwill. The Group tests goodwill for impairment at least annually. The recoverable amounts of cash-generating units have been determined based on future discounted cash-flows calculations. These calculations require the use of estimates.

Deferred income tax asset recognition. The recognised deferred tax assets represent income taxes recoverable through future deductions from taxable profits and are recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. This includes temporary difference expected to reverse in the future and the availability of sufficient future taxable profit against which the deductions can be utilised. The future taxable profits and the amount of tax benefits that are probable in the future are based on the medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances.

5 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2017 or later, and which the Group has not early adopted.

IFRS 9 "Financial Instruments" (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL);
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition;
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss;
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income;
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather

than 12-month ECL. The model includes operational simplifications for lease and trade receivables;

- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

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

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Group is currently assessing the impact of the new standard on its financial statements.

Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018). The amendments do not change the underlying principles of the Standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard. The Group is currently assessing the impact of the amendment on its financial statements.

IFRS 16, Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group is currently assessing the impact of the new standard on its financial statements.

IFRIC 22 - Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018). The interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) on the derecognition of a non-monetary asset or non-monetary liability arising from an advance consideration in a foreign currency. Under IAS 21, the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. IFRIC 22 only applies in circumstances in which an entity recognises a non-monetary asset or non-monetary liability arising from an advance consideration. IFRIC 22 does not provide application guidance on the definition of monetary and non-monetary items. An advance payment or receipt of consideration generally gives rise to the recognition of a non-monetary asset or non-monetary liability, however, it may also give rise to a monetary asset or liability. An entity may need to apply judgment in determining whether an item is monetary or non-monetary. The Group is currently assessing the impact of the amendments on its financial statements.

Disclosure Initiative – Amendments to IAS 7 (issued on 29 January 2016 and effective for annual

periods beginning on or after 1 January 2017). The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities. The Group will present this disclosure in its 2017 financial statements.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's consolidated financial statements.

The Group did not change its accounting policies as a result of new IFRSs.

6 Balances and Transactions with Related Parties

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

At 31 December 2016, the outstanding balances with related parties were as follows:

In thousands of CZK	**Immediate parent**	**Other related parties**
Trade receivables	-	1,026
Trade liabilities	-	254
Loans from related parties – non current	134,007	-

The income and expense items with related parties for the year ended 31 December 2016 were as follows:

In thousands of CZK	**Immediate parent**	**Key management personnel**	**Other related parties**
Sales of services	-	-	2,650
Income from assigned receivable	-	17,588	-
Finance income	-	124	-
Purchased services	-	-	5,102
Finance costs	5,688	-	-

Further information about balances and transactions with related parties as at 31 December 2016 and 31 December 2015 can be found in following notes:

- Note 10 Long-term receivables;
- Note 11 Trade and other receivables;
- Note 22 Employee benefits.

Key management compensation Key management includes The Group considers the following as its related parties: its significant shareholders and controlled companies, subsidiaries, associates, members of the Board of Directors or other key management personnel and their close family members, as well as other entities where a member of the Board of Directors is involved, when significant influence exists.

7 Goodwill resulting from acquisition of Net Travel.cz, s.r.o. and its subsidiary Lastminute.sk, s.r.o.

To allocate goodwill to each of the individual cash-generating units in accordance with IAS 36, it requires that goodwill has to be assigned to cash-generating units according to the expected benefits from synergies, where each of cash-generating units is able to benefit from the business combination.

The geographical criterion was selected to create cash-generating units:

- Czech Republic region – this cash-generating unit comprises especially property, plant and equipment and intangible assets and goodwill directly held by or attributable to Invia.cz, a.s;
- Slovak Republic region – this cash-generating unit comprises especially property, plant and equipment and intangible assets and goodwill directly held by or attributable to Lastminute.sk, s.r.o. and Invia.sk, s.r.o.

The parent company prepared financial plans for the purposes of evaluating the acquisition for Net Travel.cz, s.r.o. and Lastminute.sk, s.r.o. where it measured the expected EBITDA for these companies, taking account of the synergies which INVIA provides for the acquired companies. Goodwill value was allocated at a 1:1 ratio based on the expected EBITDA values.

Impairment tests were prepared for two alternatives of value in use. The first was based on the financial plan prepared by the parent company's management which anticipated an increase in profitability over time, with the continuing value computed with a 4% expected growth rate. The second alternative was conservative and assumed a stable EBITDA margin, derived from the expected EBITDA margin. Value in use was computed on the pre-tax base and the discount rate was determined using the CAPM method.

Based on performed tests, no impairment indicator was identified.

8 Intangible Assets

In thousands of CZK	Trademarks, internet domains, contractual relationships	Software*	Goodwill	Other intangible assets	Intangible assets investments under construction	Total
Cost						
Balance at 1 January 2016	**96,434**	**71,080**	**65,106**	**14,284**	**19,844**	**266,748**
Translation differences	-	354	-	153	286	793
Additions	-	14,042	-	14	18,358	32,414
Disposals	-	-	-	-	(5,719)	(5,719)
Reclassification and transfer	-	-	-	31,348	(31,348)	0
Balance at 31 December 2016	**96,434**	**85,476**	**65,106**	**45,799**	**1,421**	**294,236**
Accumulated depreciation						
Balance at 1 January 2016	**386**	**47,596**	**-**	**2,643**	**-**	**50,625**
Translation differences	-	145	-	164	-	309
Depreciation expense	2,506	842	-	24,538	-	27,886
Balance at 31 December 2016	**2,892**	**48,583**	**-**	**27,345**	**-**	**78,820**
Impairment	**-**	**12,858**	**-**	**-**	**-**	**12,858**
Net book value						
Balance at 1 January 2016	**96,048**	**23,484**	**65,106**	**11,641**	**19,844**	**216,123**
Balance at 31 December 2016	**93,542**	**24,035**	**65,106**	**18,454**	**1,421**	**202,558**

*In the current period the Group recognised acquisition of software development in the amount of CZK 13,409 thousand realised in 2015 by its Polish subsidiary Travelplanet.pl S.A. These additions were only recorded in 2016 after concerns on existence of these assets were clarified.

The most significant additions of intangible assets are the costs incurred for development of Travelplanet.pl web portals: travelplanet.pl, travelone.pl, chorwacja.pl and software developments.

In thousands of CZK	Trademarks, internet domains, contractual relationships	Software	Goodwill	Other intangible assets	Intangible assets investments under construction	Total
Cost						
Balance at 1 January 2015	**89,720**	**70,938**	**65,106**	**6,783**	**4,636**	**237,183**
Translation differences	(196)	(7)	-	(238)	(788)	(1,229)
Additions	724	149	-	7,739	22,182	30,794
Reclassification and transfer	6,186	-	-	-	(6,186)	-
Balance at 31 December 2015	**96,434**	**71,080**	**65,106**	**14,284**	**19,844**	**266,748**
Accumulated depreciation						
Balance at 1 January 2015	**264**	**33,664**	**-**	**83**	**-**	**34,011**
Translation differences	-	(1,121)	-	(25)	-	(1,146)
Depreciation expense	122	15,053	-	2,585	-	17,760
Balance at 31 December 2015	**386**	**47,596**	**-**	**2,643**	**-**	**50,625**
Net book value						
Balance at 1 January 2015	**89,456**	**37,274**	**65,106**	**6,700**	**4,636**	**203,172**
Balance at 31 December 2015	**96,048**	**23,484**	**65,106**	**11,641**	**19,844**	**216,123**

9 Property, Plant and Equipment

In thousands of CZK	**Land and buildings**	**Company cars**	**Computers and office equipment**	**Tangible assets under construction**	**Total**
Cost					
Balance at 1 January 2016	**16,281**	**12,283**	**72,728**	**412**	**101,704**
Translation differences	(475)	1,420	(2,495)	(14)	(1,564)
Additions	511	2,149	10,456	12	13,128
Disposals	(692)	(555)	(1,793)	(330)	(3,370)
Reclassification	-	-	-	-	-
Balance at 31 December 2016	15,625	15,297	78,896	80	109,898
Accumulated depreciation					
Balance at 1 January 2016	**8,420**	**5,271**	**52,209**	**-**	**65,900**
Translation differences	(223)	1,264	(2,004)	-	(964)
Depreciation expense	1,391	2,331	10,446	-	14,168
Disposals	(374)	(479)	(1,711)	-	(2,564)
Balance at 31 December 2016	9,214	8,387	58,940	-	76,541
Net book value					
Balance as of Jan 1, 2016	**7,861**	**7,012**	**20,519**	**412**	**35,805**
Balance as of Dec 31, 2016	**6,411**	**6,910**	**19,956**	**80**	**33,357**

In thousands of CZK	**Land and buildings**	**Company cars**	**Computers and office equipment**	**Tangible assets under construction**	**Total**
Cost					
Balance at 1 January 2015	**14,945**	**9,825**	**56,429**	**784**	**81,983**
Translation differences	1,266	(108)	1,698	2	2,858
Additions	38	3,941	15,699	663	20,342
Disposals	(925)	(1,376)	(1,177)	-	(3,478)
Reclassification	985	-	78	(1036)	-
Balance at 31 December 2015	**16,281**	**12,283**	**72,728**	**412**	**101,704**
Accumulated depreciation					
Balance at 1 January 2015	**7,405**	**4,219**	**41,971**	**-**	**53,235**
Translation differences	527	(36)	808	-	1,299
Depreciation expense	1,628	2,010	10,551	-	14,189
Disposals	(780)	(923)	(1121)	-	(2,824)
Balance at 31 December 2015	**8,420**	**5,271**	**52,209**	**-**	**65,900**
Net book value					
Balance as of Jan 1, 2015	**7,900**	**5,607**	**14,458**	**784**	**28,748**
Balance as of Dec 31, 2015	**7,862**	**7,012**	**20,519**	**412**	**35,805**

As at 31 December 2016 Company's assets were partially pledged. For more information see note 14 Long-term borrowings and Note 16 Other long-term liabilities.

10 Long-term receivables

The balance as of 31 December 2015 related mainly to outstanding receivables from the sale of the share in SHLD Limited which amounted to CZK 19,029 thousand, of which CZK 1,747 thousand was a receivable from Michal Drozd and CZK 17,282 thousand was a receivable from MCI.PrivateVentures FIZ. Receivable was due in 2018, but was already paid in 2016.

11 Trade and other receivables

In thousands of CZK	**31 December 2016**	**31 December 2015**
Receivables to travel agency customers for sold tours	313,341	184,861
Trade receivables	58,189	110,533
Unbilled fees and accrued income	103,773	63,042
Other receivables	11,986	50,902
Total financial part	**487,289**	**409,338**
Receivables from employees	714	65
Tax receivables	490	872
Short-term prepayments	8,030	4,216
Prepaid expenses	5,110	3,164
Total non-financial part	**14,344**	**8,317**
Total net trade and other receivables	**501,633**	**417,655**
Provision for bad debt	10,631	8,208
Total gross trade and other receivables	**512,264**	**425,863**

As at 31 December 2015, the receivables included a receivable assigned from MCI Management S.A. which relates to Jerzy Krawczyk, with the value of CZK 21,788 thousand. From January 1, 2013 interest on the main amount of the loan is 4% p.a. The receivable born interest of CZK 3,114 thousand as at 31 December 2015. The receivable was assigned to Michal Drozd in amount of CZK 17,558 thousand and paid in full during 2016. There was neither gain nor loss on the assignment and the net position is included in Other gain and losses.

Movements in the impairment provision for trade receivables are as follows:

In thousands of CZK	**2016**	**2015**
Provision for impairment at 1 January 2016	8,208	3,301
Translation changes	(141)	(181)
Increases	2,869	5,177
Decreases	(304)	(89)
Provision for impairment at 31 December 2016	**10,631**	**8,208**

Overview of the gross trade and other receivables by maturity date is as follows:

In thousands of CZK	**31 December 2016**	**31 December 2015**
- before due date	502,908	412,070
- less than 90 days overdue	1,036	3,170
- 91 to 180 days overdue	212	3,105
- over 181 days overdue	8,108	7,518
Total	**512,264**	**425,863**

12 Cash and Cash Equivalents

In thousands of CZK	**31 December 2016**	**31 December 2015**
Cash on hand	12,519	2,548
Bank balances payable on demand	129,714	94,440
Total	**142,233**	**96,988**

13 Equity

The share capital amounted to CZK 12,059 thousand and consists of 1,182,235 ordinary shares, each with nominal value CZK 10.20. The share capital was fully paid.

Accumulated other comprehensive income consists of exchange differences on translation of foreign operations and change in fair value of interest and currency swaps.

As at 31 December 2016 the sole shareholder of the Group decided on voluntary contribution to Other capital funds by the means of capitalisation of the loan in amount of CZK 16,000 thousand.

During 2016, the Parent acquired the remaining shares of Travelplanet.pl for a purchase consideration of CZK 11,969 thousand. As Travelplanet.pl is 100% owner of Aero.pl, the Group now holds 100% of the equity share capital of both companies.

14 Long-term and Short-term borrowings

In thousands of CZK	**31 December 2016**	**31 December 2015**
Long-term borrowings	417	50,921
Short-term borrowings	168	80,083
Total	**585**	**131,004**

BANK POLSKA KASA OPIEKI S.A. LOAN AGREEMENT

Travelplanet.pl S.A. entered into a credit agreement with Bank Polska Kasa Opieki S.A. Amount of credit was PLN 4,500 thousand i.e. CZK 29,214 thousand according to the agreement. Amount, which has been already drawn, was PLN 6,860 thousand, i.e. CZK 43,492 thousand as of 31 December 2015. Interest rate was 1M WIBOR + bank's margin.

Interest to this loan amounted to CZK 2,270 thousand as at 31 December 2015.

In March 2015, the bank guarantee in amount of PLN 8,000 thousand was granted by UniCredit Bank Czech Republic and Slovakia to Invia.cz. This guarantee was used as a collateral for a new overdraft in amount of PLN 8,000 thousand granted by Bank Bank Polska Kasa Opieki S.A to Travelplanet.pl. The overdraft was used for redeeming the loans from Raiffeisen Bank Polska, Invia.cz and Michal Drozd.

Travelplanet.pl repaid the overdraft with Bank Polska Kasa Opieki S.A. as it was granted an intercompany loan from the Parent in January 2016. Therefore, the bank guarantee from UniCredit Bank Czech Republic and Slovakia, which the Company secured the loan in Bank Polska Kasa Opieki S.A., was cancelled.

UNICREDIT BANK CZECH REPUBLIC AND SLOVAKIA, A.S. LOAN AGREEMENT

A loan agreement was concluded on 27 May 2013, with the credit line of CZK 142,125 thousand. The purpose of the loan was to provide financing for the development of subsidiaries and for the company's operating needs.

The short-term portion of the loan amounted to CZK 36,591 thousand and long-term part to CZK 50,921 thousand as of 31 December 2015. The specific-purpose loan was due on 30 September 2018, bearing an interest of 1M PRIBOR + the bank's margin. Interest to this loan amounted to CZK 4,546 thousand as at 31 December 2015.

The loan was secured with a pledge on the share in Invia.sk s.r.o., Travelplanet.pl S.A., a pledge over the securities issued by the company and held by third parties, blank bills, a pledge over www.invia.cz web domain, a pledge over the registered mark of INVIA.CZ, a pledge over the receivables from bank accounts kept in the Czech Republic and with a Letter of Comfort issued by MCI Private Ventures FIZ.

The loan was fully repaid and related pledges were also cancelled in 2016.

The loan agreement included an overdraft with the maximum credit line of CZK 15,000 thousand, bearing an interest of 1M PRIBOR + the bank's margin. The loan matured on 27 February 2016 with the right to renew. The loan balance was zero as of 31 December 2015. At 29 February 2016, the overdraft in amount of CZK 15,000 thousand granted by UniCredit Bank Czech Republic and Slovakia was terminated.

15 Loans from related parties

In thousands of CZK	**31 December 2016**	**31 December 2015**
Loans from related parties - non-current	134,007	-
Total	**134,007**	**-**

The parent company has received two individual loans from Rockaway Travel SE. Both loans are with the same interest rate 4%, drawing date as at 10 March 2016 and maturity date as at 10 March 2019. One loan was obtained in EUR currency (EUR 4,578 thousand) and the second one in CZK currency (CZK 80,634 thousand). The CZK loan was partially repaid in 2016 and outstanding balance of both loans is CZK 134,007 thousand as at 31 December 2016. The loan is payable as at maturity date. During the contracted period, the Parent does not pay any regular repayments. There is no collateral linked to this loan.

16 Other long-term liabilities

In thousands of CZK	**31 December 2016**	**31 December 2015**
Other borrowings – non-current	2,956	126,023
Total	**2,956**	**126,023**

As at 31 December 2015, the main part of Other long-term liabilities was represented by a mezzanine loan from AMC III INDONESIA B.V. based on Mezzanine Facility Agreement concluded in 2013. Loan amounted to EUR 4,500 thousand with the right to draw a further EUR 500 thousand 2014 which was not exercised. The loan was granted especially to provide finance for working capital. The loan was due on 31 December 2018.

According to the Warrant Agreement relating to the Mezzanine Facility Agreement concluded on 9 August 2013 the MCI Private Ventures FIZ was obliged and liable to ensure that Invia.cz issues the Warrant Shares to the Warrant Holder, company Accession Mezzanine Capital III (Malta) Limited in accordance with the Warrant Agreement.

The loan was fully repaid in March 2016 by a newly drawn loan from Rockaway Travel SE (see note 15 Loans from related parties).

17 Trade and other liabilities

In thousands of CZK	31 December 2016	31 December 2015
Trade payables to travel agencies	427,134	246,235
Trade payables to others than travel agencies	63,719	63,229
Estimated items	5,092	4,293
Accrued expenses	31,165	10,210
Short-term lease liabilities	1,378	1,110
Other payables	3,307	2,479
Financial part	**531,795**	**327,556**
Employees payables	10,989	10,118
Tax and social security payables	10,532	572
Short-term prepayments	5,901	18,292
Deferred income	343	2,555
Non-financial part	**27,765**	**31,537**
Total	**559,560**	**359,093**

18 Revenues

Revenues by type:

In thousands of CZK	2016	2015
Commissions for the sales of tours	671,712	671,151
Revenues of sales of own tours	68,498	23,630
Commissions for the sales of air tickets	7,186	7,992
Commissions for the sales of insurance	70,837	71,634
Other*	42,204	4,065
Total	**860,437**	**778,472**

*In the current period the Group recognised sales of IT services in the amount of CZK 20,225 thousand realised in 2015 by its Polish subsidiary Travelplanet.pl S.A. The revenues were only recorded in 2016 after concerns on their existence were clarified.

19 Cost of sales, selling and administrative expenses

In thousands of CZK	2016	2015
Cost of sales of tours	197,467	143,150
Cost of sales of euroweekends and own tours	15,263	21,958
Wages and salaries	174,231	165,791
Social security contributions and other staff costs	45,630	42,754
Depreciation/amortisation	47,773	31,949
Cost of materials and goods	8,089	7,326
Business trips	3,512	3,004
Rental fees	33,713	30,502
Post, phone and Internet, IT	15,900	9,253
Fees for accountants, bookkeeping	5,135	3,471
Credit card fee	10,080	8,773
Agency cost	1,004	1,357
Advertising and representation	163,554	162,847
Other	62,927	66,724
Total	**784,278**	**698,859**

20 Other gains and losses

In thousands of CZK	2016	2015
Gains from sales of licenses	-	24,353
Gains from sale of associate	-	20,619
Gains from sales of fixed assets and material	87	343
Foreign exchange gains	5,615	19,917
Foreign exchange losses	(2,257)	(2,814)
Impairment of receivables	(2,423)	-
Impairment of other intangible assets	(12,858)	-
Other	(5,311)	(4,489)
Change in provisions	-	(3,793)
Total	**(17,147)**	**54,136**

In 2016 Other gains and losses include net amount of the assigned receivable (see Note 11 Trade and other receivables).

In 2015 gain from sale of associate related to sale of share in SHLD limited.

21 Finance costs

In thousands of CZK	2016	2015
Interest expense - bank loans, other loans	5,089	18,235
Interest expense - loans from related parties	5,688	-
Other (mainly bank fees)	2,352	4,215
Total	**13,129**	**22,450**

22 Employee benefits

The Group paid to the key management personnel the following benefits:

In thousands of CZK	**2016**	**2015**
Salaries and other employee benefits	15,539	24,871
Total	**15,539**	**24,871**

23 Income Taxes

(a) Components of income tax expense

Income tax expense recorded in profit or loss comprises the following:

In thousands of CZK	**2016**	**2015**
Current income tax	18,458	29,989
Deferred tax	(3,116)	(425)
Income tax expense for the year	**15,342**	**29,564**

(b) Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate

The income tax rates applicable to the Group’s 2017 and 2016 income are stated below. A reconciliation between the expected and the actual taxation charge is provided below.

In thousands of CZK	2016	2015
Profit before taxation	46,824	114,835
Tax computed by applying the local tax rates applicable to the profits achieved in the relevant countries	9,202	21,819
Tax impact:		
- non-taxable income	(5,317)	(5,394)
- non-tax deductible expenses	6,121	13,139
- tax losses to which no deferred tax receivable was made	4,924	-
- other	412	-
Income tax expense for the year	**15,342**	**29,564**

Applicable income tax rates

	2016	**2015**
Czech Republic	19%	19%
Slovakia	22%	22%
Hungary	10%	10%
Poland	19%	19%

At the end of 2016, there was a change in Slovak tax legislation that reduced corporation tax from 22% to 21% with effect from 1 January 2017.

(c) Deferred taxes analysed by type of temporary difference

Differences between IFRS and statutory taxation regulations in Czech Republic and other countries give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below.

In the context of the Group’s current structure, tax losses and current tax assets of different Group companies may not be offset against current tax liabilities and taxable profits of other Group companies and, accordingly, taxes may accrue even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity.

	Net Deferred tax assets		Net Deferred tax liability	
In thousands of CZK	**2016**	**2015**	**2016**	**2015**
Difference between tax and accounting value of Intangible assets and Property, plant and equipment	22	78	(17,979)	(18,808)
Trade and other receivables including impairment provision	661	-	(4,019)	(2,704)
Tax loss	5,906	1,812	-	-
Trade and Other Liabilities and Employee benefits	2,037	2,290	-	-
Impairment of other intangible assets	2,443	-	-	-
Other	205	9,102	(37)	(5,586)
Net deferred tax asset/liability	**11,274**	**13,282**	**(22,035)**	**(27,098)**

24 Contingencies and Commitments

Operating lease commitments. Where the Group is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

In thousands of CZK	**31 December 2016**	**31 December 2015**
Not later than 1 year	6,357	5,324
Later than 1 year and not later than 5 years	17,055	4,870
Total operating lease commitments	**23,412**	**10,194**

25 Financial Risk Management

The risk management function within the Group is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimise operational and legal risks.

Credit risk. The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Group’s sales of services on credit terms and other transactions with counterparties giving rise to financial assets.

The Group manages the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to counterparties or groups of counterparties. Limits on the level of credit risk are approved regularly by management. Such risks are monitored on a revolving basis and are subject to an annual, or more frequent, review.

The Group’s management reviews ageing analysis of outstanding trade receivables and follows up on past due balances.

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in (a) foreign currencies and (b) interest bearing assets and liabilities, which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a regular basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Currency risk. In respect of currency risk, management sets limits on the level of exposure by currency and in total. The positions are monitored on regular basis.

The reporting currency in the Group's consolidated financial statements is the Czech crown (CZK). As a result of the multinational orientation of its business, the Group is subject to foreign exchange rate risks derived from the fluctuations of several currencies. Aside from the CZK, the main foreign currency exposures are expenditures denominated in EUR, PLN, USD, RUB and HUF. These expenditures are naturally hedged by relevant incomes in the same currency.

Interest rate risk. An interest rate swap was concluded with UniCredit Bank in 2014 ensuring the interest rate of the accepted purpose loan, which was amounted to CZK 326 thousand as of 31 December 2016 (CZK 647 thousand as at 31 December 2015) and the amount of revaluation including deferred tax effect was recognised in equity as Other Comprehensive Income.

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Management monitors monthly rolling forecasts of the Group's cash flows. The Group's liquidity portfolio comprises cash and cash equivalents. The liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Group's management.

26 Audit fee

Fees, excluding VAT charged by the auditor for services rendered during the years ended 31 December 2016 and 2015 relate to the following:

In thousands of CZK	**31 December 2016**	**31 December 2015**
Audit fee	1,442	1,533
Other services (mainly Due Dilligence)	373	3,442
Total	**1,815**	**4,975**

27 Events after the Reporting Period

In January 2017 following subsequent events occurred:

- The Company has acquired 5% share of company Invia.hu Kft from the company Invia.sk, s.r.o. and thus has become 100% owner of the company Invia.hu Kft.

In February 2017 following subsequent events occurred:

- The Company provided a long-term loan to the company Invia International, a. s. in the amount of CZK 5 million;
- The registered office of the Company was changed to Na Hřebenech II 1718/8, 140 00, Prague 4;
- Liquidation of the company INVIA TRAVEL S.R.L was finalized.

In March 2017 following subsequent events occurred:

- The Company provided a long-term loan to the company Invia International, a. s. in the amount of CZK 5 million;
- The Company provided a corporate guarantee in favour of Microsoft Corporation and its subsidiaries in amount of USD 250 thousand (CZK 6,410 thousand) on behalf Invia Flights Germany GmbH;
- The Company provided a corporate guarantee in favour of Microsoft Corporation and its subsidiaries in amount of USD 750 thousand (CZK 19 229 thousand) on behalf Invia Travel Germany GmbH.

In April 2017 following subsequent events occurred:

- The Company provided a corporate guarantee in favour of german insurance company HanseMerkur Reiseversicherung AG in amount of EUR 11,000 thousand (CZK 297,220 thousand) on behalf of Tourini GmbH, a related party from Rockaway group;
- Mr Jerzy Krawczyk was dismissed from the function of member of the Board of Directors of Invia.cz and new member was appointed Mr Karel Budka.

In May 2017 following subsequent events occurred:

- Mr Jerzy Krawczyk was dismissed from the function of member of the Board of Directors of Travelplanet.pl and new member was appointed Mr Robert Golunski;
- Mr Jerzy Krawczyk was appointed a new member of supervisory board.

No other events have occurred subsequent to year-end that would have a material impact on the financial statements as at 31 December 2016.

These consolidated financial statements of Invia.cz, a.s. for the year ended 31 December 2016 were authorised for issue:

28 August 2017

Jaroslaw Adam Czernek
Chairman of the Board of Directors

Michal Drozd
Member of the Board of Directors

Radek Vondál
Financial director

Independent auditor's report

to the shareholder of Invia.cz, a.s.

Opinion

We have audited the accompanying consolidated financial statements of Invia.cz, a.s., with its registered office at Na hřebenech II 1718/8, Nusle, Praha 4 ("the Company") and its subsidiaries (together "the Group") prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended and notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Standards on Auditing of the Chamber of Auditors of the Czech Republic. These standards consist of International Standards on Auditing (ISAs) which may be supplemented and modified by related application guidance. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Act on Auditors and Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA) and accepted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

28 August 2017

PricewaterhouseCoopers Audit, s.r.o.

represented by

Václav Prýmek
Partner

Hana Valešová
Statutory Auditor, Evidence No. 2004

Note

Our report has been prepared in the Czech language and in English. In all matters of interpretation of information, views or opinions, the Czech version of our report takes precedence over the English version.