

**MANDATORY DISCLOSURE OF INFORMATION**

**ADDITIONAL INFORMATION TO THE 2017 ANNUAL REPORT**

**ZOOT A.S.**

5 September 2018

Following the summons of the market regulator, the Czech National Bank and according to the Act 234/2009 §17(3), ZOOT a.s. issues an additional information to the 2017 Annual Report. This additional information must be read with the 2017 Annual Report issued on 24 April 2018.

- **Chapter 04 OTHER INFORMATION, Alternative Performance Indicators (a new section to be added)**

For better understanding the Company provides a reconciliation of our Alternative Performance Indicators (“APM”) for the calculation of Gross margin and EBITDA.

<b>Definition and reconciliation of APM to the financial statements (FS)</b>		<b>FS</b>	<b>Line in FS</b>
Revenue	A	Profit and loss statement	I+II
Cost of sales	(B)	Profit and loss statement	A1
<b>Gross margin</b>	<b>A+B=C</b>	<b>n/a</b>	<b>n/a</b>
Selling, marketing, distribution and administrative costs	(D)	Profit and loss statement	A2+A3+D
Other operating expenses, net	(E)	Profit and loss statement	E+F-III
<b>Operating profit</b>	<b>C+D+E=F</b>	Profit and loss statement	<b>Operating profit or loss</b>
Depreciation and amortization	(G)	Cash Flow statement	A.1.1.
<b>EBITDA</b>	<b>F+G=H</b>	<b>n/a</b>	<b>n/a</b>

Purpose of APM:

**A. EBITDA**

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

**B. GROSS MARGIN**

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

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



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- **Chapter Corporate Governance, Section Procedures of the Board of Directors, Section Procedures of the of the supervisory board and Section Procedures of the General Meeting of the shareholders (an additional information to be added)**

Procedures of the Board of Directors – additional information (page 11)

### **Role and Powers of Board of Directors**

- a) The Board of Directors is a statutory body of the Company. The Board of Directors has all powers that are not entrusted to the General Meeting or the Supervisory Board by law or the Articles of Association.
- b) The Board of Directors is particularly entitled to manage the Company's business.
- c) The Board of Directors also provides for the maintenance of accounting, submits ordinary, extraordinary, consolidated and, where appropriate, interim financial statements to the General Meeting for approval and also submits a proposal for profit distribution or coverage of losses in compliance with the Articles of Association.
- d) The Board of Directors will convene the General Meeting without any undue delay if it ascertains that the total loss of the Company has, based on relevant financial statements, reached an amount which, if paid from available funds of the Company, would result in the unpaid loss amounting to one half of the registered capital, or if the above may be expected given all circumstances or due to another serious reason, and will propose to the General Meeting the winding-up of the Company or adoption of another appropriate measure.
- e) Before the conclusion of an agreement under which the Company is to acquire or alienate assets, if the amount of the acquired or alienated assets during one accounting period exceeds one third of the equity according to the most recent financial statements, or consolidated financial statements where these are prepared by the Company, the Board of Directors will request the consent of the Supervisory Board with the conclusion of such an agreement, unless this is a disposition made in the ordinary course of business, as proposed or under the supervision of a state authority, or at a stock exchange or another public market.

### **Number of Board of Directors Members and Their Term of Office**

- a) The Board of Directors is a collective body; it has 3 (in words: three) members. A member of the Board of Directors performs his/her office in person, but may, in individual cases, empower another member of the Board of Directors to vote on his/her behalf in his/her absence.
- b) Members of the Board of Directors are elected and recalled by the Supervisory Board.
- c) The Board of Directors elects and recalls the Chairman and Vice-Chairman of the Board of Directors.
- d) The term of office of each member of the Board of Directors is 5 (in words: five) years. Reelection of the same person is possible.

### **Rights and Duties of Members of Board of Directors**

- a) Rights and duties of members of the Board of Directors and consequences of any breach of duties as well as the rules of conduct of members of the Board of Directors and rules of conflict of interest and non-competition are defined by the Articles of Association, the Civil Code and the Act on Business Corporations.



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- b) Rights and duties between the Company and a member of the Board of Directors are governed accordingly by provisions of the Civil Code on a mandate, unless it ensues otherwise from the Act on Business Corporations or an agreement on performance of office, if concluded.
- c) An agreement on performance of office must be made in writing and must be approved by the Supervisory Board, including any changes thereto. Provisions of the Act on Business Corporations apply to its conclusion and content.
- d) Each member of the Board of Directors is obligated to maintain confidentiality with respect to facts having the nature of a business secret of the Company and protect these facts from being abused by third persons. The General Meeting may release a member of the Board of Directors from this duty in its full extent or partially.

### Meeting and Decisions of Board of Directors

- a) The Board of Directors decides on matters of the Company as a body at a meeting of the Board of Directors. Meetings of the Board of Directors take place as necessary, no less than four times a year.
- b) A meeting of the Board of Directors is convened by its Chairman by a written invitation specifying the venue, date and time of the meeting and its agenda, provided that the requirement for a written form of an invitation is also met if an invitation is sent by electronic (e-mail) or other technical means allowing to capture its content and determine the sender and the recipient.
- c) Written records are made on the course of a Board of Directors' meeting and the adopted decisions, such records to be signed by the Chairman of the Board of Directors and a minute taker as appointed by the Board of Directors. Minutes of a meeting of the Board of Directors must specify how each of the Board of Directors' members voted on the proposed decisions. Unless there is evidence to the contrary, members not named in the minutes are deemed to have voted for the adoption of the respective decision. If a decision is adopted, any member of the Board of Directors having opposed the proposed decision may request that his/her differing opinion be recorded. If a decision was adopted while any of the Board of Directors' members was absent, such member is entitled to be informed about the content of the decision.
- d) The Board of Directors constitutes a *quorum* if more than one half of its members attend or are otherwise represented at a meeting. The Board of Directors adopts each decision by a simple majority of votes of the attending members. When voting, each member has one vote. In case of equality of votes, the Chairman of the Board of Directors, or the Vice-Chairman of the Board of Directors in the Chairman's absence, has the casting vote.
- e) Provided all members of the Board of Directors so agree, the Board of Directors may also adopt decisions outside a meeting in writing or using technical means. However, all of the Board of Directors' members must provide their statement regarding a proposed decision in such cases.
- f) A decision adopted outside a meeting must be recorded in the minutes of the next meeting of the Board of Directors.
- g) Any and all organizational arrangements connected with adoption of decisions outside a meeting of the Board of Directors are made by the Chairman of the Board of Directors.



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Procedures Supervisory Board – additional information (page 13)

### **Role and Powers of Supervisory Board**

- a) The Supervisory Board supervises over the exercise of powers by the Board of Directors and the activities of the Company.
- b) A member of the Board of Directors is authorized to inspect all documents and records relating to activities of the Company and check whether or not accounting records are duly maintained in accordance with reality and whether or not the Company conducts its business in line with legal regulations, the Articles of Association and instructions of the General Meeting. The Board of Directors informs the General Meeting about results of its supervisory activities.
- c) The Board of Directors reviews the regular, extraordinary and consolidated, as well as interim financial statements, as the case may be, and a proposal for profit distribution or coverage of losses and submits its statement to the General Meeting.
- d) The Supervisory Board convenes the General Meeting if so stipulated by law or if so required by interests of the Company, and proposes any necessary measures at the General Meeting.
- e) A member of the Supervisory Board represents the Company in proceedings before courts and other bodies against a member of the Board of Directors.
- f) The Supervisory Board approves agreements under which the Company is to acquire or alienate assets, if the amount of the acquired or alienated assets during one accounting period exceeds one third of the equity according to the most recent financial statements, or consolidated financial statements where these are prepared by the Company, unless this is a disposition made in the ordinary course of business, as proposed or under the supervision of a state authority, or at a stock exchange or another public market.

### **Number of Supervisory Board Members and Their Term of Office**

- a) The Supervisory Board is a collective body having 4 (in words: four) members. Members of the Supervisory Board may not be members of the Board of Directors, general proxy holders or persons authorized to act on behalf of the Company according to the entry in the Commercial Register. A member of the Supervisory Board performs his/her office in person, but may, in individual cases, empower another member of the Supervisory Board to vote on his/her behalf in his/her absence.
- b) Members of the Supervisory Board are elected and recalled by the General Meeting.
- c) The Supervisory Board elects and recalls the Chairman of the Supervisory Board and the Vice-Chairman of the Supervisory Board. The person being elected does not vote in that election.
- d) The term of office of each Supervisory Board member is 5 (in words: five) years. Reelection of a member of the Supervisory Board is possible.

### **Rights and Duties of Members of Supervisory Board**

- a) Rights and duties of members of the Supervisory Board and consequences of any breach of duties as well as the rules of conduct of members of the Supervisory Board and rules of conflict of interest and non-competition are defined by the Articles of Association, the Civil Code and the Act on Business Corporations.



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- b) Rights and duties between the Company and a member of the Supervisory Board are governed accordingly by provisions of the Civil Code on a mandate, unless it ensues otherwise from the Act on Business Corporations or an agreement on performance of office, if concluded.
- c) An agreement on performance of office must be made in writing and must be approved by the Supervisory Board, including any changes thereto. Provisions of the Act on Business Corporations apply to its conclusion and content.
- d) Each member of the Supervisory Board is obligated to maintain confidentiality with respect to facts having the nature of a business secret of the Company and protect these facts from being abused by third persons. The General Meeting may release a member of the Supervisory Board from this duty in its full extent or partially.

### Meetings and Decisions of Supervisory Board

- a) The Supervisory Board meets at least twice a year. The meeting and decision of Board of Directors as described at page 3 of this Additional information to the 2017 annual report shall apply accordingly to meetings and decisions of the Supervisory Board. The Chairman of the Supervisory Board has the casting vote in case of equality of votes when decisions are adopted by the Supervisory Board.

### Procedures of the General Meeting of the shareholders – additional information (page 15)

#### Position and Convocation of General Meeting

- a) The General Meeting is the supreme body of the Company.
- b) The General Meeting must be convened at least once in an accounting period. The regular financial statements, however, must be discussed by the General Meeting no later than 6 (six) months from the last day of the previous accounting period.

#### Powers of the General Meeting include the following:

- a) Decisions on an amendment to the Articles of Association, unless this is a change resulting from an increase in the registered capital by the authorized Board of Directors or a change resulting from other legal facts;
- b) Decisions on a change in the amount of the registered capital and on the authorization of the Board of Directors to increase the registered capital;
- c) Decisions on a possibility to set off a monetary receivable *vis-à-vis* the Company against a receivable for payment of the issue price;
- d) Decisions on issuance of convertible or priority bonds;
- e) Appointment and recall of a member of the Supervisory Board;
- f) Approval of regular, extraordinary or consolidated financial statements as well as interim financial statements where required by another legal regulation;
- g) Decisions on the distribution of profit or other corporate funds, or on the coverage of losses;
- h) Decisions on applying for acceptance of the Company's participation securities for trading on a European regulated market or their delisting from trading on a European regulated market;
- i) Decision on the wind-up of the Company by means of liquidation;
- j) Appointment and recall of a liquidator;
- k) Approval of a petition for distribution of a liquidation balance;



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- l) Approval of transfer or pledge of the enterprise (“enterprise”) or such part thereof, the transfer of which would imply a material change in the existing structure of the enterprise or the scope of the business or activities of the Company;
- m) Decisions on the emphyteutic lease of the Company’s enterprise or a part thereof constituting an independent organizational unit;
- n) Approval of the provision of an advance payment, loan or credit by the Company to acquire its participation interests or the provision of security by the Company for these purposes (“financial assistance”);
- o) Approval of an agreement on silent partnership, including approval of any changes thereto or its cancellation;
- p) Decisions on the creation of funds and their cancellation;
- q) Approval of granting and recall of a general proxy;
- r) Approval of an agreement on performance of office of members of the Supervisory Board;
- s) Appointment and recall of members of the Audit Committee and approval of agreements on performance of office of members of the Audit Committee, including any changes thereof;
- t) Other decisions as entrusted within powers of the General Meeting by the Act on Business Corporations or another law or the Articles of Association.
- u) The General Meeting may not reserve to make decisions in cases not entrusted within its powers by law or the Articles of Association.

- **Chapter Corporate Governance, Section Shareholders of the company (an information below replaces the original wording in this section)**

The Company is directly own by ZOOT B.V. of which the ultimate shareholders holding a 10% or greater interest in the share capital as of 31 December 2016 and 2017 are as follows:

Shareholder	Interest in ultimate parent share capital	
	31 December 2016	31 December 2017 <sup>6</sup>
Oldřich Bajer	44.11%	39.36%
TCEE Fund III S.C.A. SICAR	33.49%	35.76%
Ladislav Trpák	15.75%	13.82%
Petr Ladžov	6.65%	5.93%
BHS Fund II. – Private Equity, investment fund a.s.	0.00%	5.13%

The shareholders of the ultimate Parent Company control the Company via the Supervisory Board at the level of ZOOT B.V. where each shareholder has one nominated member, except for Oldřich Bajer who is chairman of the Supervisory Board of the Company. In addition, TCEE Fund III S.C.A. Sicar and BHS Fund II. - Private Equity, investment fund a.s. each have one member on the Supervisory Board of the Company. At the same time, Ladislav Trpák is chairman of the Board of Directors of the Company and Petr Ladžov is a member of the Board of Directors of the Company.

The Company is not aware of the ultimate owner of the TCEE fund III S.C.A. SICAR and BHS Fund II. - Private Equity, investment fund a.s.



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<sup>6</sup> Based on the Shareholder agreement the shareholding interests may be recalculated depending on the final audited 2016 Consolidated Financial Statements of the Parent Company. The potential recalculation of the shareholding interests will not have material impact to the presented shareholding interests. The change is not expected higher than +/- 1% for each shareholder.

- **Chapter Corporate Governance, Section Structure of Supervisory Board, Jiří Beneš, Member (an addition information to be added)**

Mr. Jiří Beneš is also involved in the company TCEE Fund III S.C.A. SICAR via the partnership in 3TS Capital which is the managing fund of TCEE Fund III S.C.A. SICAR.

