QUARTERLY REPORT
2016 Q2

Innovative Commerce a.s.

For the period 1.04.2016 – 30.06.2016

11 August 2016

Prague, Czech Republic

1. Selected financial results
For the period of 1 April 2016 to 30 June 2016

The table below provides selected key data from unaudited financial statements in accordance with the Czech Financial and Reporting Standards for the quarterly period ended 30 June 2016.

Selected Financial Data for the period of 1 April 2016 until 30 June 2016

	Current period 2016 Q2			Previous period 2015 Q2		
	CZK	EUR	PLN	CZK	EUR	PLN
Total Revenues	0.00	0.00	0.00	0.00	0.00	0.00
Total Costs	**16.00**	**0.59**	**2.59**	**19.00**	**0.69**	**2.84**
EBITDA (operating profit)	-12.00	-0.44	-1.94	-16.00	-0.58	-2.39
EBIT	-16.00	-0.59	-2.59	-19.00	-0.69	-2.84
Pre-tax profit (EBT)	-12.00	-0.44	-1.94	-19.00	-0.69	-2.84
Net profit (EAT)	**-12.00**	**-0.44**	**-1.94**	**-19.00**	**-0.69**	**-2.84**
Non-current assets	0.00	0.00	0.00	0.00	0.00	0.00
Current assets	329.00	12.13	53.80	433.00	15.89	66.59
Cash and cash equivalents	*9.00*	*0.33*	*1.47*	17.00	0.62	2.61
TOTAL ASSETS	**329.00**	**12.13**	**53.80**	**433.00**	**15.89**	**66.59**
Total equity	317.00	11.68	51.84	409.00	15.01	62.90
Totalt liabilities	12.00	0.44	1.96	24.00	0.88	3.69
TOTAL EQUITY AND LIABILITIES	**329.00**	**12.13**	**53.80**	**433.00**	**15.89**	**66.59**

Note: Exchange rates provided by the Czech National Bank

2. Selected financial results YoY Overview
For the period of 1 January 2016 to 30 June 2016

Selected Financial Data for the period of 1 January 2016 until 30 June 2016

	2016 Q1-Q2			2015 Q1-Q2		
	CZK	EUR	PLN	CZK	EUR	PLN
Total Revenues	0.00	0.00	0.00	0.00	0.00	0.00
Total Costs	62.00	2.29	10.14	102.00	3.71	15.35
EBITDA (operating profit)	-57.00	-2.10	-9.32	-98.00	-3.56	-14.75
EBIT	-62.00	-2.29	-10.14	-102.00	-3.71	-15.35
Pre-tax profit (EBT)	-54.00	-1.99	-8.83	-102.00	-3.71	-15.35
Net profit (EAT)	-54.00	-1.99	-8.83	-102.00	-3.71	-15.35
Non-current assets	0.00	0.00	0.00	0.00	0.00	0.00
Current assets	329.00	12.13	53.80	433.00	15.89	66.59
Cash and cash equivalents	9.00	0.33	1.47	17.00	0.62	2.61
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TOTAL EQUITY AND LIABILITIES	**329.00**	**12.13**	**53.80**	**433.00**	**15.89**	**66.59**

Income Statement for the period 1 January until 30 June 2016

In Thousands	Current Period CY 2016 1.1.2016 – 30.6.2016			Previous Period CY 2015 1.1.2015 - 30.6.2015		
	CZK	**EUR**	**PLN**	**CZK**	**EUR**	**PLN**
Revenues	0.00	0.00	0.00	0.00	0.00	0.00
Revenues from services incl. WIP	0.00	0.00	0.00	0.00	0.00	0.00
Other income	0.00	0.00	0.00	0.00	0.00	0.00
Expenses	**57.00**	**2.10**	**9.32**	**98.00**	**3.56**	**14.75**
Production consumption	56.00	2.06	9.16	84.00	3.05	12.64
Personnel expenses	0.00	0.00	0.00	14.00	0.51	2.11
Taxes and fees	0.00	0.00	0.00	0.00	0.00	0.00
Other expenses	1.00	0.04	0.16	0.00	0.00	0.00
Operating profit (EBITDA)	**-57.00**	**-2.10**	**-9.32**	**-98.00**	**-3.56**	**-14.75**
Depreciations of non-current assets	0.00	0.00	0.00	0.00	0.00	0.00
Financial income	0.00	0.00	0.00	0.00	0.00	0.00
Financial costs	5.00	0.18	0.82	4.00	0.15	0.60
EBIT	**-62.00**	**-2.29**	**-10.14**	**-102.00**	**-3.71**	**-15.35**
Interest revenue	8.00	0.29	1.31	0.00	0.00	0.00
Interest expenses	0.00	0.00	0.00	0.00	0.00	0.00
Profit/loss before taxation (EBT)	**-54.00**	**-1.99**	**-8.83**	**-102.00**	**-3.71**	**-15.35**
Income tax	0.00	0.00	0.00	0.00	0.00	0.00
Profit/loss of the period **(Net income)**	**-54.00**	**-1.99**	**-8.83**	**-102.00**	**-3.71**	**-15.35**

Note: Exchange rates provided by the Czech National Bank

Balance Sheet as of 30 June

In Thousands	Current Period CY 2016 30.6.2016			Previous Period CY 2014 30.6.2015		
	CZK	**EUR**	**PLN**	**CZK**	**EUR**	**PLN**
Non-current assets	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
a. Intangible fixed assets	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
b. Tangible fixed assets	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
PPE – Land	0.00	0.00	0.00	0.00	0.00	0.00
PPE – Other equipment	0.00	0.00	0.00	0.00	0.00	0.00
PPE – Assets in progress	0.00	0.00	0.00	0.00	0.00	0.00
Adjustment to acquired assets	0.00	0.00	0.00	0.00	0.00	0.00
c. Financial assets	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Investment in associates	0.00	0.00	0.00	0.00	0.00	0.00
Other Investments	0.00	0.00	0.00	0.00	0.00	0.00
Current assets	**329.00**	**12.13**	**53.80**	**433.00**	**15.89**	**66.59**
Work in progress						
Cash and cash equivalents	9.00	0.33	1.47	17.00	0.62	2.61
Trade and other receivables	320.00	11.80	52.33	416.00	15.27	63.98
Tax receivables	0.00	0.00	0.00			
Accruals	0.00	0.00	0.00			
TOTAL ASSETS	**329.00**	**12.13**	**53.80**	**433.00**	**15.89**	**66.59**
Equity	**317.00**	**11.68**	**51.84**	**409.00**	**15.01**	**62.90**
Issued share capital	4,063.00	149.76	664.43	4,063.00	149.13	624.88
Share premium	15,000.00	552.89	2,452.98	15,000.00	550.56	2,306.98
Legal Reserve fund	0.00	0.00	0.00	0.00	0.00	0.00
Retained earnings	0.00	0.00	0.00	0.00	0.00	0.00
Accumulated losses	-18,692.00	-688.98	-3,056.75	-18,552.00	-680.93	-2,853.28
Loss current year	**-54.00**	**-1.99**	**-8.83**	**-102.00**	**-3.74**	**-15.69**
Liabilities	**12.00**	**0.44**	**1.96**	**0.00**	**0.00**	**0.00**
a. Reserves	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
b. Non-current liabilities	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Bank loan	0.00	0.00	0.00			
Long-term payables	0.00	0.00	0.00			
c. Current liabilities	**12.00**	**0.44**	**1.96**	**0.00**	**0.00**	**0.00**
Trade and other payables	12.00	0.44	1.96	24.00	0.88	3.69
Bank loan	0.00	0.00	0.00			
Other loans	0.00	0.00	0.00			
Tax payables	0.00	0.00	0.00			
d. Accruals	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
TOTAL EQUITY & LIABILITIES	**329.00**	**12.13**	**53.80**	**433.00**	**15.89**	**66.59**

Note: Exchange rates provided by the Czech National Bank

Cash flow statement for the period 1 January until 30 June 2016

Cash flow statement	**Current period CY 2016 1.1.2016 - 30.6.2016**			**Previous period CY 2015 1.1.2015 - 30.6.2015**		
In thousands	**CZK**	**EUR**	**PLN**	**CZK**	**EUR**	**PLN**
Balance of cash on hand and financial equivalents as at the beginning of reporting period	**10.00**	**0.37**	**1.64**	**534.00**	**19.60**	**82.13**
Cash flows from running activities						
Accounting profit/loss from running activities before taxation	**-54.00**	**-1.99**	**-8.83**	**-101.00**	**-3.71**	**-15.53**
Adjustments by non-cash operations	0.00	0.00	0.00	0.00	0.00	0.00
Depreciation of fixed assets and amortization of adjustments to acquired assets	0.00	0.00	0.00	0.00	0.00	0.00
Change in balance of adjustments, reserves	0.00	0.00	0.00	0.00	0.00	0.00
Profit from sales of fixed assets	0.00	0.00	0.00	0.00	0.00	0.00
Revenue from dividends and shares in profit	0.00	0.00	0.00	0.00	0.00	0.00
Accounted for interest expense, exclusive of interest capitalization and accounted for credit interest	0.00	0.00	0.00	0.00	0.00	0.00
Possible adjustments by other non-cash operations	0.00	0.00	0.00	0.00	0.00	0.00
Net cash flow from running activities before taxation, changes in working capital and unusual/extraordinary items	**-54.00**	**-1.99**	**-8.83**	**-101.00**	**-3.71**	**-15.53**
Change in non-cash items of working capital	53.00	1.95	8.67	-416.00	-15.27	-63.98
Change in balance of receivables from running activities, temporary assets accounts	97.00	3.58	15.86	-421.00	-15.45	-64.75
Change in balance of short-term payables from running activities, temporary liability accounts	-44.00	-1.62	-7.20	5.00	0.18	0.77
Change in balance of inventory	0.00	0.00	0.00	0.00	0.00	0.00
Change in balance of current liquid assets not included in cash or equivalents	0.00	0.00	0.00	0.00	0.00	0.00
Net cash flow from running activities before taxation and unusual/extraordinary items	**-1.00**	**-0.04**	**-0.16**	**-517.00**	**-18.98**	**-79.51**
Interests paid exclusive of interest capitalization	0.00	0.00	0.00	0.00	0.00	0.00
Interests received	0.00	0.00	0.00	0.00	0.00	0.00
Income tax for running activities and additional tax assessments for previous periods	0.00	0.00	0.00	0.00	0.00	0.00
Income and expense on unusual and/or extraordinary items, including income tax	0.00	0.00	0.00	0.00	0.00	0.00
Net cas flow from running activities	**-1.00**	**-0.04**	**-0.16**	**-517.00**	**-18.98**	**-79.51**
Cash flows from investing activities						
Net cash flow from investing activities	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Cash flows from financing activities						
Net cash flow from financing activities	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Net increase/decrease in cash on hand	**-1.00**	**-0.04**	**-0.16**	**-517.00**	**-18.98**	**-79.51**
Balance of cash on hand and financial equivalents as at the end of reporting period	**9.00**	**0.33**	**1.47**	**17.00**	**0.62**	**2.61**

3. Information on the rules applied to the preparation of the report

The Czech Accounting Standards (ČÚS – České účetní standardy) used in the Czech Republic and thus represent rules which companies manage the financial accounting and financial statements.

The Czech Accounting Standards consistent with these legal standards:
- Accounting Act (No. 563/1991 Coll.)
- Enforcement Notice of the Act on Accounting

The legislative framework of the Czech Republic:
(1) Act No. 563/1991 Coll., The Accounting
(2) Act No. 586/1992 Coll., The Income Tax
(3) Act No. 47/2011 Coll., The Value Added Tax effective since April 1, 2011

The Czech Accounting Standards for entities that account according to the Notice No. 500/2002 Coll.

THE CZECH ACCOUNTING STANDARDS	
No.	**Name**
001	Accounts and principles in the accounts
002	Opening and closing the books
003	Deferred tax
004	Provisions
005	Adjustments
006	Exchange rate differences
007	Inventory differences and losses within the norms of natural withdrawals from inventories
008	Operations with securities and shares
009	Derivatives
010	Special Operations claims
011	Operations relate to the Company
012	Changes in Equity
013	Intangible and tangible fixed assets
014	Long-term investments
015	Inventories
016	Short-term investments and short-term bank loans
017	Debtors and
018	Capital accounts and long-term liabilities
019	Costs and expenses
020	Consolidations
021	Compensation, forced settlement, bankruptcy and liquidation
022	Inventory of assets and liabilities in the transfer of state property to other persons
023	Statements of Cash Flows

Source: Ministry of Finance of the Czech Republic (URL: http://www.mfcr.cz/en)

4. The management board's comments

Innovative Commerce's revenue for the period of 1.04.2016 – 30.06.2016 amounted to CZK 0. The total costs for the period of 1.04.2016 – 30.06.2016 amounted to CZK16,000. The company recorded a net loss of CZK 12,000.

A. Summary of the key events from 1 April until 30 June 2016

- No.2/2016: Change in publication dates of periodic reports in 2016.
- No.3/2016: Annual report for 2015.
- No.4/2016: Quarterly report for 2016 Q1.
- No.5/2016: Convocation of the Annual General Meeting of Shareholders on 30 June 2016.
- No.6/2016: The Minutes of the AGM of shareholders held on 30 June 2016.

B. Important events important for the Issuer's business after the reporting period:

- None.

5. Brief description of the most important achievements or failures of the issuer during the period of 2016 Q2

There were no business activities in 2016 Q2.

6. The issuer forecasts of financial results

Not applicable. The Company has not issued any forecast since March 2011 (listing date).

7. General information about the issuer

Until 19.10.2015:

Company name:	iCom Vision Holding, a.s.
Company address:	110 00 Praha 1, Nové Město, Opatovická 1659/4, Czech Republic
Ticker:	INNOCOMM ICM
ISIN:	CZ0008467735
Authorized Advisor:	Capital Solutions ProAlfa Sp. z o.o.

Since 20.10.2015:

According to the resolution of General Meeting of Shareholders held on 4 February 2015, the Municipal Court in Prague registered the new name of the company on 20 October 2015. The company name has changed from iCom Vision Holding a.s. to Innovative Commerce a.s.

Company name:	Innovative Commerce a.s.
Company address:	120 00 Praha 2, Vinohrady, Varsavska 715/36, Czech Republic.
URL:	http://www.innovativecommerce.net
Ticker:	ICM (INNOCOMM)
ISIN:	CZ0008467735
Authorized Advisor:	Capital Solutions ProAlfa Sp. z o.o.

8. Share capital of the issuer

The Company's share capital is CZK 4,063,000 divided into 2,031,500 shares with the nominal value of CZK 2.00 each. The share capital is fully paid-up. All shares represent one vote at the General Meetings of Shareholders.

Share Capital as of 30 June 2016

Share / Issue	Type of Shares	Type of preference	Number of Shares
A	Bearer	No	1,000,000
B	Bearer	No	31,500
C	Bearer	No	1,000,000
Total number of shares			**2,031,500**
Total share capital [in CZK]			**4,063,000**
Nominal value per share [in CZK]			**2.00**

9. The issuer's initiatives to develop its activities aimed to implement innovative solutions in 2016 Q2

The Company did not take any initiatives to implement innovative solutions during the reporting period.

10. Description of the organisation of the group indicating consolidated entities

Not applicable.

11. The preparation of the consolidated financial statements

Not applicable.

12. Shareholder structure

The shareholder structure is as follows (as of 30 June 2016, to the knowledge of the Management Board of the Company):

Shareholder	No. of shares	% of capital	No. of votes at the Shareholder Meeting	% of votes at the Shareholders Meeting
Solar Power to the People Cooperatief U.A.	1,031,500	50.78	1,031,500	50.78
CYRRUS, a.s.*)	187,272	9.22	187,272	9.22
Other investors	812,728	40.00	812,728	40.00
Total	**2,031,500**	**100.00**	**2,031,500**	**100.00**

*) Note: The number of shares that belongs to the CYRRUS, a.s. are based on the document of Deposit Certificate issued by CSOB on June 3, 2014 for the purpose of General Meeting of iCom Vision Holding, a.s. held on 3 June 2014 at the address Antala Staška 2027/79, Praha 4, PSČ 14000 (Prague's Office of ANECT a.s., 1st floor) at 15:00.

13. Statutory bodies of the Issuer

Management Board Members as of June 30, 2016

Name	Position	Date of birth	Member since
Solar Power to the People Coöperatief U.A., represented by Georg Hotar	Member	21.4.1975	4.2.2015

Supervisory Board Members as of June 30, 2016

Name	Position	Date of birth	Member since
Solar Power to the People S.a.r.l., represented by Georg Hotar	Member	21.4.1975	4.2.2015

14. Information on the number of persons employed by the issuer converted into FTEs

The Company reports number of FTEs on June 30, 2016.

Function	FTEs
Back Office & Statutory Body	2.0

15. The factors which will influence the results achieved by the Company

Description of threats and risks

The risks described below are not the only ones facing the Company. Additional risks not presently known to the Company or that the Company currently deems immaterial may also impair the Company's business operations and adversely affect the price of the Shares. If any of the following risks actually occur, the Company's business, financial position and operating results could be materially and adversely affected.

Operational risks

Risks related to improper strategic assumptions
The Company generates revenue and profit by providing corporate customers with services based on innovative technology and tools, utilizing new media such as the Internet and mobile Internet. Due to the fact that the Company is active in a new market with a short operating history, there exists the risk that Management's strategic assumptions may prove incorrect.
The Company's Management has identified a risk factor connected with market trends and changes in customers' personal habits and preferences. Innovative technologies including mobile applications are more and more widely used, but the Company is unable to predict the exact pace of that technological transition. The Management does see a market demand for the Company's services however it also comes across clients' wariness in dealing with new technologies. General reluctance in implementing mobile solutions may have a significant negative impact on the Company's future financial results.

Risk that the Company is unable to meet client expectations
The Company provides services that depend on varied competencies, including marketing and concept creation, familiarity with end-user behaviour and technological/programming skills, among other competencies. Due to the complex nature of the services provided by the Company, the Company is at risk of making errors or otherwise being unable to meet client expectations. This risk increases with the increasing complexity of client projects. Further, certain client projects may include specific agreements as to the content or quality of delivered project or application. There exists the risk that the Company is unable to meet these requirements, or is unable to do so in a timely manner.

Risk that Company's client base is restricted by exclusivity agreements
The Company may enter into agreements that limit its ability to execute projects for companies that compete with a client that is party to an exclusive agreement. Further, some clients may be active in industries that have only a narrow range of competitors. As a result, if the Company decides to enter into an exclusive agreement with a certain client, there is the risk that it will not be able to realize projects with the client's competitors, thereby restricting its potential market share.

Contractual risks
The Company's business depends on contracts with multiple parties including, but not limited to, suppliers and customers. Each contract normally involves a substantial value or consideration to the Company. Furthermore, some contracts, whether in place now or executed in the future, may be governed by foreign law, which could create both legal and practical difficulties in case of dispute or conflict. The Company will use its best efforts to fulfil all obligations stipulated in such contracts, and to minimize all potential risks that may result from specific contract terms and conditions, but it is unable to fully mitigate such risks.

Dependencies on key personnel
The Company's development and prospects are dependent upon the continued services and performance of its senior management and key personnel. The loss of any key personnel may have negative effects on the Company's operating results and financial condition.

Access to qualified personnel
The Company's business plan is dependent upon further hiring of qualified personnel. Due, at least in part, to a slow recovery of the Czech economy, skilled and qualified personnel have become much more loyal to current employers than may have been the case 2-3 years ago. The hiring process thus takes longer, as skilled and qualified personnel are not publically available, or are unwilling to leave their present employer. There is thus the risk that the Company is unable to identify and hire the skilled individuals that are vital to its growth, or that wage levels may raise.

Risks related to a change of Company culture
Management is aware of a potential problem related to a change of internal culture. The Company has to date been working on “informal” principles. Organizational hierarchy has not been a visible attribute of the Company. The working environment instead highlighted individualism. A current Management objective is to increase the number of employees, which will require implementation of at least some standards of corporate management. The Company will require at least two levels of management, which may not be perceived positively by existing employees of the Company, who have become accustomed to informal processes. Management will have to carefully work with existing employees to help them adapt to the changes in a positive manner. There is a risk that personnel may be lost due to changes in the working environment.

Management of aggressive growth
The Company management is aware of problems that might be linked to the management of its aggressive growth plans. Management’s plan represents a leap of the Company’s business model. The business will change not only in terms of scale but also in terms of management responsibility. The aggressive business growth requires proper handling of at least several critical success factors, which include: fast set-up of highly qualified work team, people management, successful business development, appropriate management of customer projects, implementation of appropriate managerial control mechanisms and implementation of effective system of financial management. The Company management does believe that all components can be implemented and executed, but the set of critical success factors is relatively broad and there is no guarantee of Management’s success.

Key client risks
Company has strategic relationships with a number of local telecom operators, and other key clients. There is no guarantee that these relationships will remain intact. The loss of such large, key clients may adversely affect the Company’s operating results.

Risks related to a lack of experience in meeting the obligations of a listed company
Listed companies must meet certain obligations, including, among others, specific reporting requirements. The Company is aware that failure to meet such obligations can result in fines, suspension of the trading of Shares, and delisting, among other penalties. Such events could negatively impact the return to investors.

Risks related to acquisitions
The Company’s strategy includes the potential acquisition of smaller competitors and other market players. The effects of such acquisitions could be materially different from those that are expected by Management. Specifically, the Company may realize such transactions at valuations that are higher than those evidenced by the subsequent operating results of the target company. Further, there is a risk that not all-material information is disclosed to or gathered by the Company prior to any potential acquisition. Lastly, there exists the risk the Management is unable to effectively manage that combination of the existing business with that of the target company.

So far the Company’s Management has evaluated a couple of potential acquisition targets and all analyses resulted rather in negative outcomes than the positive ones. According to the Management, there are about 16 active entities on the market, however, there is a possibility that the Company will not manage to find the right one, which would generate significant post-acquisition value to the Company (people, products, customer base or recurring revenue). In such a case the Company will focus its efforts on accelerating its organic growth.

Market risks

Trend growth of online versus offline communication may not continue
Analytical reports show year-over-year growth of the online communication market, whereas the offline (TV, prints etc.) market remained flat. Going forward, however, advertisers may not invest in online communication at the anticipated rate, and the aforementioned trend does not remain intact. Despite the improved effectiveness and lower costs of online versus offline communication, advertisers may favour market-proven, offline concepts. There is therefore no guarantee that present trends continue, nor that mobile communications and applications grow at the anticipated rate. The Company’s success is, however, dependent on the fast growth of the online and mobile markets.

Online market regulatory risks

Online communication is based on the interactions between consumers and suppliers. It often utilizes personal data (e.g. information that consumers provide during the registration process), consumer history (browsing history) and other electronic data available within cyberspace. Indeed, the ability to target particular markets segments through the use of personal information is an attractive differentiator to advertisers. While the online space is already regulated to some degree, further regulation may be forthcoming. The most critical is the misuse of personal data. Data privacy must be respected by anyone doing business within cyberspace. However, the technology of the Internet and mobile services is developing. The regulatory and legal environment is always behind technical development. The Company may, therefore, in the future face some new regulatory or legal restrictions that might have an impact on the business. Company management cannot foresee such a future regulatory or legal shift, even if the management monitors this dynamic on the regular basis.

Competitive environment

Mobile media application and/or service development may become highly competitive in the future. The Company currently competes with a number of small market players, and maintains a competitive advantage. There is no guarantee that this advantage remains in place. Larger players are currently not interested due to the overall small size of the market. However, there is the potential that the market becomes sufficiently large that other market players reach critical mass, and that larger players begin to enter the market in force. This could impact the operating margins that are realized by the Company, and may cause it to loss any competitive advantage it may have previously enjoyed.

Macroeconomic risks

Sensitivity to general macro environment

The successful execution of the projected financial results of the Company depends on the stability of the general macroeconomic environment, including inflation levels and general GDP growth in the Czech Republic, and, optionally, in the countries of Company's future operations.

Currency risk related to Company activities

The Company reports in CZK, but expansion plans may bring it to other regional markets. This could potentially create CZK cost obligations, but generate revenue denominated in other currencies. This may create a certain currency exposure that could potentially have a negative effect on financial results.

Unforeseen events

There is a risk that unforeseen events or trends have a material impact of operation results. Natural disaster and geopolitical instability, among other risks, could have a negative impact on the Company, its market, and/or its operations.

Financial risks

Invoicing Terms & Conditions

The Company delivers its applications and/or services to, among other clients, large Czech corporate customers like mobile operators or Internet service providers. These enterprises are in a position that allows them to define their own terms and conditions, including invoicing rules. The standard invoice due date in the Czech Republic is 30 days. Large enterprises force business partners like the Company to allow 90 days. Such terms may generate cash flow issues because of VAT payment and the late inflow of cash. Management has to properly manage the Company's cash flow and always negotiate better terms than initially offered.

Overdue Receivables

Overdue receivables are a part of the current Czech business environment. It has become common market practice to delay repayment of debt. This has forced Management to establish appropriate credit check mechanisms, including a pre-contract credibility check mechanism. However, overdue and uncollectable receivables are an issue and could potentially create cash flow risks for the Company.

Risk related to strategic shareholder
ANECT is a strategic shareholder, and supports the business development function. However, it may, in the future, wish to exit its investment, or otherwise end the relationship. The Company would thus no longer receive this support. Such an event could negatively impact the firm or its business development activities, which are vital to its aggressive growth strategy.

Risk related to recurring revenue
The market of mobile Internet and mobile applications is still in the growth stage and is considered to be immature. The Comapany's Management has identified a risk connected with the recurring revenue. The Company has some trouble generating appropriate recurring revenue like regular ICT business. It creates a pressure on sales in terms of generating enough new sales leads and pushing on upsell among the existing clients. The Company's Management believes that the recurring revenue will come with the mobile application market maturation.

Technological risks

Slow smart phones market penetration
One of the Company's business model assumptions is an increase in the market penetration of smart phones. Mobile communication attracts consumers because of the technological development of end-user terminals (smart phones in general, and iPhone and iPad specifically). There is no guarantee that technological development continues at its current pace in spite of the fact than the current smart phone penetration in the Czech Republic has reached 37% in Q1 2011 and is still growing. There could be several reasons for such a change in the pace of development. Mobile vendors may focus primarily on developing markets, thus preferring volume to smart technology. The economic recovery may be slower than expected, and R&D budgets could be reduced as a result. In such a case, the market would see a slower pace of technological development and adoption.

Technological standardization risk
Currently, there are several leading mobile operating systems on the market (iOS, Microsoft Mobile v.7, Android). Any company that bases its business model on online communication via Internet, social networks and mobile phones has to follow all available technological standards. Online communication has to be compatible and deliverable to all end-user equipment with significant market penetration. Having a larger number of standards on the market may bring the Company to the situation that it will not be possible to follow all of these standards, or will require qualified experts in each area of technology. The first scenario would narrow the scope of the business and decrease the value of Company. The second scenario could significantly increase the Company's operating costs.

The Company's Management believes that there will always be some market standardization tendency.

Risks related to information technology, computer virus, and computer attack
The Company operates in Internet- and computer-based technologies. Computer hardware and software are thus critical to its success, and a key asset of the Company. There is a risk that these systems could come under computer attack, or may be otherwise threatened. Such an event could have a damaging effect on the infrastructure of the Company, could cause it to lose critical data, or could otherwise affect its computer-based operations. Further, such systems could become inoperable for various other reasons. Inoperability of critical computer hardware of software could have a materially adverse effect on the Company's operating results.

Risk that the Company is unable to keep up with technological change
The market segment in which the Company operates is characterized by fast changing technology. The growth and strategy of the Company depends at least in part on the Company's ability to adapt to technological and market changes. There is no guarantee that it is able to do so.

Risks related to shares

Share trading suspension or withdrawal from trading by the Alternative System Organizer
According to §11 of the Alternative Trading System Rules, the Alternative System Organizer can suspend trading in the Company's shares for a period not longer than three months when:

- the issuer applies for suspension;
- the Alternative System Organizer considers it necessary to protect the interests and safety of trading participants;
- the Issuer violates rules governing the alternative system.

According to §11.2 of the Alternative Trading System Rules the Alternative System Organizer shall, in cases set out by law, suspend trading in financial instruments for not more than a month.

§12 of the Alternative Trading System Rules stipulates that the Alternative System Organizer may withdraw instruments from trading:

- at the request of the Issuer, subject to certain requirements;
- if the Alternative System Organizer considers it necessary to protect the interests and safety of trading participants;
- in the case that the Issuer files for bankruptcy, or in the case of the court denying such application for bankruptcy due to the Issuer not possessing sufficient funds to cover the court proceeding costs;
- in the case that the Issuer is placed in liquidation.

Furthermore, the Alternative System Organizer may delist the Issuer's Shares from the Alternative Trading System:

- in cases set out in law;
- if their transferability has become restricted;
- if they are no longer dematerialized;
- 6 months of the validity date of a decision on declaration of bankruptcy of the Issuer including liquidation of its assets or court decision to dismiss a petition for declaration of bankruptcy because the issuer's assets are insufficient to cover the costs of proceedings.

§16.2 of the Alternative Trading System Rules further stipulates that trading in the Issuer's Shares may be suspend if the Issuer fails to perform the obligations set out in the Alternative Trading System Rules.

According to §20.3 of the Alternative System Trading Rules, the Alternative System Organizer may suspend the trading in the financial instruments of the Issuer if the agreement with its Market Animator is terminated or expires, or if the Market Animator's right to operate in the alternative system is suspended or the Market Animator is de-registered from the system. The suspension of trading in Issuer's financial instrument may be in effect until and new agreement with a Market Maker is executed and takes effect.

According to §21.2 of the Alternative System Trading Rules, if the agreement with the Market Maker is terminated or expires, or if the Market Maker's right to operate in the alternative system is suspended or the Market Maker is de-registered from the system, the Alternative System Organizer may:

1. Suspend trading in the Issuer's financial instruments until a new agreement with a Market Maker or an agreement with a Market Animator is executed and takes effect; if the agreement is executed with a Market Animator trading may be resumed on the order-driven market only in a trading system determined by the Alternative System Organizer,
2. where justified, decide to change the market and continue trading in given financial instruments on the order-driven market, in a trading system determined by the Alternative System Organizer, without any agreement with a Market Animator being executed.

<u>Share trading suspension or withdrawal from trading by order of KNF</u>
Art. 78 points 2, 3, and 4, respectively, of Polish Act on Trading in Financial Instruments stipulate that:

- in the case that it is deemed necessary for the safe functioning of the alternative trading system or in investors' interests, the KNF may require the Alternative System Organizer to suspend the trading of Issuer's Shares for a period of not longer than 10 days;
- in the case that the Issuer's Shares are traded under circumstances that may endanger the safe and lawful functioning of the alternative trading system or the interests of investors, the KNF may

require the Alternative System Organizer suspend the trading of the Issuer's Shares for a period not longer than one month;

- at the order of the KNF, the Alternative System Organizer may be required to terminate the trading of Issuer's Shares if continued trading would in a material way harm the lawful and safe function of the alternative trading system, or would harm investors' interests.

Penalties by the KNF
The KNF may impose fines on the Issuer for not following its obligations resulting from the Polish Act of Trading in Financial Instruments ("Trading Act") or the Polish Act on Public Offerings ("Offering Act").

Investment in shares listed on NewConnect
Any investor buying the Company's shares must be aware that this investment is considerably riskier than owning shares in a Company listed on the main market of the Warsaw Stock Exchange, or bonds, given that high volatility in the share price and low trading liquidity must be expected in the short and long term.

Currency risks relating to share price
The Company's shares will be quoted in PLN while the Company's financial results are derived and reported in CZK. Further, the registered capital of the Company and nominal value of Shares are also denominated in CZK. Significant fluctuations in the PLN/CZK exchange rate may have a material impact on the capital return to shareholders.

Share liquidity
The Company's series C shares have been publicly traded on the NewConnect market since 23 March 2011. It cannot be predicted if the Company's series A and B shares will be actively traded following their admission to trading on NewConnect. There is a significant risk that Company's shares may experience low trading volumes and selling large volumes of shares in a short period of time may be impeded.

Volatility of the share price
The trading price of the Shares could fluctuate significantly in response to quarterly variations in operating results, general economic outlook, adverse business developments, interest rate changes, or changes in financial estimates by securities analysts. Market conditions may affect the Shares regardless of the Company's operating results. Accordingly, the market price of the Shares may not reflect the underlying value of the Company's assets and operations, and the price at which investors may dispose of their Shares at any point in time may be influenced by a number of factors, only some of which may pertain to the Company while others of which may be outside the Company's control.

The market price of the Company's shares could decline due to sales of a large number of Shares in the market, or the perception that such sales could occur. Such sales could also, in the future, make it more difficult for the Company to offer equity securities at a time and at a price that are deemed appropriate.

The ability to bring an action against the Company may be limited under Czech law
The Company is a joint-stock company incorporated under the laws of the Czech Republic. The Statutes govern by Czech law and the rights of holders of Shares. These rights might differ from the rights of shareholders in other jurisdictions.
Shareholders may be diluted if they are unable to participate in future offerings
Because certain investors may be unable to participate in future offerings, their percentage shareholding may be diluted. Unless otherwise resolved by the general meeting or the Board by proxy and confirmed by the court, shareholders in Czech public companies, such as the Company, have pre-emptive rights proportionate to the aggregate amount of the Shares they hold with respect to new Shares being issued by the Company. For reasons relating to foreign securities laws or other factors, foreign investors may not be able to participate in a new issuance of Shares or other securities, and may face dilution as a result.

Participation at the General Shareholders Meetings of the Company

Participation at the general shareholders meeting of a Czech company through the submission of certificates issued by members of KDPW is not the same procedure as that recognized by Czech law and therefore, the participation may be challenged by the Czech notary.

Process of immobilization (dematerialization) of Czech certificated Shares under Polish law

The process of immobilization (dematerialization) is a cross-border process governed by both Czech and Polish law. The application of both legal regulations may result in legal uncertainty, especially from the Czech legal point of view.

Simultaneous application of Czech and Polish law

Two legal systems - Czech and Polish - may, from time to time, apply to the various legal processes related to the activities of the Company and/or to its Shares. Additional legal and/or operational risks may be connected to this situation. Because of the novelty and legal complexity and uncertainty involved, the Company's management may be currently unaware of certain legal and/or operational risks.

16. Exchange rates

Source: The Czech National Bank

The following exchange rates were applied:

From	To	EOP 30.06.2016 Balance Sheet	Q2 2016 Average Income Statement
01.04.2016	30.06.2016		
CZK/EUR		27.130	27.039
CZK/PLN		6.115	6.186

17. Management Board declaration

We hereby confirm the according to our best knowledge the information about Innovative Commerce, a.s. contained in this report is correct as of the publication of this document and that it fairly reflects the Company’s financial situation and business activities.

Prague, 11 August 2016

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Georg Hotar
On behalf of Solar Power to the People Coöperatief, Member of the Management Board

18. Investor Relations contact

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