



Financial Report of WP Capital Group

for the period of 3 and 6 months ending 30 June 2020



TABLE OF CONTENTS

MANAGEMENT'S REPORT ON THE ACTIVITIES OF THE CAPITAL GROUP	4
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS	33
CONDENSED INTERIM STANDALONE FINANCIAL STATEMENTS	68

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Management's Report on the activities of the Capital Group

for the period of 3 and 6 months ending 30 June 2020

TABLE OF CONTENTS

1. SELECTED CONSOLIDATED FINANCIAL DATA.....	6
2. OPERATIONS OF THE WIRTUALNA POLSKA HOLDING CAPITAL GROUP	7
3. DISCUSSION ON THE OPERATING RESULTS AND FINANCIAL SITUATION OF THE GROUP	12
4. FACTORS AND EVENTS, ESPECIALLY THOSE OF AN EXCEPTIONAL NATURE, SIGNIFICANTLY AFFECTING THE OPERATIONS AND FINANCIAL RESULTS OF THE COMPANY AND THE CAPITAL GROUP	20
5. FACTORS THAT, IN THE MANAGEMENT BOARD'S OPINION, WILL HAVE AN IMPACT ON THE FINANCIAL RESULTS OF THE COMPANY AND THE GROUP IN SUBSEQUENT PERIODS	22
6. SIGNIFICANT CONTRACTS AND EVENTS DURING THE FIRST HALF OF 2020.....	26
7. SHARES AND SHAREHOLDERS.....	28
8. ADDITIONAL INFORMATION	31

1. SELECTED CONSOLIDATED FINANCIAL DATA

The following tables set out selected consolidated financial data for the period of 3 and 6 months ending 30 June 2020 and 2019. The selected financial data presented in the tables below is expressed in thousands of PLN, unless otherwise stated. This information should be read in conjunction with condensed interim consolidated financial statements for the period of 3 and 6 months ending 30 June 2020 as well as the information included in point 3 of this report.

	Six months ending 30 June 2020	Six months ending 30 June 2019	Six months ending 30 June 2020	Six months ending 30 June 2019
	PLN'000		EUR'000	
Online Segment				
Sales	249 429	325 876	56 161	75 995
Cash sales	242 753	315 551	54 658	73 588
Adjusted EBITDA (IFRS 16)	80 725	97 990	18 176	22 852
EBITDA (IFRS 16)	72 847	96 613	16 402	22 530

	Six months ending 30 June 2020	Six months ending 30 June 2019	Six months ending 30 June 2020	Six months ending 30 June 2019
	PLN'000		EUR'000	
TV segment				
Sales	11 398	9 632	2 566	2 246
Cash sales	11 398	9 632	2 566	2 246
Adjusted EBITDA (IFRS 16)	(786)	(3 061)	(177)	(714)
EBITDA (IFRS 16)	(786)	(3 082)	(177)	(719)

	Six months ending 30 June 2020	Six months ending 30 June 2019	Six months ending 30 June 2020	Six months ending 30 June 2019
	PLN'000		EUR'000	
Segments total				
Sales	260 827	335 508	58 728	78 242
Cash sales	254 151	325 183	57 224	75 834
Adjusted EBITDA (IFRS 16)	79 939	94 929	17 999	22 138
EBITDA (IFRS 16)	72 061	93 531	16 225	21 812
Amortization and depreciation	(41 128)	(37 856)	(9 260)	(8 828)
Operating profit	30 933	55 675	6 965	12 984
Result on financial activities	(10 270)	(20 479)	(2 312)	(4 776)
Profit before tax	20 663	35 196	4 652	8 208
Net profit	15 092	22 836	3 398	5 325

	As of 30 June 2020	As of 31 December 2019	As of 30 June 2020	As of 31 December 2019
	w tys. zł		w tys. EUR	
TOTAL ASSETS	1 153 102	1 145 069	258 196	268 890
Non-current assets	906 141	909 137	202 898	213 488
Current assets	246 961	235 932	55 298	55 403
Long-term liabilities	455 939	426 105	102 091	100 060
Short-term liabilities	166 443	205 837	37 269	48 336
Equity	530 720	513 127	118 836	120 495
Share capital	1 454	1 451	326	341
Non-controlling interests	11 031	12 246	2 470	2 876

	Six months ending 30 June 2020	Six months ending 30 June 2019	Six months ending 30 June 2020	Six months ending 30 June 2019
	PLN'000		EUR'000	
Net cash flows from operating activities	106 833	107 830	24 054	25 146
Net cash flows from investing activities	(54 848)	(69 668)	(12 350)	(16 247)
Net cash flows from financing activities	(5 218)	(50 540)	(1 175)	(11 786)
Total net cash flows	46 767	(12 378)	10 530	(2 887)

Conversion into euro was performed based on the following principles:

- amounts presented in zloty as of 30 June 2020 were converted into Euro at the exchange rate of 4.4660 (the NPB exchange rate as of 30 June 2020),
- amounts presented in zloty as of 31 December 2020 were converted into Euro at the exchange rate of 4.2585 (the NPB exchange rate as of 31 December 2020),
- amounts presented in zloty for the period of six months ending 30 June 2020 were converted into Euro at the exchange rate of 4.4413 (the arithmetic mean of the NBP exchange rates as of the last day of each month of the first half of 2020),
- amounts presented in zloty for the period of six months ending 30 June 2019 were converted into Euro at the exchange rate of 4.2881 (the arithmetic mean of the NBP exchange rates as of the last day of each month of the first half of 2019).

2. OPERATIONS OF THE WIRTUALNA POLSKA HOLDING CAPITAL GROUP

GENERAL INFORMATION

Wirtualna Polska Holding SA ("Company") is entered in the Register of Business Entities maintained by the District Court for the Capital City of Warsaw in Warsaw, XIV Division of the National Court Register, under KRS No. 407130. The REGON number assigned by the Statistical Office is: 016366823. The Company headquarters is located in Warsaw at Żwirki i Wigury 16.

The Company was established for an unspecified term. The company core business comprises holding and management activities.

The Company is the Parent Company of Wirtualna Polska Holding Capital Group.

THE SCOPE OF GROUP'S OPERATIONS

Wirtualna Polska is a technology holding. Our websites are based on innovative solutions that allow us to broaden our target group and provide precise services and advertisements.

Our mission is to remain the partner of first choice for Poles, providing engaging information, entertainment and services as well as inspiration in everyday decisions. We want to be a reliable trust brand both in terms of content and offer for both users and clients. We, together with our partners, are constantly looking for new solutions to meet the needs of our users.

According to the Gemius/PBI study, as of July 2020 there were 21.1 million real users of all Internet products of the WP Group in July 2020, they made 2.9 billion page views, spending 118 million hours on the portals. The Group's reach is 77.97%.

Wirtualna Polska operates on the Polish online advertising market, offering a wide range of advertising products to its customers. These consists of e.g. modern display advertising, online video advertising, email advertising, mobile device advertising and advertisements based on efficiency model (i.e. billed for website accesses, filling out forms, registrations, purchase of goods or services, lead generation, performance marketing). WP has been developing its sales according to an intelligent programming model, which provides many advanced metrics to measure its campaigns.

As part of its new billing plan #PłaćZaObejrzone, Wirtualna Polska has introduced the 3x100 offer. The customer pays only for the video spots, which are counted as follows: 100% advertisement player seen for at least 2 seconds, not skipped, that is viewed until the end. This is a new, qualitative billing model, whose rates depend primarily on the length of the spot. At the same time, it is the first such offer in Poland.

We were first who introduced the DAI (Dynamic Ad Insertion) format, which, along with the marketing automation technology developed in WP, allows greater reach and better personalization of ads, both display and video. Replacement of a linear TV block with an un-skippable video commercial was introduced in Telewizja WP in the WP Pilot service. Through online TV streaming, Wirtualna Polska is able to extend the reach of the most popular nationwide TV programmes.

Media

Our journalists prepare dozens of materials on daily basis, including interviews, video reports, opinions, reports and news. They provide current information, comment on current events and present tidbits from the world of entertainment. They make Wirtualna Polska a place that Internet users return to every day.

Portals and content



For us and our users, Wirtualna Polska is the centre of everything that happens in Poland. Every day, thanks to the team of Wirtualna Polska's employees and collaborators, WP Homepage has outstripped the competition, rising up to the 1st place in the Gemius/PBI online traffic measurement.

We also create a number of thematic portals. Every day we present the most important news from the country and the world, we operate the most popular financial portal in Poland. We also provide a full overview of sports information, automotive, technology, lifestyle and entertainment content.

E-mail



Services that facilitate our users' communication are also WP Poczta and o2 poczta. They offer unlimited inbox sizes and attachments of up to 100 MB. They stand apart for their superior level of safety and business solutions. As the first Polish publisher, we implemented the "Mail Without Borders" project. Customers with hearing impairments can easily contact the Customer Service Office with the aid of the Migam sign language translator. We have also added a function for ordering e-prescriptions in one place, which makes them easily accessible whenever they have to be shown, for example on the screen of a cell phone.

Television



WP television's programmes include movies and shows from all over the world, never before broadcast on Polish FTA TV channels. The station can boast its original feature programmes, including "Tłit" and "Money. To się liczy", entertainment shows, documentaries and home renovation and decoration programmes. Since April 2019, WP TV has been broadcasting the world's most famous automotive show, "Top Gear", and since October, also Gordon Ramsay's "Kitchen Nightmares". The WP television was the first in Poland to broadcast the Sekielski brothers' film "Tylko nie mów nikomu" ("Just don't tell anyone"). In 2020, the station presented new original productions "1, 2, 3 Kabaret" and "Remont w prezencje". According to data from Nielsen Audience Measurement, WP TV ended the first half of 2020 with 0.69% in the all 16-49 group, improving the result by 56% compared to the first half of previous year. In the first half of 2020, the leading position among stations broadcasting on MUX8 was also maintained.

Video

Our users can also tune into traditional television online. WP Pilot enables them to watch over 90 TV channels, of which 30 are entirely free of charge. The service is available without any contracts or decoding devices. The television can be watched on the website, through the application for Android, iOS, Windows and Xbox, as well as with the use of Chromecast and Airplay.

Radio

OpenFM is the most popular Polish Internet radio. Listeners can tune into over one hundred different music stations, divided into thematic categories. The service is available at www.open.fm and via the mobile application on Android and iOS devices. In order to secure even broader distribution to our brand, in 2019 we participated in competitions of the National Broadcasting Council for broadcasting on local digital multiplexes. As a result, OpenFM can now be heard in Warsaw, Rzeszów, Katowice and Tarnów, among others.

E-commerce

E-commerce of the WP Group is an extensive solution that guarantees the effective reach to recipients, providing users with information about trends and purchase recommendations. The Group operates in the areas of tourism, fashion, interior design and house design, financial services, and in the automotive sector.

Travel

Tourist portals included in the Group provide a complete offer to travellers and those looking for accommodation in Poland and abroad. Wakacje.pl is the first tourist portal in Poland and a network of stationary showrooms throughout Poland. The portal presents current offers of the largest renowned tour operators. Wakacje.pl supports consumers in purchasing decisions due to a unique database of reviews related to hotels and destinations, and thanks to the largest tourist discussion forum, featuring interesting daily topics and travel reports. Users interested in domestic holiday can use nocowanie.pl and eholiday.pl portals that have the biggest database of domestic accommodation in Poland.

Fashion

The mission to support our users in their everyday decisions is also demonstrated by the services offered in the two largest fashion search engines in Poland: domodi.pl and allani.pl. These portals offer several hundred thousand products from hundreds of online shops.

Interior and house design

Homebook.pl is a modern platform for interior design professionals and enthusiasts. It offers users the possibility to search among hundred thousand products from hundreds of shops in the home and interior category. It also has an extensive inspiration section where interior design, advice and trends are presented, and a database of interior design specialists. Extradom.pl specializes in selling architectural designs online. Both brands integrate consumers' shopping path from house design, through building materials, to interior design.

Financial services direct.money.pl totalmoney.pl Finansowy supermarket

We also assist users in important financial decisions. WP Group's services compare and enable to select the best insurance, credit, loan, card and account offers. Our experts use plain language, and the content they create makes it possible to find one's way through the complex world of finance. For those interested in in-depth knowledge, they also prepare professional rankings and analyses.

Automotive superauto.pl

Purchasing and financing of cars is another area of e-commerce in which WP operates through its superauto.pl service. It presents a wide range of new cars from authorised dealers of different brands. The highest standard of services provided by a team of experienced consultants enables individual and corporate customers to finance the purchase of a new car without leaving home, by way of lease, rental or credit.

The table below presents the Group's position in various thematic categories:

Category	Real Users (RU)	Rank
Business, finance, law	9 587 064	1
Gossip, celebrities life	7 316 564	1
New technologies	6 774 133	1
Sport	5 745 418	1
Children, family	3 396 138	1
Lifestyle	12 543 337	2
E-mail services	8 608 347	2
Health and medicine	7 279 832	2
Women's websites	6 860 502	2
Tourism	5 719 699	2
Automotive	5 072 567	2
Information and journalism	11 742 599	3
Culture and Entertainment	8 030 686	3
E-commerce	3 274 030	15

Source: Gemius/PBI, July 2020

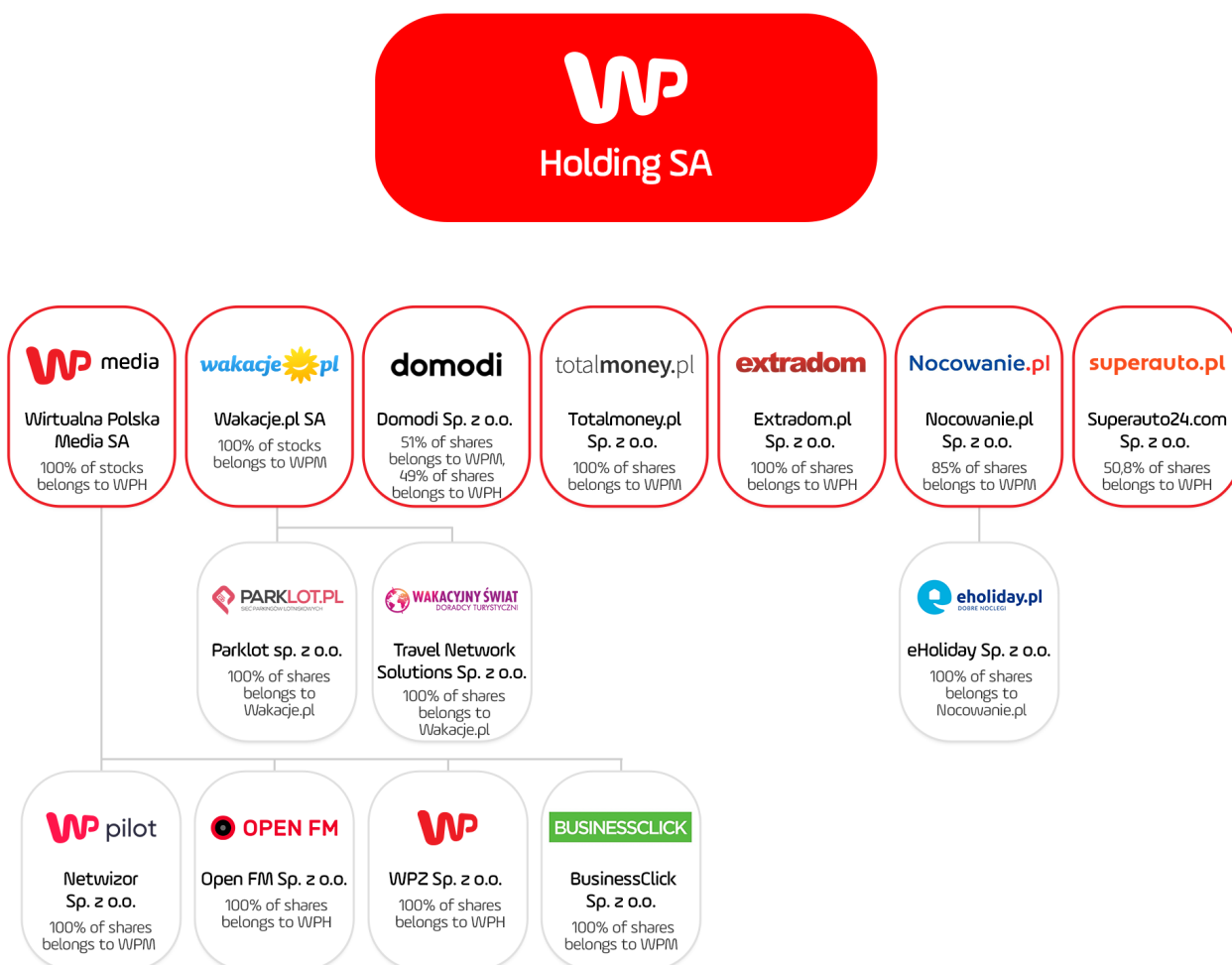
The table below presents the Group's market position against competitors.

No.	Entity	Real Users (mln)	Page views (bln)	Time spent (mln hrs)
1	Google Group	26.6	9.5	226
2	Youtube Group	24.6	0.9	39
3	Wirtualna Polska Group	21.1	2.9	118
4	Facebook.com	20.9	2.8	82
5	RAS Poland Group	20.8	2.3	54
6	Interia.pl Group	19.3	2.6	37
7	Allegro Group	18.3	1.5	47
8	Polska Press Group	17.3	4.1	45
9	OLX Group	16.0	0.8	5
10	Gazeta.pl Group	15.1	0.5	14

Source: Gemius/PBI, July 2020

STRUCTURE OF THE WIRTUALNA POLSKA HOLDING CAPITAL GROUP

The following diagram presents the structure of the Group as of 30 June 2020, including the percentage of voting rights at the General Shareholders' Meeting to which the shareholder is entitled



Companies from the Wirtualna Polska Holding Capital Group also hold minority stocks/shares in the following entities:



Changes in the Group's structure

On 2 January 2020, Totalmoney.pl Sp. z o.o. and Finansowysupermarket.pl Sp. z o.o. merged by transferring all assets of Finansowysupermarket.pl sp. z o. o. to Totalmoney.pl Sp. z o.o.

On 1 February 2020, Wirtualna Polska Media SA and Autocentrum.pl SA merged by transferring all assets of Autocentrum.pl SA to Wirtualna Polska Media SA

On 1 July 2020, Wakacje.pl SA and Travel Network Solutions Sp. z o.o. merged by transferring all assets of Travel Network Solutions Sp. z o.o. to Wakacje.pl SA.

3. DISCUSSION ON THE OPERATING RESULTS AND THE FINANCIAL SITUATION OF THE WIRTUALNA POLSKA HOLDING CAPITAL GROUP

The financial data for the periods of 3 and 6 months ending 30 June 2020 and 2019 was not audited. The information presented in the following tables should be read in conjunction with the information included in the condensed consolidated financial statements.

SELECTED FINANCIAL DATA FROM THE CONSOLIDATED INCOME STATEMENT

The following table presents the main positions of the income statement for the period of 3 and 6 months ending 30 June 2020 and 2019.

(PLN'000)	Six months ending 30 June 2020	Six months ending 30 June 2019	Change	Change %
Online Segment				
Sales	249 429	325 876	(76 447)	(23,5%)
Cash sales	242 753	315 551	(72 798)	(23,1%)
Adjusted EBITDA (IFRS 16)	80 725	97 990	(17 265)	(17,6%)
EBITDA (IFRS 16)	72 847	96 613	(23 766)	(24,6%)
TV segment				
Sales	11 398	9 632	1 766	18,3%
Cash sales	11 398	9 632	1 766	18,3%
Adjusted EBITDA (IFRS 16)	(786)	(3 061)	2 275	(74,3%)
EBITDA (IFRS 16)	(786)	(3 082)	2 296	(74,5%)
Segments total				
Sales	260 827	335 508	(74 681)	(22,3%)
Cash sales	254 151	325 183	(71 032)	(21,8%)
Adjusted EBITDA (IFRS 16)	79 939	94 929	(14 990)	(15,8%)
EBITDA (IFRS 16)	72 061	93 531	(21 470)	(23,0%)
Amortization and depreciation	(41 128)	(37 856)	(3 272)	8,6%
Operating profit	30 933	55 675	(24 742)	(44,4%)
Result on financial activities	(10 270)	(20 479)	10 209	(49,9%)
Profit before tax	20 663	35 196	(14 533)	(41,3%)
Net profit	15 092	22 836	(7 744)	(33,9%)

(PLN'000)	Three months ending 30 June 2020	Three months ending 30 June 2019	Change	Change %
Online Segment				
Sales	106 213	173 486	(67 273)	(38,8%)
Cash sales	103 276	167 702	(64 426)	(38,4%)
Adjusted EBITDA (IFRS 16)	39 704	52 184	(12 480)	(23,9%)
EBITDA (IFRS 16)	33 727	52 550	(18 823)	(35,8%)
TV segment				
Sales	4 806	5 027	(221)	(4,4%)
Cash sales	4 806	5 027	(221)	(4,4%)
Adjusted EBITDA (IFRS 16)	(945)	(1 298)	353	(27,2%)
EBITDA (IFRS 16)	(945)	(1 299)	354	(27,3%)
Segments total				
Sales	111 019	178 513	(67 494)	(37,8%)
Cash sales	108 082	172 729	(64 647)	(37,4%)
Adjusted EBITDA (IFRS 16)	38 759	50 886	(12 127)	(23,8%)
EBITDA (IFRS 16)	32 782	51 251	(18 469)	(36,0%)
Amortization and depreciation	(20 202)	(19 293)	(909)	4,7%
Operating profit	12 580	31 958	(19 378)	(60,6%)
Result on financial activities	(1 792)	(16 573)	14 781	(89,2%)
Profit before tax	10 788	15 385	(4 597)	(29,9%)
Net profit	7 843	8 468	(625)	(7,4%)

The consolidated results of the Group for the first half of 2020 and 2019 included the results of the following subsidiaries:

No.	Name of subsidiary	Date of taking control	% of shares held	Period covered by consolidation	
				30 June 2020	30 June 2019
1	Wirtualna Polska Media S.A.	22 December 2010	100%	full period	full period
2	Totalmoney.pl Sp. z o.o.	1 December 2014	100%	full period	full period
3	Businessclick.pl Sp. z o.o.	1 December 2014	100%	full period	full period
4	Domodi.pl Sp. z o.o.	12 September 2014	100%	full period	full period
5	Finansowysupermarket.pl Sp. z o.o. ⁽¹⁾	16 September 2015	100%	-	full period
6	Wakacje.pl S.A.	23 December 2015	100%	full period	full period
7	Nocowanie.pl Sp. z o.o.	7 June 2016	85%	full period	full period
8	Netwizor Sp. z o.o.	13 December 2016	100%	full period	full period
9	eHoliday.pl Sp. z o.o.	18 October 2017	85%	full period	full period
10	WPZ Sp. z o.o.	29 December 2017	100%	full period	full period
11	Parklot Sp. z o.o.	4 October 2018	100%	full period	full period
12	Extradom.pl Sp. z o.o.	28 October 2018	100%	full period	full period
13	Superauto24.com Sp. z o.o.	20 December 2018	51%	full period	full period
14	Travel Network Solutions sp. z o. o.	26 February 2019	100%	full period	since 26 February 2019
15	Open FM Sp. z o. o.	1 July 2019	100%	full period	-
16	Autocentrum.pl S.A. ⁽²⁾	30 October 2019	100%	-	-

⁽¹⁾ On 2 January 2020 Totalmoney.pl Sp. z o.o. and Finansowysupermarket.pl Sp. z o.o. merged.

⁽²⁾ On 1 February 2020 Wirtualna Polska Media SA and Autocentrum.pl SA merged.

Online segment

An outbreak of the SARS-COV-2 coronavirus pandemic was a significant factor affecting the Group's results in the first half of 2020, in particular of those companies operating in the tourism services sector. A detailed description on that factor is presented in section 5 of the report.

The sales of services in the online segment declined in the first half of 2020 by PLN 76,447 thousand i.e. by 23.5% compared to the sales for the corresponding period of the previous year, whereas the cash sales declined by PLN 72,798 thousand, i.e. by 23.1%.

In the second quarter of 2020 alone the decline in the sales amounted to PLN 67,273 thousand, i.e. 38.8% compared to the corresponding period of the previous year, whereas the cash sales declined by 64,426 thousand, i.e. 38.6%.

The decline in sales was caused primarily by the situation in the international vacation tours market. Due to the outbreak of coronavirus epidemic and subsequent lockdown and the closing of the borders, the Group not only was not able to sell

tours in the second quarter of 2020, but was also forced to recognise refunds for all services that were sold in previous periods, but could not be realised in expected dates.

In both periods, cash-settled transactions represented the majority of the Group's sales and amounted to 97% of the Group's sales in the period of six months of 2020 and 2019.

The main ratios analysed by the Management Board for the purpose of evaluation of the Group's financial results are EBITDA and adjusted EBITDA. The Group's EBITDA is calculated as operating profit plus amortization and depreciation while the Group's adjusted EBITDA is calculated as EBITDA adjusted for one-off events such as: costs of transaction advisory, and restructuring, management option scheme costs, result of the disposal of other financial assets, net result of the settlement of barter transactions and the costs of revaluation and liquidation of non-current assets.

The decrease in sales resulted in lower EBITDA level of the Group. In the period of six months of 2020 the adjusted EBITDA of the online segment amounted to PLN 80,725 thousand which was by PLN 17,265 thousand (i.e. by 17.6%) lower compared to the value of this ratio in the previous year.

In the analysed period, the net value of positions normalizing the Group's EBITDA of the online segment amounted to PLN 7.9 million and was higher than the amount noted in the corresponding period in 2019 by PLN 6.5 million. The Group's EBITDA of the online segment in 2020 was adjusted by, among other things, transaction and restructuring costs (PLN 5.9 million). These costs included the restructuring of employment (mainly at Wakacje.pl SA and Domodi Sp. z o.o.), as well as legal advisory fees related to the refinancing of debt and costs of acquisition activities. Moreover, due to the change in VAT regulation from 1 November 2019 and the subsequent binding rate information (WIS), the Group decided to adjust the rate applied so far on the sale and purchase of architectural projects (the historically used rate was in line with market standards). The use of a higher VAT rate on both revenue and costs of sale of the projects, starting from 1 November 2019, resulted in the reduction of both revenue and costs, which effectively decreased the Group's EBITDA by PLN 0.9 million. Moreover, non-cash costs of the employee stock option scheme amounted to PLN 1.3 million.

Moreover, EBITDA for the period was adjusted by temporary gain on barter transactions (PLN 0.7 million). Due to the equivalence of mutual benefits arising from barter transactions, such transactions are offset over a longer period, although temporarily a positive or a negative result might be recorded.

TV segment

In the analysed period, total sales of TV segment of PLN 11,398 thousand comprised of cash sales and were by PLN 1,766 thousand, i.e. 18.3% higher than in the previous year. The EBITDA of the TV Segment for the period of six months of 2020 amounted to PLN (786) thousand and was by PLN 2,296 thousand higher than in the same period of 2019.

Joint performance of segments

In the first half of 2020 both the total Group's adjusted and unadjusted EBITDA decreased by PLN 14,990 thousand and PLN 21,470 thousand respectively.

Decline in EBITDA as well as increase of depreciation by PLN 3,272 thousand resulted in corresponding decrease in operating profit by PLN 24,742 thousand compared to previous year. Additional amortization and depreciation is mainly due to the Group's investment expenditure including new lease agreements of office space in Wrocław, Warsaw, Gdańsk and Lublin, as well as additional depreciation of fixed and intangible assets (including trademarks and client relations) of companies acquired in 2019.

The result on financial activity of the Group amounted to PLN (10,270) thousand in the first half of 2020 and increased by PLN 10,209 thousand compared to the first half of 2019. The change resulted primarily from the recognition of PLN 4,154 thousand of income in the second quarter of 2020 relating to the revaluation of the liability to purchase non-controlling interests in Nocowanie.pl Sp. z o.o., while in the previous year this revaluation resulted in the recognition of an additional cost in the amount of PLN 11,610 thousand (mainly upward revaluation of liability to purchase the non-controlling interest in Nocowanie.pl Sp. z o.o.).

Moreover, the Group noted an increase of financial costs by PLN 2,862 thousand despite the decline in the costs of debt financing. This was due to, inter alia, the recognition of negative FX differences in the amount of PLN 1,237 thousand, arising primarily from the revaluation of lease liabilities due to the right to use the asset. The Group has liabilities denominated in euro arising from existing office space lease agreements, which are treated as finance leases in accordance with applicable standards. The Group also recognised financial costs due to the revaluation of financial assets in the amount of PLN 2,474 thousand. In addition, profit before tax was further negatively impacted by the recognition of PLN 2,317 thousand of losses on investments accounted for using the equity method.

The financial statements for the period of six months ended on 30 June 2020 were prepared in accordance with IFRS 16. For information purpose only, the table below presents the theoretical result of the Group if it applied IAS 17, which was binding until the end of 2018.

(PLN'000)	Six months ending 30 June 2020 (IFRS 16)	IFRS 16 adjustment	Six months ending 30 June 2020 (IAS 17)
Sales	260 827	-	260 827
Cost of goods sold	(13 523)	-	(13 523)
Amortization and depreciation	(41 128)	6 300	(34 828)
Amortization and depreciation of acquired programming rights	(2 278)	-	(2 278)
Materials and energy used	(2 837)	-	(2 837)
Cost and income related to acquisitions and restructuring	(5 992)	(2 072)	(8 064)
Costs of the employee option scheme	(1 349)	-	(1 349)
Other external services	(68 111)	(5 735)	(73 846)
Other salary and employee benefit expenses	(92 338)	-	(92 338)
Other operating expenses	(5 735)	-	(5 735)
Other operating income/gains	3 397	-	3 397
Operating profit	30 933	(1 507)	29 426
Finance income	944	-	944
Finance costs	(13 051)	2 416	(10 635)
Revaluation of commitments to purchase non-controlling interests and other liabilities on business combinations	4 154	-	4 154
Share in profit in investments accounted for using the equity method	(2 317)	-	(2 317)
Profit before tax	20 663	909	21 572
Income tax	(5 571)	(173)	(5 744)
Net profit	15 092	736	15 828

FINANCIAL POSITION OF THE GROUP

The following table presents the consolidated statement of the Group's financial position as of 30 June 2020 and 31 December 2019:

(PLN'000)	As of 30 June 2020	As of 31 December 2019	Change	Change %
Non-current assets	906 141	909 137	(2 996)	(0,3%)
Current assets	246 961	235 932	11 029	4,7%
Long-term liabilities	455 939	426 105	29 834	7,0%
Short-term liabilities	166 443	205 837	(39 394)	(19,1%)
Equity attributable to equity holders of the Parent Company	519 689	500 881	18 808	3,8%
Share capital	1 454	1 451	3	0,2%
Non-controlling interests	11 031	12 246	(1 215)	(9,9%)

The analysis of changes in the Group's balance sheet was prepared as of 30 June 2020 compared to 31 December 2019. Changes to individual balance sheet items are discussed below.

Non-current assets

The following table presents the structure and changes in non-current assets by balance sheet category.

(PLN'000)	As of 30 June 2020	Structure 2020	As of 31 December 2019	Structure 2019	Change	Change %
Property, plant and equipment	118 050	13,0%	106 477	11,7%	11 573	10,9%
Goodwill	364 254	40,2%	364 254	40,1%	-	0,0%
Investments accounted for using the equity method	606	0,1%	2 923	0,3%	(2 317)	(79,3%)
Other intangible assets	397 681	43,9%	402 188	44,2%	(4 507)	(1,1%)
Non-current programming assets	6 800	0,8%	5 805	0,6%	995	17,1%
Long-term receivables	260	0,0%	208	0,0%	52	25,0%
Other financial assets	16 880	1,9%	26 727	2,9%	(9 847)	(36,8%)
Deferred tax assets	1 610	0,2%	555	0,1%	1 055	190,1%
Non-current assets	906 141	100,0%	909 137	100,0%	(2 996)	(0,3%)

In the analysed period, the net value of the property, plant and equipment increased by PLN 11,573 thousand mainly as a result of recognition of the asset from the office lease by Totalmoney.pl Sp. z o.o. in Wrocław, Nocowanie.pl Sp. z o.o. in Lublin and Wakacje.pl in Gdansk, with a total value of PLN 20,425 thousand. In addition, the Group incurred other capital expenditures on property, plant and equipment in the total value of PLN 9,364 thousand, which was mainly the adaptation of new office spaces. At the same time, the cost of depreciation of property, plant and equipment in the current period amounted to PLN 15,244 thousand.

In the first half of 2020, the value of other intangible assets decreased by PLN 4,507 thousand, as the depreciation cost of PLN 25,844 thousand exceeded the expenditures (PLN 21,210 thousand). In the current period the Group incurred expenditures mainly on capitalized development projects (PLN 16,286 thousand) and the purchase of licenses (PLN 2,304 thousand).

The value of investments accounted for using the equity method decreased by PLN 2,317 thousand as a result of recognizing part of the loss generated by the Group's associate Digitics SA.

Other long-term assets decreased in value primarily as a result of the reclassification to fixed assets held for sale of the fair value of shares owned by the Group in eSky.pl SA, which are planned to be sold. On 26 March 2020, in line with the procedure outlined in the investment agreement dated 9 June 2017, the Group issued a statement about the execution of the put option on its shares in eSky.pl SA. As of 30 June 2020, eSky shares (PLN 10,016 thousand) were presented as assets held for sale.

Moreover, as at 30 June 2020 the Management Board updated its valuation of the financial assets (shares and options) held in esky.pl SA and Teroplan Sp. z o.o. The valuation method used by the Group is based on multipliers of listed comparable companies. Both valued companies operate in the tourism and transport industries, which are significantly affected by COVID-19. As a result, the value of shares was reduced by PLN 6,986 thousand, which was offset by an increase in value of share options held by the Group by PLN 4,512 thousand, resulting in total impact of PLN 2,474 thousand on the results of the first half of 2020.

Current assets

The following table presents changes in current assets by balance sheet category:

(PLN'000)	As of 30 June 2020	Structure 2020	As of 31 December 2019	Structure 2019	Change	Change %
Cash trade receivables	84 070	34,0%	129 862	55,0%	(45 792)	(35,3%)
Barter receivables	2 649	1,1%	2 489	1,1%	160	6,4%
Contract assets	1 614	0,7%	11 142	4,7%	(9 528)	(85,5%)
State receivables	8 811	3,6%	7 435	3,2%	1 376	18,5%
Other current assets	1 036	0,4%	1 270	0,5%	(234)	(18,4%)
Current programming assets	4 043	1,6%	-	0,0%	4 043	nd
Short-term receivables related to financial activity	3 249	1,3%	2 632	1,1%	617	23,4%
Accruals	4 727	1,9%	1 572	0,7%	3 155	200,7%
Inventory	5 325	2,2%	5 601	2,4%	(276)	(4,9%)
Fixed assets held for sale	10 016	4,1%	-	0,0%	10 016	nd
Cash and cash equivalents	121 421	49,2%	73 929	31,3%	47 492	64,2%
Current assets	246 961	100,0%	235 932	100,0%	11 029	4,7%

Compared to the end of 2019, the Group significantly increased the value of cash at its disposal. A detailed analysis of changes in cash value will be presented in the next part of the report regarding the analysis of the cash flow statement.

The decrease in trade receivables was mainly due to lower sales revenues in the first half of 2020 compared to the last quarter of 2019. The Group's credit policy assumes long payment periods (30-60 days) for its key customers, and therefore a decrease in cash revenues by over PLN 70 million compared to the fourth quarter of 2019 resulted in a decrease in the balance of trade receivables.

Contract assets, representing mostly the commission fee for touristic services, decreased its value by PLN 9,528 thousand which was largely due to the coronavirus epidemic (details described in point 5 of this report). Additionally, at the end of the year, this position included, inter alia, accrual for the additional annual settlement, which was mostly settled during the first quarter of 2020.

In the analysed period, the Group granted a loan of PLN 3,800 thousand to its associate Digitics SA. The loan must be repaid by 31 December 2020 at the latest, hence it is recognized in the current assets.

Inventories increased by PLN 3,155 thousand due to the continued development of direct car sales (apart from brokerage activity) at Superauto24.com Sp. z o.o. As a result of that activity PLN 3.4 million of additional inventory was recognised.

Programming assets with a net value of PLN 1,036 thousand PLN were presented in the short-term part of the balance sheet since they are valid for less than 12 months.

Long-term liabilities

The following table presents changes in long-term liabilities by balance sheet category:

(PLN'000)	As of 30 June 2020	Structure 2020	As of 31 December 2019	Structure 2019	Change	Change %
Bank loans and other loans	332 319	72,9%	311 208	73,0%	21 111	6,8%
Leasing liabilities due to the right of use the assets	62 664	13,7%	46 845	11,0%	15 819	33,8%
Liabilities related to business combinations	14 138	3,1%	15 902	3,7%	(1 764)	(11,1%)
Liabilities with respect to the put option for non-controlling interests	12 391	2,7%	20 505	4,8%	(8 114)	(39,6%)
Liabilities in respect of purchase of property, plant and equipment and intangible assets	6 435	1,4%	7 771	1,8%	(1 336)	(17,2%)
Deferred tax liabilities	27 949	6,1%	23 676	5,6%	4 273	18,0%
Other	43	0,0%	198	0,0%	(155)	(78,3%)
Long-term liabilities	455 939	100,0%	426 105	100,0%	29 834	7,0%

As at 30 June 2020, the value of the long-term part of loans increased by PLN 21,111 thousand as a result of the additional CAPEX tranch drawn to finance the execution of the option to purchase shares in Nocowanie.pl, as well as the refinancing of debt related to the newly signed loan agreement which, among others, grants the Group grace period on capital repayment until 2021.

The main change in long-term liabilities was the recognition of lease liabilities related to the new lease contracts of the office space by Totalmoney.pl Sp. z o.o. in Wrocław, Nocowanie.pl Sp. z o.o. in Lublin and Wakacje.pl in Gdańsk with a total value of PLN 20,425 thousand. Additionally, as most of the office space lease agreements in the Group is settled in EUR, the liability was revalued by PLN 1,959 thousand due to the exchange rate increase in the first half of 2020. At the same time, the Group repaid the capital instalments in the total value of PLN 6,576 thousand.

Liabilities related to business combinations decreased by PLN 1,764 thousand as a result of the repayment in January 2020 of another part of the retained purchase price for shares in Extradom Sp. z o.o. in the amount of PLN 2,558 thousand.

Long-term liabilities related to the put option on non-controlling interests decreased by PLN 8,114 thousand. On 28 May 2020 the Group signed an agreement with the minority shareholder in Nocowanie.pl changing the conditions of option agreement, i.a. extending the period in which it can be executed. At the same time the first tranche of the purchase was realised at the total price of PLN 13,467 thousand. The details of the transaction are described in note 28 of the interim consolidated financial statements.

In March 2020 the Group repaid another instalment of the liability for the television broadcasting licence. In January 2016 the Group recognised liability related to the television broadcasting licence binding from 14 January 2016 to 13 January 2026. The total liability amounted to PLN 13,545 thousand and is paid in ten equal annual instalments, PLN 1,355 thousand each. As at 30 June 2020, with five instalments paid, the value of the liability calculated at the amortised cost equals PLN 7,890 thousand, PLN 6,265 thousand of which is recognised as long-term. In the first quarter of 2020, the Group also recognized a liability arising from a radio license received, the long-term portion of which amounted to PLN 170 thousand.

Short-term liabilities

The following table presents changes in short-term liabilities by balance sheet category:

(PLN'000)	As of 30 June 2020	Structure 2020	As of 31 December 2019	Structure 2019	Change	Change %
Bank loans and other loans	22 746	13,7%	35 547	17,3%	(12 801)	(36,0%)
Leasing liabilities due to the right of use the assets	14 268	8,6%	14 710	7,1%	(442)	(3,0%)
Cash trade payables	42 703	25,7%	51 097	24,8%	(8 394)	(16,4%)
Barter trade payables	2 248	1,4%	2 986	1,5%	(738)	(24,7%)
Contract and refund liabilities	36 151	21,7%	39 749	19,3%	(3 598)	(9,1%)
State liabilities	6 936	4,2%	8 844	4,3%	(1 908)	(21,6%)
Wages and salaries payables	7 447	4,5%	10 021	4,9%	(2 574)	(25,7%)
Liabilities in respect of purchase of property, plant and equipment and intangible assets	4 819	2,9%	7 639	3,7%	(2 820)	(36,9%)
Other short-term payables	9 928	6,0%	7 901	3,8%	2 027	25,7%
Provisions of employee benefits	6 139	3,7%	4 356	2,1%	1 783	40,9%
Other provisions	1 160	0,7%	1 105	0,5%	55	5,0%
Contingent liabilities related to business combinations	72	0,0%	72	0,0%	-	0,0%
Liabilities related to business combinations (other than earn-out)	2 318	1,4%	2 546	1,2%	(228)	(9,0%)
Liabilities with respect to the put option for non-controlling interests	8 676	5,2%	17 333	8,4%	(8 657)	(49,9%)
Current income tax liabilities	832	0,5%	1 931	0,9%	(1 099)	(56,9%)
Short-term liabilities	166 443	100,0%	205 837	100,0%	(39 394)	(19,1%)

In the analysed period, the short-term portion of loans decreased by PLN 12,801 thousand, which was due to the refinancing of debt in April 2020 and change of the payment schedule effective as at 30 June 2020. The new payment schedule assumes that the first capital instalment will be paid in the first quarter of 2021.

Liabilities with respect to the put option for non-controlling interests declined materially (by PLN 8,567 thousand) due to the execution of the first option to purchase shares in Nocowanie.pl and entering into an agreement with the minority shareholder extending the deadline to execute the remaining options. The details of the transaction are described in note 28 of consolidated interim financial statements.

Liabilities due to contracts with clients and due to reimbursement of remuneration decreased by PLN 3,589 thousand, which is due to the fact that a large portion of reimbursement of 2019 remuneration has been settled, and current settlements relate solely to sales realised in the first half of 2020.

Wages and salaries payables decreased by PLN 2,574 thousand, while cash trade payables and liabilities relating to purchase of fixed assets decreased by PLN 8,394 thousand and PLN 2,820 thousand, respectively. This is due to, inter alia, the limitations imposed on the cost base and investment expenditure due to the COVID-19 pandemic and its impact on the Group's results.

At the same time, the Group settled PLN 1,099 thousand of income tax liabilities.

Equity

(PLN'000)	As of 30 June 2020	Structure 2020	As of 31 December 2019	Structure 2019	Change	Change %
Equity attributable to equity holders of the Parent Company, including	519 689	97,9%	500 881	97,6%	18 808	3,8%
Share capital	1 454	0,3%	1 451	0,3%	3	0,2%
Supplementary capital	323 458	60,9%	321 969	62,7%	1 489	0,5%
Revaluation reserve	61	0,0%	147	0,0%	(86)	(58,5%)
Other reserves	4 457	0,8%	(1 144)	(0,2%)	5 601	(489,6%)
Retained earnings	190 259	35,8%	178 458	34,8%	11 801	6,6%
Non-controlling interests	11 031	2,1%	12 246	2,4%	(1 215)	(9,9%)
Equity	530 720	100,0%	513 127	100,0%	17 593	3,4%

In the first half of 2020, the equity attributable to the parent company's shareholders increased by PLN 18,808 thousand in total. The change in equity attributable to the parent company's shareholders resulted from the following events:

- Increase by PLN 1,492 thousand due to registration, admission to trading and issuing shares under share option plans, out of which PLN 3 thousand increased share capital and the remaining part - PLN 1,489 thousand was booked as supplementary capital;
- decrease by PLN 86 thousand due to i.a. the downward valuation of interest rate swap liability, hedging the interest payments to the bank;
- increase by PLN 1,095 thousand due to vesting of the rights to the consecutive tranche of share options under the existing incentive scheme. At the same time, share capital increase in the amount of PLN 254 thousand was fully paid in 2019 and as at 31 December 2019 was presented as other reserves, while as at 30 June 2020 (after registration) it was presented as supplementary capital;
- the net profit attributable to the parent company's shareholders for the six months ending 30 June 2020 of PLN 14,019 thousand;
- increase by PLN 2,289 thousand as a result of a reclassification to equity attributable to shareholders of the Parent Company from non-controlling interests due to the purchase of 10% of shares in Nocowanie.pl Sp. z o.o.;
- As a result of the settlement of the first option on non-controlling shareholding in Nocowanie.pl the Group reclassified a portion of supplementary capital relating to the initial recognition of this option to retained earnings in the amount of PLN 4,506 thousand. This change did not impact the total value of equity attributable to shareholders of the Parent Company.

In the first half of 2020 the non-controlling interests decreased by PLN 1,215 thousand due to the allocation to the non-controlling shareholders of an appropriate part of the result for the period earned by Nocowanie.pl Sp. z o.o., Eholiday.pl Sp. z o.o. and Superauto24.com Sp. z o.o. (PLN 1,074 thousand). Moreover, as a result of the purchase of 10% interest in Nocowanie.pl Sp. z o.o., PLN 2,289 thousand was reclassified from non-controlling interests to equity attributable to shareholders of the Parent Company.

Cash flows of the Group

(PLN'000)	Six months ending 30 June 2020	Six months ending 30 June 2019
Net cash flows from operating activities	106 833	107 830
Net cash flows from investing activities	(54 848)	(69 668)
Net cash flows from financing activities	(5 218)	(50 540)
Total net cash flows	46 767	(12 378)

EBITDA of PLN 72,061 thousand drove positive cash flows from operating activities of PLN 106,833 thousand. In addition to the generated financial results, the amount of operating cash flows in the first half of 2020 was also affected by the decrease in the working capital of over PLN 37 million.

Cash flows from investing activities were negative and amounted to PLN (54,848) thousand in the analysed period which was mainly due to expenditure incurred (CAPEX) on the purchase of intangibles and fixed assets (PLN 35,102 thousand), execution of the option on non-controlling interests (PLN 13,467 thousand), the repayment of another part of the retained purchase price of shares in Extradom Sp. z o.o. (PLN 2,558 thousand) and loan granted to Group's associate – Digitics SA (PLN 3,800 thousand).

Cash flows from financing activities in the first current period amounted to PLN (5,218) thousand mainly due to the repayment of finance lease (PLN 7,268 thousand) and the repayment of interest and bank commissions in the amount of PLN 12,667 thousand. As part of financing activities the Group recognized inflows due to share capital increased under share option plans (PLN 1,238 thousand). Moreover, in the second quarter of 2020 the Group refinanced its debt and used a tranche of the CAPEX loan (PLN 13,467 thousand) to finance the purchase of 10% of shares in Nocowanie.pl.

In addition, due to the weakening of the Polish currency against the Euro and USD at the end of the first half of 2020, the Group revaluated cash held in foreign currencies and recognized foreign exchange gains of PLN 725 thousand.

SELECTED FINANCIAL RATIOS OF THE ONLINE SEGMENT

Financial indicators Online Segment	Six months ending 30 June 2020	Six months ending 30 June 2019
Sales (PLN'000)	249 429	325 876
Sales (YoY increase)	(23,5%)	34,0%
Cash sales	242 753	315 551
Cash sales (YoY increase)	(23,1%)	35%
Adjusted EBITDA margin (IFRS 16) - on cash sales	33%	30%
Financial leverage ratio (Net debt/Adjusted EBITDA LTM - IFRS 16)	1,49	1,59

The main financial ratios analysed by the Group's Management Board comprise cash proceeds from sales and their change, the adjusted EBITDA margin and adjusted gross margin.

The cash sales for the first half of 2020 were by 23.1% lower than in the corresponding period of the previous year. At the same time, due to initiatives taken to reduce the cost base, the Group's EBITDA margin increased from 30% to 33%.

In addition to the above-mentioned ratios, the Group's Management Board monitors the financial ratios defined in the loan agreement on an ongoing basis. As of the date of the preparation of this report, these ratios were satisfactory and there were no indications of a risk of not complying with the requirements concerning their value as defined in the loan agreement.

The Group does not present and analyse the financial ratios of the TV segment.

4. FACTORS AND EVENTS, ESPECIALLY THOSE OF AN EXCEPTIONAL NATURE, SIGNIFICANTLY AFFECTING FINANCIAL RESULTS ACHIEVED

In the period under analysis, the following significant factors had an impact on the Group's financial and operating results:

- impact of COVID-19 on operations and financial results of the Capital Group;
- material acquisitions made by the Group in the previous periods;
- increased effectiveness resulting from the use of the Group's data resources and big data tools;
- costs of funding related to the acquisitions.

I Impact of COVID-19 on operations and financial results of the Capital Group

In March of 2020 the state of epidemic was proclaimed in Poland due to infections of SARS-CoV-2 virus, causing COVID-19 disease. Several restrictions were introduced to slow down the spread of coronavirus, in particular the obligation of social distancing, closing borders and limiting the functioning of shops and services.

The pandemic and restrictions introduced had impact on the results of the first half of 2020 mainly in relation to revenues and EBITDA generated by the Group companies operating in the foreign and domestic tourism industry. However, the diversification of activities of individual holding companies allows to limit the negative effects of a pandemic on the results of the entire Group. A detailed description of the impact is provided in section 5 of the report.

I Material acquisitions made by the Group in the previous periods

Since 2014, the Group has been intensively involved in acquisitions of other entities operating on the internet advertising and e-commerce market, including generating leads on the e-commerce market. In 2015 the Group acquired shares in the following companies: NextWeb Media sp. z o.o., Blomedia.pl Sp. z o.o., Finansowysupermarket.pl Sp. z o.o., Web Broker Sp. z o.o., Allani Sp. z o.o. and Wakacje.pl SA In 2016, the Group's purchased Totalmoney.pl Sp. z o.o., Nocowanie.pl Sp. z o.o. and Netwizor Sp. z o.o., in 2017 the Group was joined by Eholiday.pl Sp. z o.o., in 2018 by My Travel Sp. z o.o., Extradom.pl Sp. z o.o., Superauto24.com Sp. z o.o. and Parklot Sp. z o.o. and in 2019 by Travel Network Solutions Sp. z o.o. and Autocentrum.pl SA The acquisitions mentioned above had a significant impact on the level of revenues and EBITDA. They also had a significant impact on the amount of depreciation in the consolidated financial statements of the Group, as in the process of purchase price allocation of these entities a number of trademarks and customer relations have been identified which are currently depreciated and the costs are included in the consolidated financial results of the Group.

I Increase in effectiveness as a result of using the Group's data resources and big data tools

The Group has one of the largest databases of users of internet portals and the largest database of email users in Poland. Achieving the highest rank was possible, among other things, thanks to acquisitions made by the Group.

Having a large number of service and content users gives the Group access to information on user behaviour, within the limits set by the provisions of the law. Thanks to access to a large amount of data on user behaviours (in particular on the content and services used by users) and the progress in the ability to analyse extensive data resources over recent years (tools for analysis of large and diverse data sets, generated with high frequency, so called big data), the Group has a significant potential for increasing its operating effectiveness, among other things, through the personalization of content, and personalization of advertisements which are more effective, by eliminating the advertisements of products in which a given user is not interested.

I Borrowings related to the acquisitions

The Group's acquisition activities are supported by external financing.

The Group's debt results, among others, from the loan financing of part of the purchase price (PLN 175 million) of shares in Wirtualna Polska SA, purchase price of the shares in Money.pl Sp. z o.o. (PLN 47 million), part of the purchase price of the shares in Wakacje.pl SA (PLN 50 million), part of the purchase price of the shares in Nocowanie.pl Sp. z o.o. (PLN 12 million), Domodi Sp. z o.o. (PLN 85 million) and Extradom Sp. z o.o. (PLN 60 million) as well as refinancing part of the investment expenditure to purchase fixed and intangible assets.

The loan bears an interest rate of 3M WIBOR plus the margin specified in the agreement.

As of 30 June 2020 the balance of the Group's liability resulting from loan agreement amounted to PLN 355 million.

During the six months of 2020, the Group's interest and commissions expenses, the bulk of which resulted from interest on the bank loan, amounted to PLN 8,079 thousand. The amount of these costs in consecutive periods will depend on WIBOR 3M which equalled 0.26% as of 30 June 2020.

5. FACTORS THAT, IN MANAGEMENT BOARD'S OPINION, WILL HAVE AN IMPACT ON THE FINANCIAL RESULTS OF THE CAPITAL GROUP IN SUBSEQUENT PERIODS

I Proclamation of the state of COVID-19 epidemic in Poland

In March of 2020, due to infections of SARS-CoV-2 virus causing COVID-19 disease, the state of epidemic was proclaimed in Poland. Several restrictions were introduced to slow down the spread of coronavirus, in particular the obligation of social distancing, closing borders and limiting the functioning of shops and services. Once the state of epidemic was proclaimed, the Group established a crisis management team, composed of key managers, whose goal is to respond to the changing situation on an ongoing basis as well as coordinate the implementation of all necessary changes in operational processes in response to emerging information.

The Group immediately took a number of actions to limit the impact of the pandemic on the activities of Group companies. The priority was set at ensuring the sense of security for employees and maintaining current high quality of services provided to clients.

Since mid-March, most of the Group's employees switched to home-office. Representatives of IT, administration and accounting departments are working in shifts to ensure proper workflow of documents and technical support. For security reasons, the TV studio team was split in two teams and worked on a biweekly schedule. All offices have been equipped with the necessary hygiene and disinfection products. Along with the reduction of restrictions imposed by the state, in the following months there was a gradual voluntary return to offices of some employees. Employees who decided to resign from remote work on certain days have access to the necessary hygiene and disinfection measures, masks and protective gloves. The necessary distance between work stations has also been ensured. Team meetings with more people are still held remotely. Depending on the development of the epidemiological situation in Poland, further limitation of remote work and an increase in the number of employees staying in the office at the same time are considered.

Based on the current knowledge, the Group estimates that the pandemic and related restrictions have had a significant impact on the results generated by some of the companies in the Group. The large diversification of activities of individual holding companies allows to minimize the negative impact of the pandemic on the entire Group's results.

The impact of COVID-19 on each CGU of Wirtualna Polska Holding Capital Group is presented below:

Publishing and advertising activities

The impact of COVID-19 pandemic on the results of the publishing and advertising activities became noticeable in the second quarter of 2020. The situation on the advertising market deteriorated due to the visible limitations on the side of clients from selected sectors (e.g. automotive, finance), mainly with regards to image campaigns. It should be however noted, that in the course of several past years the Group made a significant shift from image to efficiency-settled campaigns. The decreasing share of revenues from image campaigns in the total advertising and publishing revenue means that the hold on some image budgets will have a significantly smaller impact on the financial results as it would have few years ago.

Advertising activities are strongly correlated with the general state of the economy. In cases of an economic slowdown below 2% of GDP growth, we've historically observed a decline in the total advertising market of up to about 10% YoY. However, in spite of the GDP decrease in the second quarter of 2020, publishing and advertising revenues of the WPH Group remained at a level close to that in the second quarter of 2019. The Management Board systematically analyses possible options and at the same time introduces a number of initiatives limiting the cost base, which could enable generating a satisfactory EBITDA on publishing and advertising activities.

At the same time, during the lockdown, we observed a significant increase in users' interest in our portals and services, which seems natural due to the increased need for access to the latest information (mainly with regards to the epidemiological situation) and a greater amount of time that can be allocated to the use of our services. Being aware of our special responsibility, detailed guidelines have been prepared for the editors to ensure the information provided to the society is highly reliable and does not fuel the sense of fear and uncertainty.

International travel (Wakacje.pl SA)

Activity in international tourism halted completely during the second quarter of 2020. Numerous restrictions imposed in Poland and abroad, in particular relating to border closures and travel bans, resulted in both a lack of ongoing revenue generation as well as the necessity to recognise refunds on all services sold, but which could not take place in the dates planned.

Partial resumption of international touristic activity happened in July 2020, however, as per expectations, the revenues generated were lower by several dozen per cent than those in a comparable period of the previous year, in line with trends observed across the market. However, the reopening for touristic activity of further countries, in particular key destinations such as Turkey and Egypt, means that there is a big potential for an improvement of the results of this part of the Group's operations.

The Group implemented several measures aiming at the limitation of short-term losses, including in particular the optimisation of the cost base. Offering of services such as vacation in Poland and vacation abroad with transport by own means is also expanded.

Wakacje.pl received a guarantee of financial support (in the form of an increased loan limit) granted by its only shareholder, i.e. Wirtualna Polska Media SA.

Domestic travel (Nocowanie.pl Sp. z o.o. and Eholiday.pl Sp. z o.o.)

From 2 April to 3 May all accommodation facilities were closed (except for quarantine rental), which resulted in a significant decrease in the level of revenue of Nocowanie.pl and Eholiday.pl. Since this legal restrictions were lifted, the situation seems to be getting back to normal as we can observe significantly increased interest of users in the offers presented at Nocowanie.pl and Eholiday.pl. The available research on the tourism market in Poland in 2020 indicate that the interest in domestic tourism in Poland exceeds its previous levels. The Group decided to use this trend and execute an advertising campaign increasing the Nocowanie brand awareness among potential clients, which include owners of guesthouses and other lodging facilities in the country.

During the period of total tourism lock-down, Nocowanie.pl conducted a social campaign among the cooperating accommodation owners, encouraging them to make rooms available to healthcare professionals. An assistance package for lodging houses and boarding houses (including legal information and disinfection products) has also been introduced.

Lead Generation fashion/interior (Domodi Sp. z o.o)

In the initial phase, the general level of uncertainty in society resulted in a decrease in purchasing intentions and number of transactions compared to the period before the pandemic was announced. Over time, there is a noticeable improvement in consumer sentiment and a growing interest in online shopping (this trend was particularly visible during the closure of large-format stores, but weakened once restrictions were lifted, especially with regards to the fashion industry).

Aiming to exploit the identified change in the purchasing habits of Poles, the Group decided to accelerate the implementation of some new functionalities of the services. The group responded to the current consumer demand by expanding the home clothing offer and introducing the aggregation of the mask assortment from the beginning of the pandemic. During the pandemic, the Group also developed a new development strategy for the fashion area, however, resulting from the need to transform the business model and not directly from the fact of the pandemic. These activities, along with the implemented limitations of the cost base, were not however sufficient to generate revenues and EBITDA at a level similar to that in a comparable period of the previous year.

Financial lead generation (Totalmoney.pl Sp. z o.o.)

Since the second half of March, the operation of stationary branches of banks and financial institutions has been limited, significantly influencing the efficiency of transactions. The banks also substantially tightened their credit risk assessment, while some stopped lending entirely. Interest rates are at the historically lowest level causing additional product problems and forcing bank to change their offers. In addition, legal regulations enabling clients to suspend

repayment of loan instalments created problems in the non-bank loans sector. Since June, a stabilisation of the situation with regards to banking and cooperation with the banks returned to pre-pandemic state. However, lower lead conversion related to tighter credit policies and changes in banks' offerings is still being felt.

All these factors had a negative impact on the financial results of the end of the first and the entire second quarter of 2020.

The Management Board expects that in the coming months, increased consumer interest in financial products will continue, while the supply on the part of financial institutions will be insufficient in relation to demand, which will translate into decrease in the level of revenue and EBITDA compared to 2019.

Extradom

In the first stage, immediately after the pandemic was announced, we noted a temporary strong decline in interest in the offer of architectural house designs, which, however, returned to a satisfactory level in the last days of March. In the second quarter of 2020, an increase in consumer interest is noticeable, which in our opinion should positively affect the results of Extradom.

Superauto24

The outbreak of the pandemic caused a significant decrease in demand for the purchase of new cars. At the same time banks and leasing institutions has tightened their credit risk assessment. The disruption of global supply chains was also a significant problem, leading to production shutdown and supply reduction by many car factories. In the following months, demand was gradually restored and production capacity was restored, but in our opinion, a return to the pre-pandemic condition is only possible in the last quarter of the year.

At the same time, we are observing greater activity online on the part of car manufacturers and importers. They are increasingly encouraging clients to buy cars online. The social distance forced by the COVID-19 pandemic can be a catalyst for changes in consumer habits and may direct their interest in finding and buying a car online, which can be a great opportunity for a Superauto24 which, unlike dealers, has many years of experience in online sales.

The Groups expects that the results of this part of the online activities will exceed the results of the previous year in each quarter of 2020.

Impact of COVID-19 on the financial results of the Group

The described above negative impact of COVID-19 on the revenue generated by the Group companies, forced the management to introduced a number of initiatives to accordingly reduce the cost base. Cost optimization in the companies most affected by the crisis included, along with obvious non-employee cuts costs in the first place, also a reduction in employment as well as reduction of working time or salaries. Some companies from the Group also decided to use the available forms of public support from the government (anti-crisis shield). In the first half of 2020 the Group received c. PLN 2.4m of support as part of the anti-crisis shield.

Ultimately, revenues decreased by 5% in the first quarter and by 38% in the second quarter of 2020.

Group EBITDA was lower by 7% and 36% than in comparable periods in the first and second quarter of 2020, respectively, while adjusted EBITDA, which eliminates one-off transactions, decreased by 7% in the first quarter and 24% in the second quarter.

The significant weakening of the polish currency against the euro and the US dollar in the first quarter of 2020 resulted in recognition of exchange rate losses (mainly due to long-term lease liabilities on office space), which are presented in the Group's financial costs. The weakening of the polish currency had a limited negative impact on operating costs, as most of the Group's transactions are settled in local currency.

In addition, due to the reduction of interest rates by the National Bank of Poland, the Group achieved significant savings in financial costs in the first half of 2020, which should also materialise in the following quarters. The entire debt of the Group is denominated in Polish zlotys and is based on the variable WIBOR interest rate.

Impact of COVID-19 on the Group's liquidity

As at the date of these financial statements, the Group maintains a high level of liquidity and generates satisfactory cash flows. As at 30 June 2020, the Group had approximately PLN 121 million in cash on bank accounts and an available credit line described in detail in Note 26 of the condensed interim financial statements. In the opinion of the Management Board, the funds held and cash flows generated in current periods provide the Group with adequate financial liquidity and ability to pay its liabilities. In the opinion of the Management Board, there is also no risk of breaking the permitted level of financial covenants stated in the Group's loan agreement.

The introduced epidemic status also had a significant impact on stock indexes. The price of WPH shares dropped by 2.3% in the first quarter of 2020. In the same period, the WIG and WIG 40 indices fell by 14.4% and 11.3%, respectively. The decrease in the Parent Company's share prices caused a decrease in the Group's stock market capitalization, which amounted to PLN 2,025 million as at 31 December 2019 and decreased to PLN 1,984 million by the end of the first half of 2020. As at 31 July 2020, the capitalization value was PLN 2,070 million, and the share price was 3% above the exchange rate as at 31 December 2019.

The Management Board notes that the above factors were described based on the best knowledge of the Board as at the date of publication of this report. The final impact of the COVID-19 coronavirus epidemic on the operational and financial activities of the Group is not currently measurable and depends on many factors beyond the Group's control, in particular on the duration of the pandemic and its further development as well as further potential steps that can be taken by the Polish government.

Economic situation in Poland

The Group conducts operations in Poland in the advertising sector, the dynamics of which are in principle strongly positively correlated with the economic growth and macroeconomic situation in Poland. As a consequence, the Group's business activities are affected by macroeconomic factors which shape the situation on the Polish market, which in turn is significantly affected by the EU and global economic situation.

Changes in the economic situation, which are reflected by the GDP growth, affect the purchasing power of the Group's clients and the consumers of its products and services, as well as the inclination to spend or save, thus shaping the level of advertising budgets of the Group's customers and at the same time the demand for the Group's advertising products.

Competition on the Polish market

Both globally and in Poland, the internet advertising market is characterized by fierce competition. The Group's direct competition includes entities which own domestic portals and websites, in particular onet.pl, interia.pl or gazeta.pl. Moreover, the Group competes with entities which own international portals and websites, especially in the area of electronic mail (e.g. Yahoo!, Gmail, Hotmail, AOL) and website services (e.g. Google, Facebook, Twitter). Moreover, although not directly, the Group's competition also includes other entities operating on the widely defined advertising market, including in particular television stations, newspapers and radio. These entities compete with one another in terms of product and service prices, especially advertising rates, the ability to reach potential customers with a profile sought by the advertisers, attractiveness and quality of published materials, shaping of trends on the market or ability to quickly adapt to such trends, and in terms of brand strength.

As of the date of publication of the report the Group is one of the two leading entities among domestic portals and websites. In line with its strategy, the Group will strive to strengthen its leading position among the portals and website services present on the Polish market. Holding the leading position is important due to the so-called leadership premium, i.e. the advertisers' tendency to prefer placing advertisements on portals and website services holding the leading position on the market in terms of the offered reach, which has a significant effect on the income generated. The Group's ability to maintain its competitive position is influenced by many factors – brand recognition and Group reputation, attractiveness and quality of the published content, user base and the ability to analyse and process user data. It cannot be ruled out that due to various reasons remaining outside of the Group's control, the Group will not be able to strengthen its current position as one of two leading entities among Polish internet sites. Moreover, an increase in competition in the markets in which the Group operates can put downward price pressure on offered products and services, in particular on various forms of online advertising, as well as necessitate increased spending on marketing activities or research and development related to the introduction of new products and services, their updates or innovative solutions.

The Group realises its e-commerce activities via several entities, operating in various markets (i.a. tourism, finance, fashion, interior design, house design, car sales). Each of these markets is characterised by different competitiveness, moreover, in some of these markets the Group's suppliers are also direct competitors. What is more, the e-commerce market is

characterised by a large number of new entrants, which further increases competition. Group entities are mostly leaders in their categories, in particular as measured by number of users. However, it cannot be ruled out that part or all of Group entities operating in the e-commerce market will not be able to strengthen or maintain their competitive positions due to several factors, most of which remain outside of the Group's control.

I Growth of expenditure on online advertising and the development of e-commerce in Poland

The Group's success depends on the development of services and technology, as well as on the number of internet users, which in turn determines the development of the online advertisement and e-commerce markets. The development of internet depends primarily on the expansion of internet infrastructure, as well as on technological changes. In 2019 86.7% of households (2.5 p.p. increase compared to 2018) and 96.3% of enterprises had access to internet (source: Information Society 2019 – Central Statistical Office; The use of information and communications technology in public administration entities, enterprises and households in 2019 – Central Statistical Office). In addition, each year a larger percentage of households connects to the internet via broadband infrastructure. However, the current state of broadband infrastructure, as well as the utilisation rate, is relatively low compared to most European Union states. Moreover, in recent years a change in the manner of accessing the internet has been observed which may also have a material impact on the growth of the markets on which the Group operates. In the era of rapid development of the technical capabilities of equipment, each year the number of households and enterprises using mobile internet connections has grown. Therefore, both changes in the trends for internet use and the increase in connection speed may have an impact on the growth of particular segments of the internet advertising market.

Despite the projections that the internet will continue to develop in Poland, its current growth dynamics can diminish materially in the following years. As of the date of this report, the penetration rate for the internet in Poland is relatively high and growing each year, which successively limits the further growth potential of the market. Therefore, it can be forecasted that further growth will relate primarily to broadband and mobile internet technology, among others. Slowing down of the growth dynamics of the internet in the future can have a negative impact on the Group's prospective development and the realisation of its strategy.

In the past years, the e-commerce market in Poland has grown steadily, both in terms of nominal numbers as well as measured as a percentage of the total retail market. However, it cannot be ruled out that due to factors remaining outside of the Group's control, such as a change in consumer habits, the trend of migration to online retail stops, which could negatively impact the Group's development possibilities in the e-commerce segment.

I Active acquisition activities

In accordance with the strategy adopted by the Group, the Management Board analyses on a current basis the investing options in companies which provide services similar or complementary to the Group's services and may supplement the portfolio of the Group's products and services. Potential acquisitions may have a material impact on the results achieved by the Group in consecutive periods.

The Group monitors Poles' activity in new segments of the e-commerce market, for example the so-called big ticket purchases (high purchase price, one-off or rare nature), which demonstrate growing trust in the internet as a purchase channel. According to our forecasts, the segment of internet tools helping manage buying processes and household budgets (software, SaaS) will grow materially. Both of these areas naturally fit into the Group's operations.

6. SIGNIFICANT CONTRACTS AND EVENTS WHICH TOOK PLACE IN THE FIRST HALF OF 2020

I Receiving tax and customs control results

On 24 February 2020, Wirtualna Polska Media SA ("WPM") received information about the result of the customs and fiscal control carried out by the Head of the Małopolska Customs and Tax Office in Kraków ("MUCS"). The inspection covered the examination of WPM's compliance with the provisions of the Act of February 15, 1992. on corporate income tax for 2016. In the control result received by WPM, the Head of MUCS concluded that WPM had incorrectly recognized the tax costs related to the acquisition of Wirtualna Polska SA by o2 Sp. z o.o. It should be emphasized that the Head of MUCS did not question the legitimacy of recognizing tax costs, but their amount. The head of MUCS interpreted tax regulations differently from the company. Consequently, according to the Head of MUCS, WPM was not entitled to recognize the full amount of tax costs related to the transaction on shares.

In the event that the Head of MUCS issues a decision unfavourable to WPM, consistent with the Control Result, WPM will take legal action in defence of its position. Company estimates the maximum possible negative impact on the

consolidated result of the Capital Group in the amount of PLN 61.3 million (reversal of recognition of historically created tax asset and impact on current tax 2016). In 2016-2019 WPM accounted for PLN 42.1 million of the questioned loss in current income tax calculations. The indicated amounts do not include potential interest, which was estimated at PLN 1.3 million as of the date of receipt of the result of the control.

In the first half of 2020 additional PLN 7.4 million of this tax loss was accounted for in the current income tax.

WPM does not agree with the findings presented in the Control Result, has individual tax interpretations of the Minister of Finance and opinions of reputable tax advisory companies confirming its position. The company has not used the procedural possibility of correcting submitted tax declarations, and if it receives an unfavourable tax decision, it will use its appeals.

Conclusion of a new loan agreement

On 25 February 2020, a loan agreement was concluded between Wirtualna Polska Holding and Wirtualna Polska Media SA - as borrowers, Domodi sp. z o.o., Totalmoney.pl Sp. z o.o, Wakacje.pl SA - as guarantors and a consortium of banks composing of mBank Spółka Akcyjna, (Loan Agent), Powszechna Kasa Oszczędności Bank Polski SA, ING Bank Śląski SA, Bank Polska Kasa Opieki SA and BNP Paribas Bank Polska SA, as the lenders, on the basis of which the lenders granted loans in the total amount of up to PLN 978 million. Details of the new agreement are described in Note 26 to the condensed consolidated financial statements.

Agreement changing the settlement of the option to purchase non-controlling interests in Nocowanie.pl

On 28 May 2020 the subsidiary Wirtualna Polska Media SA entered into an agreement with the minority shareholder in Nocowanie.pl Sp. z o.o. regarding the rules governing the settlement of the option to sell and purchase non-controlling interest in the company. The initial agreement assumed the right to sell half of the non-controlling interest after fiscal year 2019 and the remaining half after fiscal year 2020. The amended agreement includes the right to sell non-controlling interests in three tranches:

- 10% of shares after fiscal year 2019;
- 7.5% of shares after fiscal year 2020;
- 7.5% of shares after fiscal year 2021.

At the same time, the Group announced the execution of the first tranche, as a result of which it purchased 4,012 shares in Nocowanie.pl Sp. z o.o. which constitute 10% of the share capital of the company and carry the right to 10% of votes at shareholders' meeting.

The price for all shares purchased equalled to PLN 13,467 thousand. The purchase was financed with the Capex tranche of the loan agreement dated 25 February 2020.

Following the transaction, the Group owns 85% shares in Nocowanie.pl.

As a result of the signed Annex the value of the liability related to the modified option on the remaining 15% of shares was estimated at PLN 21 million. The difference in the discounted value of liabilities of PLN 4.1 million was reflected in Group's financial result as additional financial income in the second quarter of 2020.

Following the executed transaction the Group recognised as retained earnings PLN 2,289 thousand which were recognised as non-controlling interests in previous periods. As a result of the settlement of the first option on non-controlling interest in Nocowanie.pl the Group reclassified a portion of supplementary capital relating to the initial recognition of this option to retained earnings in the amount of PLN 4,506 thousand. This change did not impact the total value of equity attributable to shareholders of the Parent Company.

Announcement of COVID-19 pandemic

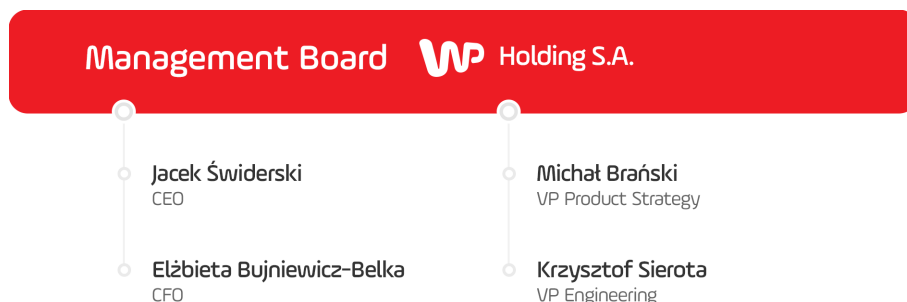
In March of 2020 the state of epidemic was proclaimed in Poland due to infections of SARS-CoV-2 virus, causing COVID-19 disease. Several restrictions were introduced to slow down the spread of coronavirus, in particular the obligation of social distancing, closing borders and limiting the functioning of shops and services.

The pandemic and restrictions introduced in connection with it had an impact on the results of the first half mainly in relation to revenues and EBITDA generated by the Group companies operating in the foreign and domestic tourism industry. However, the diversification of activities of individual holding companies allows to limit the negative effects of a pandemic on the results of the entire Group. A detailed description of the impact is provided in section 5 of the report.

7. SHARES AND SHAREHOLDERS

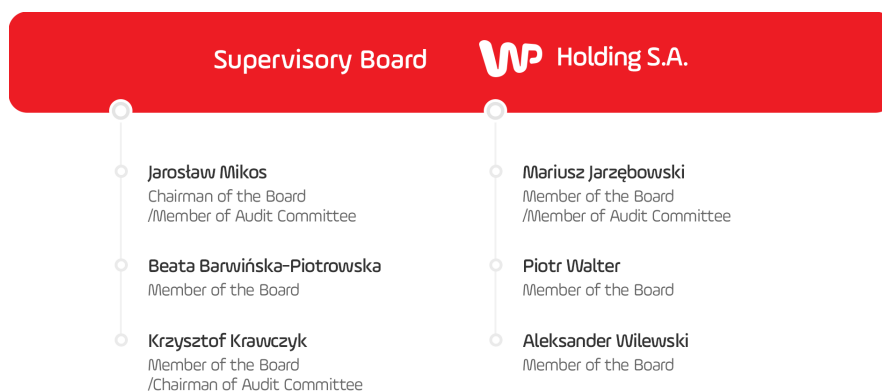
COMPOSITION AND CHANGES TO THE BODIES OF WIRTUALNA POLSKA HOLDING SA

As of 30 June 2020 and as of the date of preparing this report the composition of the Management Board was as follows:



In the period covered by this report, there were no changes in the composition of the Company's Management Board.

As of 30 June 2020 the composition of Supervisory Board was as follows :



On 8 July 2020 the Management Board of WPH received a notification from Mr. Krzysztof Krawczyk, the Vice-Chairman of the Supervisory Board of the Company, stating that he resigns from the occupied position effective 7 July 2020. On 21 August 2020 the Extraordinary General Assembly of Shareholders appointed Mr. Witold Woźniak as a member of the Supervisory Board for the current term. On 24 August 2020, the Supervisory Board decided to appoint Mr. Aleksander Wilewski to the position of the Chairman of the Audit Committee.

STRUCTURE OF SHARE CAPITAL

As of 30 June 2020 the share capital of the Company consisted of 29,084,370 shares with a par value of PLN 0.05 each, entitling 40,374,079 votes at the General Meeting, including:

- 11,289,709 A series registered preference shares; preference of 11,289,709 A series shares relates to voting rights at the General Meeting in such way that one share gives two votes;
- 1,100,000 A series ordinary bearer shares;
- 12,221,811 B series ordinary bearer shares;
- 301,518 C series ordinary bearer shares;
- 683,953 D series ordinary bearer shares;
- 3,339,744 E series ordinary bearer shares;
- 147,635 F series ordinary bearer shares.

B, C, D, E and F series shares as well as A series without any preference in terms of voting bearer shares are admitted to trading on the regulated market.

DIVIDEND POLICY

On 20 December 2016, the Management Board of Wirtualna Polska Holding S.A adopted a dividend policy.

According to the adopted policy, the Management Board will propose the payment of a dividend to the General Meeting at a level above PLN 1 per share, but not more than 70% of the consolidated net profit of the Capital Group reported in the financial statement for a given fiscal year.

When recommending the payment of a dividend, the Management Board will consider all the relevant factors, including in particular:

- a) the current financial situation of the Capital Group,
- b) the investment plans of the Group,
- c) the potential acquisition targets of companies belonging to the Group,
- d) the expected level of free cash in the WPH in the financial year in which the payment of dividends are due.

The dividend policy applies starting from the distribution of the consolidated net profit of the Capital Group for the year ending 31 December 2016. The decision on dividend payment by WPH SA shall be taken by the General Meeting.

On 25 May 2020 the Management Board of WPH SA recommended to the Supervisory Board and the Group General Meeting that the net income of the Company for fiscal year 2019 in the amount of PLN 8,879 thousand is fully transferred to supplementary capital, i.e. that the dividend is not paid for the fiscal year 2019. In line with the Dividend Policy of the Group, the Management Board issued the aforementioned recommendation accounting for the current situation of the Capital Group, its investment plans, as well as the specific market situation related to the COVID-19 pandemic. The recommendation was approved by the Group General Meeting on 14 July 2020.

SHAREHOLDERS WITH AT LEAST 5% OF THE TOTAL VOTING RIGHTS

In accordance with notifications received by the Company Wirtualna Polska Holding SA and to the best of its knowledge, as of 30 June 2020 the structure of shareholders who hold, directly or indirectly by their subsidiaries, at least 5% of the total voting rights at the General Shareholders' Meetings of the Company is as follows:

Shareholder	No. of shares	% of share capital	No. of votes	% of votes
Jacek Świdorski through subsidiaries, including:	3 777 164	12,99%	7 540 401	18,68%
Orfe SA	3 763 237	12,94%	7 526 474	18,64%
Michał Brański through subsidiaries, including:	3 777 164	12,99%	7 540 400	18,68%
10X SA	3 763 236	12,94%	7 526 472	18,64%
Krzysztof Sierota through subsidiaries, including:	3 777 164	12,99%	7 540 400	18,68%
Albemuth Inwestycje SA	3 763 236	12,94%	7 526 472	18,64%
Founders together:	11 331 492	38,96%	22 621 201	56,03%
AVIVA OFE	2 731 000	9,39%	2 731 000	6,76%
Others	15 021 878	51,65%	15 021 878	37,21%
Total	29 084 370	100,00%	40 374 079	100,00%

* Founders (i.e. Jacek Świdorski, Michał Brański and Krzysztof Sierota) in connection with the shareholders agreement concluded on 19 March 2015 by the Founders and their subsidiaries (Orfe SA, 10X SA and Albemuth Inwestycje SA) concerning joint voting at the general meeting of the Company and conducting a long-term policy towards the Company exercise voting rights jointly.

NUMBER OF SHARES HELD BY MEMBERS OF THE MANAGEMENT AND SUPERVISORY BODIES

As of the date of this report, the number of shares of Wirtualna Polska Holding SA held by members of the managing and supervisory bodies is as follows:

- Jacek Świdorski is indirectly entitled to exercise voting rights attached to 3,763,237 series A registered shares in the Company, held by Orfe SA, having preferential rights as to voting, so that one share entitles two votes at the general meeting and 13,927 ordinary bearer shares held by Bridge20 Enterprises Limited, which constitute a 13.04% interest in the Company's share capital, representing 7,540,401 votes at the general shareholders meeting of the Company and constituting 18.73% of the overall number of votes;
- Krzysztof Sierota is indirectly entitled to exercise voting rights attached to 3,763,236 series A registered shares in the Company, held by Albemuth Inwestycje SA, having preferential rights as to voting, so that one share entitles two votes at the general meeting and 13,928 ordinary bearer shares held by Highcastle Sp. z o.o., which constitute a 13.04% interest in the Company's share capital, representing 7,540,000 votes at the general shareholders meeting of the Company and constituting 18.73% of the overall number of votes; and
- Michał Brański is indirectly entitled to exercise voting rights attached to 3,763,236 series A registered shares in the Company, held by 10X SA, having preferential rights as to voting, so that one share entitles two votes at the general meeting and 13,928 ordinary bearer shares held by Now2 Sp. z o.o., which constitute a 13.04% interest in the Company's share capital, representing 7,540,000 votes at the general shareholders meeting of the Company and constituting 18.73% of the overall number of votes.
- In addition, under the first phase of the implementation of the incentive plan, Elżbieta Bujniewicz-Belka (Member of the Management Board) acquired 18,664 ordinary bearer shares of the new C series issued based on the resolution approving the issue of C series shares. In the next phase of the implementation of the incentive plan Elżbieta Bujniewicz-Belka acquired 93,318 D series ordinary bearer shares issued based on the resolution approving the issue of D series shares. Elżbieta Bujniewicz-Belka owns additional 564 shares purchased in September 2017. In addition, Elżbieta Bujniewicz-Belka is entitled to subscribe for up to 120,000 series F ordinary bearer shares issued as part of the second incentive scheme based on the F series share issue resolution, with the subscription in 40,000 shares, if the conditions specified in the management option agreement concluded with the Company are fulfilled.

Additional information on the structure and changes in equity and voting rights are described in note 23 to the consolidated financial statements.

INFORMATION ON AGREEMENTS CONCERNING CHANGES IN THE SHAREHOLDING STRUCTURE

Incentive scheme – share-based payments and its control system

First incentive scheme

On 23 October 2014, the Parent Company's shareholders signed an agreement which stipulates the establishment of an incentive scheme granting the Company's share options to key people working for the Group. The total number of shares earmarked for the scheme is 1,230,576 and it shall not exceed 5% of the Company's share capital. The rights were awarded on 12 August 2014, and they are vested in the beneficiaries gradually (so called vesting), on a quarterly basis, as a rule over a period no longer than 6 years. The scheme includes a requirement of being currently employed as a condition for the rights to the options vesting.

Detailed information on the first incentive scheme is described in note 24 to the consolidated financial statements of the Group for the period of three and six months ending 30 June 2020.

Second incentive scheme

On 15 February 2016, the Supervisory Board of the Parent Company passed a resolution adopting the rules of a new incentive scheme granting the Company's F series ordinary share options to key people working for the Group. The total number of shares earmarked for the scheme is 593,511 and it shall not exceed 5% of the Company's share capital.

Detailed information on the second incentive scheme is described in note 24 to the consolidated financial statements of the Group for the period of three and six months ending 30 June 2020.

PURCHASE OF OWN SHARES

As of the date of preparing this report, neither Wirtualna Polska Holding nor any other any other company belonging to the Group does not hold any own shares.

8. ADDITIONAL INFORMATION

EVENTS AFTER THE BALANCE SHEET DATE

Detailed information of post- balance sheet events is provided in note 35 to the consolidated financial statements for the period of 3 and 6 months ending 30 June 2020.

MANAGEMENT COMMENTS ON THE FEASIBILITY OF PREVIOUSLY PUBLISHED FORECASTS FOR THE YEAR

The Group did not publish any forecasts of results for the year 2020.

LITIGATION

If the Group is a defendant in a litigation case, a provision is booked for the case based on its actual status and the cost estimation prepared by the Legal Department. The provisions are recorded in the amount of the claims and court fees, whose ad-judgment is probable in the Group's opinion. Currently, there are no pending court proceedings, arbitration or proceedings before the administrative authority in respect of liabilities or receivables of Wirtualna Polska Holding SA and its subsidiaries in the amount of at least 10% of the Wirtualna Polska Holding SA equity.

In the analysed period, the provision for court proceedings increased by PLN 55 thousand.

INFORMATION ON TRANSACTIONS WITH RELATED ENTITIES

All transactions with related entities are concluded on an arm's length basis. Detailed information on transactions with related entities are presented in note 32 of the consolidated financial statements for the 3 and 6 months ending 30 June 2020.

INFORMATION ON GUARANTEES AND WARRANTIES GRANTED IN RESPECT OF LOANS, BORROWINGS AND LOANS GRANTED

Guarantees granted to third-party entities

In the period under consideration none of the Group companies granted any warranties in respect of loans or borrowings or guarantees – in aggregate to one company or an entity related to that company – the total value of which would constitute at least 10% of the equity of Wirtualna Polska Holding SA

Intragroup guarantees

As of the date of this report, the companies: Totalmoney.pl Sp. z o.o., Domodi Sp. z o.o. and Wakacje.pl SA were guarantors of the bank loan agreement concluded by and between Wirtualna Polska Media SA, Wirtualna Polska Holding SA, mBank SA, Powszechna Kasa Oszczędności Bank Polski SA, ING Bank Śląski SA, Bank Polska Kasa Opieki SA oraz BNP Paribas Bank Polska SA.

The total guarantee amount corresponds to the current balance of the debt of Wirtualna Polska Media SA and Wirtualna Polska Holding SA of the credit agreement.

Loans granted

As of 30 June 2020 Wirtualna Polska Holding SA and Wirtualna Polska Media SA granted loans to other Group members and associates in order to finance their acquisitions and current operations. The Parent Company does not have any loans granted by related companies.

INFORMATION ON AGREEMENTS ON CREDITS AND LOANS RAISED AND TERMINATED IN THE FINANCIAL YEAR

Loans granted by financial institutions

In accordance with the financial model adopted by the Capital Group the only company which enters loan agreement with external institutions is Wirtualna Polska Holding SA and its subsidiary Wirtualna Polska Media SA. However, both companies and selected Capital Group's entities are guarantors of this loan.

The detailed description of the bank loan received and changes during the year are further described in note 26 to the consolidated financial statements.

Inter-company loans

As of 30 June 2020 Wirtualna Polska Holding SA and Wirtualna Polska Media SA have granted loans to other Group members and associates in order to finance their acquisitions and current operations. The Parent Company does not have any loans granted by other Group's entities.

OTHER INFORMATION WHICH IN GROUP'S OPINION IS MATERIAL TO THE ASSESSMENT OF THE HUMAN RESOURCES, ASSETS AND FINANCIAL POSITION, ITS RESULT AND CHANGES AND INFORMATION WHICH IS MATERIAL TO THE ASSESSMENT OF THE GROUP'S ABILITY TO DISCHARGE ITS LIABILITIES

Apart from the events described in this document and in the condensed interim consolidated financial statements, until the date of publication of this report no other events occurred which would be material to the assessment of the Group's ability to discharge its liabilities.

In the opinion of the Management Board of Wirtualna Polska Holding SA the presented information exhaustively describes the human resources, asset and financial position of the Group. No other events took place which have not been disclosed by the Company, and which could be considered material to the assessment of its respective position.



Condensed consolidated financial statements

for the period of 3 and 6 months ending 30 June 2020

CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

(PLN'000)	Note	Six months ending 30 June 2020	Six months ending 30 June 2019	Three months ending 30 June 2020	Three months ending 30 June 2019
Sales	10	260 827	335 508	111 019	178 513
Cost of goods sold		(13 523)	(16 419)	(4 639)	(7 951)
Amortization and depreciation		(41 128)	(37 856)	(20 202)	(19 293)
Amortization and depreciation of acquired programming rights		(2 278)	(2 884)	(989)	(1 513)
Materials and energy used		(2 837)	(2 840)	(1 242)	(1 142)
Costs related to public offering, acquisitions of subsidiaries and restructuring, including:	11,12	(5 992)	(2 053)	(4 337)	(674)
<i>External services</i>	11,12	(4 699)	(972)	(3 169)	(57)
<i>Salary and employee benefit expense</i>	11,12	(1 253)	(384)	(1 033)	(199)
<i>Other operating expenses</i>	11,12	(40)	(697)	(135)	(418)
Costs of the employee option scheme	24	(1 349)	(1 172)	(564)	(590)
Other external services		(68 111)	(112 953)	(24 454)	(61 717)
Other salary and employee benefit expenses		(92 338)	(98 048)	(41 928)	(50 598)
Other operating expenses	14	(5 735)	(5 930)	(2 707)	(3 174)
Other operating income/gains	13	3 397	322	2 623	97
Operating profit		30 933	55 675	12 580	31 958
Finance income	15	944	1 818	765	611
Finance costs	15	(13 051)	(10 189)	(5 058)	(5 076)
Revaluation of commitments to purchase non-controlling interests and other liabilities on business combinations	15	4 154	(11 610)	4 154	(11 610)
Dividends received		-	56	-	56
Share in profits of investments accounted for using the equity method		(2 317)	(2 317)	(554)	(1 653)
Profit before tax		20 663	35 196	10 788	15 385
Income tax	16	(5 571)	(12 360)	(2 945)	(6 917)
Net profit		15 092	22 836	7 843	8 468
Other comprehensive income/(losses) re-classifiable to profit and loss:	25	(86)	147	(83)	50
The effective part of gains and losses on the cash flow hedges		(86)	147	(83)	50
Comprehensive income		15 006	22 983	7 760	8 518
Net profit attributable to:					
Equity holders of the Parent Company		14 018	22 091	7 144	8 003
Non-controlling interests		1 074	745	699	465
Comprehensive income attributable to:					
Equity holders of the Parent Company		13 932	22 238	7 061	8 053
Non-controlling interests		1 074	745	699	465
Net profit attributable to equity holders of the Parent Company per share (in PLN)					
Basic	17	0,48	0,76	0,48	0,27
Diluted	17	0,48	0,76	0,48	0,28

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(PLN'000)	Note	As of 30 June 2020	As of 31 December 2019
Non-current assets			
Property, plant and equipment	18,19	118 050	106 477
Goodwill	18,20	364 254	364 254
Trademarks	18,19	167 941	172 104
Homepage and WP mail	18,19	111 235	114 477
Other intangible assets	18,19	118 505	115 607
Non-current programming assets	18,19	6 800	5 805
Investments accounted for using the equity method		606	2 923
Long-term receivables		260	208
Other financial assets	21	16 880	26 727
Deferred tax assets	16	1 610	555
		906 141	909 137
Current assets			
Current programming assets	18,19	1 036	1 270
Trade and other receivables	18	114 488	160 733
Cash and cash equivalents		121 421	73 929
Fixed assets held for sale	21	10 016	-
		246 961	235 932
TOTAL ASSETS		1 153 102	1 145 069
Equity			
Equity attributable to equity holders of the Parent Company			
Share capital	23	1 454	1 451
Supplementary capital		323 458	321 969
Revaluation reserve	25	61	147
Other reserves		4 457	(1 144)
Retained earnings		190 259	178 458
		519 689	500 881
Non-controlling interests		11 031	12 246
		530 720	513 127
Long-term liabilities			
Bank loans and other loans	26	332 319	311 208
Leasing liabilities due to the right of use the assets	26	62 664	46 845
Other long-term liabilities	28	33 007	44 376
Deferred tax liabilities	16	27 949	23 676
		455 939	426 105
Short-term liabilities			
Bank loans and other loans	26	22 746	35 547
Leasing liabilities due to the right of use the assets	26	14 268	14 709
Trade and other payables	28	121 298	148 188
Provisions of employee benefits	27	6 139	4 356
Other provisions	27	1 160	1 105
Current income tax liabilities		832	1 931
		166 443	205 837
TOTAL EQUITY AND LIABILITIES		1 153 102	1 145 069

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(PLN'000)	Note	Equity attributable to equity holders of the Parent Company					Total	Non-controlling interests	Equity
		Share capital	Supplementary capital	Revaluation reserve	Other reserves	Retained earnings			
Equity as of 1 January 2020		1 451	321 969	147	(1 144)	178 458	500 881	12 246	513 127
Net profit		-	-	-	-	14 018	14 018	1 074	15 092
Other comprehensive income	25	-	-	(86)	-	-	(86)	-	(86)
Total comprehensive income		-	-	(86)	-	14 018	13 932	1 074	15 006
Option scheme	24	3	1 489	-	1 095	-	2 587	-	2 587
Acquisition of non-controlling interests		-	-	-	4 506	(2 217)	2 289	(2 289)	-
Equity as of 30 June 2020		1 454	323 458	61	4 457	190 259	519 689	11 031	530 720

(PLN'000)	Note	Equity attributable to equity holders of the Parent Company					Total	Non-controlling interests	Equity
		Share capital	Supplementary capital	Revaluation reserve	Other reserves	Retained earnings			
Equity as of 1 January 2019		1 449	320 895	55	(3 774)	138 455	457 080	10 680	467 760
Net profit		-	-	-	-	68 998	68 998	2 134	71 132
Other comprehensive income		-	-	92	-	-	92	-	92
Total comprehensive income		-	-	92	-	68 998	69 090	2 134	71 224
Option scheme	2	1 074	-	-	2 630	-	3 706	-	3 706
Adjustment of subsidiary purchase price allocation		-	-	-	-	-	-	(568)	(568)
Dividend payment		-	-	-	-	(28 995)	(28 995)	-	(28 995)
Equity as of 31 December 2019		1 451	321 969	147	(1 144)	178 458	500 881	12 246	513 127

(PLN'000)	Note	Equity attributable to equity holders of the Parent Company					Total	Non-controlling interests	Equity
		Share capital	Supplementary capital	Revaluation reserve	Other reserves	Retained earnings			
Equity as of 1 January 2019		1 449	320 895	55	(3 774)	138 455	457 080	10 680	467 760
Net profit		-	-	-	-	22 091	22 091	745	22 836
Other comprehensive income		-	-	147	-	-	147	-	147
Total comprehensive income		-	-	147	-	22 091	22 238	745	22 983
Option scheme	1	754	-	-	1 172	-	1 927	-	1 927
Adjustment of subsidiary purchase price allocation		-	-	-	-	-	-	(608)	(608)
Dividend payment		-	-	-	-	(28 995)	(28 995)	-	(28 995)
Equity as of 30 June 2019		1 450	321 649	202	(2 602)	131 551	452 250	10 817	463 067

CONSOLIDATED CASH FLOW STATEMENT

(PLN'000)	Note	Six months ending 30 June 2020	Six months ending 30 June 2019
Cash flows from operating activities			
Profit before tax		20 663	35 196
Adjustments for:		52 762	59 983
Amortization and depreciation		41 128	37 856
Amortization and depreciation of acquired programming rights		2 278	2 884
Payments for programming rights		(3 091)	(3 074)
Losses on the sale /liquidation/revaluation of property, plant and equipment and intangible assets		610	481
Finance costs		13 051	10 189
Finance income due to loan refinancing		(630)	-
Share in profits of investments accounted for using the equity method		2 317	554
Finance income on revaluation of other financial assets and investment liabilities		-	(1 561)
Revaluation of commitments to purchase non-controlling interests and other liabilities on business combinations		(4 154)	11 610
Costs of the employee option scheme		1 349	1 172
Other adjustments		(96)	(128)
Changes in working capital		37 440	16 098
Change in trade and other receivables	33	50 657	(9 638)
Change in trade and other payables	33	(15 055)	24 979
Change in provisions	33	1 838	757
Income tax paid		(4 085)	(6 109)
Income tax refunded		53	2 662
Net cash flows from operating activities		106 833	107 830
Cash flows from investing activities			
Sale of intangible assets and property, plant and equipment		79	120
Purchase of intangible assets and property, plant and equipment		(35 102)	(31 218)
Loans granted		(3 800)	-
Repayment of liabilities arising from business combinations		(2 558)	(18 874)
Acquisition of subsidiary (less cash acquired)		-	(6 715)
Realisation of the option to purchase non-controlling interests		(13 467)	-
Acquisition of interests in investments accounted for using the equity method		-	(5 000)
Acquisition of other financial assets		-	(7 742)
Other		-	(239)
Net cash flows from investing activities		(54 848)	(69 668)
Net cash flows from financing activities			
Inflows from share capital increase		1 238	756
Bank loans and other loans received		359 368	200
Repayment of finance leases		(7 268)	(4 627)
Repayment of bank commissions		(6 655)	(1 232)
Interest paid		(6 012)	(6 966)
Repayment of loans received		(345 889)	(9 676)
Dividends for owners of the parent company		-	(28 995)
Net cash flows from financing activities		(5 218)	(50 540)
Total net cash flows		46 767	(12 378)
Cash and cash equivalents at the beginning of the period			
Impact of exchange differences on cash and cash equivalents		725	(30)
Cash and cash equivalents at the end of the period		121 421	54 255

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Wirtualna Polska Holding SA Capital Group ("the Group", "the Capital Group", "Wirtualna Polska Holding Group") is composed of Wirtualna Polska Holding SA ("the Company", "the Parent Company", "Wirtualna Polska Holding") and its 13 consolidated subsidiaries.

Wirtualna Polska Holding and the remaining Capital Group's companies were formed for an indefinite period. The Group's core operations comprise sale of advertising services on the Internet and operating Internet portals such as WP.pl, o2.pl, pudelek.pl, money.pl, abcZdrowie.pl, aggregators such as Domodi.pl, wakacje.pl, nocowanie.pl, Eholiday.pl, superauto24.com or extradom.pl, as well as providing electronic services (WP e-mail, o2 e-mail).

The Parent Company was registered in Poland and its seat is in Warsaw at Żwirki i Wigury 16.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS FOR PREPARATION

These condensed interim financial statements have been prepared on the assumption that the Group will continue as a going concern, in accordance with IAS 34 "Interim Financial Reporting" ("IAS 34"). The accounting policies used in the preparation of the condensed interim consolidated financial statements for the period of the nine months of 2019 are consistent with those used in the consolidated financial statements for the year ending 31 December 2019, except for new and changed accounting standards binding since 1 January 2019, described in the next point of the financial report.

The financial statements for the year ending 31 December 2019 have been prepared in accordance with IFRS standards which are binding in the European Union in the financial year ending 31 December 2019.

The consolidated statement of financial positions as of 30 June 2020, consolidated income statement and other comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity for three months ending 30 June 2020 were not audited. The consolidated financial statements as of 31 December 2019 and for twelve months ending 31 December 2019 were audited by independent certified auditor, who issued an unqualified opinion.

These condensed interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements for the year 2019.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS

In these consolidated financial statements, the following standards, which came into force on 1 January 2020, were applied for the first time:

- Amendments to IAS 1 and IAS 8 regarding the definition of the term 'material',
- Amendments to IFRS 9, IAS 39 and IFRS 7 regarding the reform of the interest rate reference indicator,
- Amendments to IFRS 3 regarding the definition of a business,
- Changes to references to conceptual assumptions in IFRS.

3. APPROVAL FOR PUBLICATION OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved for publication by the Management Board of Wirtualna Polska Holding SA on 24 August 2020.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements in accordance with IFRS EU requires making the judgments, estimates and assumptions which affects the reported values of assets and liabilities and revenues and expenses in the period. Estimates and judgments are subject to a constant verification and are based on previous experience and other factors, including expectations on future events which seem reasonable in this situation.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equate to the actual results.

The main accounting estimates and assumptions made in these consolidated financial statements were the same as in financial statements for the year ending 31 December 2019.

The main assumptions relating to the future and other key sources of uncertainty as of the balance sheet date, involving a significant risk of material adjustments to the carrying values of assets and liabilities in the following financial year, are discussed below.

DEFERRED TAX ASSET

Deferred tax asset on contributing to the business

In 2011, the Parent Company contributed its business with a fair value of PLN 311,000 thousand to the subsidiary Wirtualna Polska Media SA. As a result of this transaction, a temporary difference arose in the consolidated financial statements between the tax and carrying value of the contributed business's assets of PLN 265,195 thousand. A deferred tax asset was recorded on this difference which as of 30 June 2020 amounted to PLN 5,791 thousand (PLN 7,958 thousand as of 31 December 2019).

Asset arising on the loss realised on the sale of WP Shopping shares

As part of Group's plan to locate all of its editorial and advertising activity in Wirtualna Polska Media, on 1 September 2014, a demerger of WP Shopping Sp. z o.o. was carried out. The demerger was carried out by transferring a business unit of WP Shopping Sp. z o.o. to Wirtualna Polska Media SA (the so-called spin-off). As a result of the demerger, the Editorial and Advertising Division was transferred to Wirtualna Polska Media SA (GWP) and the operations of the e-Commerce Centre were continued at WP Shopping Sp. z o.o. Moreover, all assets and liabilities which were not clearly designated as remaining with WP Shopping Sp. z o.o., shall transfer to Wirtualna Polska Media SA.

As a result of the merger, the majority of WP Shopping Sp. z o.o.'s assets and liabilities were transferred to Wirtualna Polska Media SA. In accordance with the regulations of the transaction moment and the individual interpretations held by the company, this transaction did not change the tax value of the investment in this subsidiary.

In December 2016, Wirtualna Polska Media SA sold all of its shares in WP Shopping Sp. z o.o. to an external entity Nextfield Investments Limited. The tax loss on the sale of shares in WP Shopping as per individual accounting books of Wirtualna Polska Media SA amounted to PLN 377,652 thousand. The Company has prepared detailed tax and financial projections for the following years, showing the estimated taxable income on the basis of which the Management Board has decided to recognize in 2016 an additional asset on the tax loss in GWP of PLN 54,996 thousand. The company updated its financial and tax forecasts for the following years, and recognised additional tax loss in 2018 in the amount of PLN 6,292.

The total value of deferred tax asset recognized on tax losses as of 30 June 2020 amounted to PLN 16,191 thousand.

On 24 February 2020, Wirtualna Polska Media SA received customs and fiscal control findings carried out by the Head of the Małopolski Customs and Tax Office in Krakow ("Head of Tax Office"). The Tax Office examined WPM's compliance with the CIT regulations for the fiscal year 2016. The Head of Tax Office concluded that WPM had incorrectly recognized the tax costs related to the sale of WP Shopping shares (previously WP SA) and questioned the tax loss recognised on the transaction. It should be emphasized that the Head of Tax Office did not question the legitimacy of recognizing the tax costs, but the amount recognized.

The Head of Tax Office presented a different interpretation of tax regulations than WPM. Consequently, according to the Head of Tax Office, WPM was not entitled to recognize the full amount of tax costs related to the transaction on shares.

In the event that the Head of Tax Office issues a decision unfavourable for Wirtualna Polska Media, consistent with the Tax Control Findings, WPM will pursue appropriate legal action in defence of its position. WPM estimates the maximum possible negative impact on the consolidated result of the Capital Group in the amount of PLN 61.3 million (reversal of recognized tax asset and current tax deduction for 2016). Out of this amount WPM utilized PLN 42.1 million in current income tax in 2016-2019. The above amounts do not include potential interest estimated by WPM as of the date of the control findings at PLN 1.3 million.

In the first half of 2020 additional PLN 7.4 million of this questioned tax loss was accounted for in the current income tax.

WPM does not agree with the outcome of the tax financial audit. It's in possession of individual tax interpretations of the Minister of Finance and tax opinions prepared by reputable tax advisory companies confirming its position. WPM is not

going to submitted tax returns adjustments, and in the event it receives an unfavourable tax decision following these Tax Control Findings it will pursue appropriate legal action in defence of its position.

As at the date of the report, the Group assesses the probability of positive outcome of any tax dispute before judicial authorities at over 50%. Therefore, no provision was made for tax deductions recognised in the years 2016-2019 and no impairment loss was recognized on the amount of recognized income tax asset.

I Recovery of the deferred tax asset

The Group recognizes a deferred tax asset based on the assumption that a tax profit will be generated in the future enabling its utilization. The Parent Company's Management Board has prepared financial projections until 2025, which confirm that sufficiently high taxable income will be generated in the future to enable the utilization of the asset. The financial model has been developed based on general market forecasts and the Management Board's expectations. Deterioration of tax results in the future might result in the assumption becoming unjustified.

AMORTISATION AND DEPRECIATION RATES

The depreciation and amortization rates are established based on the expected useful lives of property, plant and equipment and intangible assets. The Group performs annual verifications of the adopted useful lives based on the current estimates. In particular, with reference to the WP.pl trademark, the Group estimated that the useful life of the trademark is indefinite. The factors considered by the Group when assessing the useful life of the "WP.pl" trademark are as follows:

- the expected usage of the brand and whether the brand could be managed efficiently,
- technical, technological, commercial or other types of obsolescence,
- stability of the sector in which the brand is used and changes in demand on the market of selling advertisements on the Internet,
- expected actions taken by competitors or potential competitors on the market of selling advertisements on the Internet,
- the level of subsequent expenditure required to obtain the expected future economic benefits from the trademark,
- whether the useful life of the brand is dependent on the useful lives of other assets.

Having considered the above factors the Group concluded that there is no foreseeable limit to the period over which the "WP.pl" trademark is expected to generate net cash flow for the Group, therefore, the useful life of the "WP.pl" trademark was assessed as indefinite.

In each reporting period the Group reviews whether events and circumstances continue to support the indefinite useful life assessment of the "WP.pl" trademark. If the review results in a change in the useful life assessment from indefinite to definite this change is accounted for as a change in the accounting estimate.

APPROACH TO BARTER TRANSACTIONS

In the course of its operations the Group sells advertising services via barter transactions. The Group recognizes revenues and expenses on barter transactions when the exchanged advertising services are provided in various media or advertising services are exchanged for content provided on website pages, and when the fair value of the services provided can be established.

LITIGATION

If the Group is a defendant in a litigation case, a provision is booked for the case based on its actual status and the cost estimation prepared by the Legal Department. The provisions were recorded to the amount of claims and court fees the ad judgement of which is probable in the Group's opinion.

VALUATION ON THE OPTION-RELATED COMMITMENT TO PURCHASE NON-CONTROLLING INTERESTS

Commitments in respect of put options for non-controlling interests are subsequently measured at the amount being the best present estimate of the discounted purchase price (the commitments are presented as other liabilities; see note 28).

As of the date of preparing these financial statements the Group has option-related commitment to purchase non-controlling interests in Nocowanie.pl Sp. z o.o.

Nocowanie.pl Sp. z o.o.

The basic assumptions being the basis for the options' valuation are as follows: forecasted EBITDA and its average annual growth rate, which are the basis for the calculation of the option exercise price and discount rate of 5,02%. An increase in the forecasted growth dynamics of revenues by 1 p.p. in 2020-2021 increases the value of the liability as of 30 June 2020 by 1.4%. An increase in the forecasted EBITDA margin by 1 p.p. in 2020-2021 increases the value of the liability as of 30 June 2020 by 2%. An increase in the discount rate of 1 p.p. decreases the liability by 1.3%.

The commitment was initially estimated at PLN 11,571 thousand. As of 30 June 2020 the value of these commitments amounted to PLN 21,067 thousand and as of 31 December 2019 amounted to PLN 37,838 thousand.

On 28 May 2020 an agreement was signed changing the rules regarding option settlement. The changes and their impact on the value of the liability are described in detail in note 28 of condensed consolidated financial statements.

Any changes in the value of these liabilities, resulting from discount settlement after the initial recognition, are presented in profit or loss as financial income/costs. Changes in the value resulting from an update of the forecasted results as the basis for estimating future liability are recognized as "Revaluation of commitments to purchase non-controlling interests".

DETERMINING THE VALUE OF TRADEMARKS AND OTHER INTANGIBLE ASSETS RELATED TO ACQUISITIONS

As part of the settlement of the acquired subsidiaries, the Group made significant estimates as to the valuation of intangible assets such as trademarks, client relationships, home page and WP e-mail. The estimates were based on revenues and costs to be generated by the acquired subsidiaries, as anticipated by the Group. In the case of trademarks, the Royalty Relief Method was adopted. The method focuses on determining the hypothetical royalties that would be charged to the company for using the trademark had the Company not been its owner.

IMPAIRMENT TESTS

Goodwill and intangible assets were subject to an impairment test as of 31 December 2019. The details of the test are described in Note 21 to the Group's consolidated financial statements for 2019. In the opinion of the Management Board, the SARS-Cov-2 coronavirus pandemic is an indication for the potential impairment of some of the CGU. Tests have been updated for CGU International Tourism, Domestic travel, Superauto24, Fashion / Interiors, Financial Lead Generation and Extradom. The tests performed did not show any impairment. The details of the tests are described in note 20 of these financial statements. The Group has not identified any impairment indicators for the other CGUs.

ALLOWANCES FOR TRADE RECEIVABLES

The Group creates allowance based on expected credit loss in the entire life of the receivables for each receivables portfolio. The Group conducted a portfolio analysis of receivables based on current credit ratings of clients and used simplified matrix of allowances in particular ageing segments. The analysis was conducted based on expected credit loss ratios determined on historical data.

ESTIMATE OF THE ANNUAL REBATES LIABILITY

As a part of cooperation with media houses, the Group grants annual rebates. These rebates are granted to media houses individually or in groups based on turnover value or percentage achieved. During the year the Group estimates annual rebates liabilities based on current turnover forecast and recognizes them as a reduction of revenues for the period. The annual rebates are a variable consideration recognized to the extent to which it is highly probable that there will be no reversal of a significant part of revenues. The final amounts of rebates are known after the end of the financial year.

ESTIMATE OF LIABILITIES DUE TO CONTINGENT CONSIDERATION RELATED TO BUSINESS COMBINATIONS

Agreements concluded by the Group within the acquisition activities often provide additional contingent consideration for sold shares or ventures. Additional consideration is usually dependent on financial or operating results of entities acquired. The final value of the contingent consideration is known after the end of the conditional period and may differ from the estimates at the moment of acquisition.

Changes in the fair value of contingent consideration as a result of additional information that the acquirer obtained after the date of acquisition about facts and circumstances that existed at the acquisition date are recognized as the purchase price adjustment. Changes in valuation due to differences in financial or operating results from the level assumed at initial recognition are presented in the income statement and other comprehensive income.

The Group analyses the conditions necessary for the payment of additional consideration at each time based on requirements of IFRS 3 and includes in purchase price this part of contingent consideration which is not the consideration other than due to transfer of rights to shares.

5. INFORMATION ON SEASONALITY IN GROUP'S OPERATIONS

Advertising revenues are subject to seasonality - revenues in the first and third quarters are lower than in the second and fourth quarters of the year, except for revenues generated by Wakacje.pl SA, Travel Network Solution Sp. z o.o., Nocowanie.pl Sp. z o.o. and Eholiday.pl Sp. z o.o., which operate in tourism sector and their revenues reach the highest levels in the third quarter of the year. Other Group's revenues do not show seasonality. Due to pandemic of COVID-19, the typical seasonality of Group's revenue may be disturbed.

6. INFORMATION ON SEGMENT REPORTING

Starting from 2016, after obtaining the final decision of the National Broadcasting Council and after the launch of the television program in Multiplex 8, the Management Board re-segmented its activities and analyses Capital Group's activity regarding revenue streams and the EBITDA operating result, divided into two segments – i.e. Online and TV. The main operating segment continues to be Online – i.e. the Group's activity on the Internet. Although the TV segment did not meet the requirements of IFRS 8 as to its separation in the current and previous periods, however, due to the significant difference in its character, the Management Board decided to present information regarding this segment from 2016.

Six months ending 30 June 2020	Segment Online	Segment TV	Total
Sales	249 429	11 398	260 827
including cash sales	242 753	11 398	254 151
EBITDA	72 847	(786)	72 061
Adjusted EBITDA	80 725	(786)	79 939

Six months ending 30 June 2020	Segment Online	Segment TV	Total
Sales	325 876	9 632	335 508
including cash sales	315 551	9 632	325 183
EBITDA	96 613	(3 082)	93 531
Adjusted EBITDA	97 990	(3 061)	94 929

The Management Board does not analyse the operating segments in relation to their asset's value. The Group's operating segments are presented consistently with the internal reporting submitted to the Parent Company's Management Board, which is the main body responsible for making operational decisions.

7. THE GROUP'S STRUCTURE

As of 30 June 2020 the Capital Group represented: the parent company Wirtualna Polska Holding SA and 13 subsidiaries. The consolidated financial statements of the Group comprise the Company and the following subsidiaries:

No.	Name of subsidiary	Location	% of shares	
			30 June 2020	30 June 2019
1	Wirtualna Polska Media S.A.	Polska, Warszawa	100%	100%
2	Totalmoney.pl Sp. z o.o.	Polska, Wrocław	100%	100%
3	Businessclick Sp. z o.o.	Polska, Warszawa	100%	100%
4	Finansowysupermarket.pl Sp. z o.o. ⁽¹⁾	Polska, Warszawa	-	100%
5	Domodi Sp. z o.o.	Polska, Wrocław	100%	100%
6	Wakacje.pl S.A.	Polska, Gdańsk	100%	100%
7	Nocowanie.pl Sp. z o.o.	Polska, Lublin	85%	75%
8	Netwizor Sp.z o.o.	Polska, Warszawa	100%	100%
9	eHoliday.pl Sp. z o.o.	Polska, Warszawa	85%	75%
10	WPZ Sp. z o.o.	Polska, Warszawa	100%	100%
11	Extradom.pl Sp. z o.o.	Polska, Wrocław	100%	100%
12	Parklot Sp. z o.o.	Polska, Warszawa	100%	100%
13	Superauto24.com Sp. z o.o.	Polska, Chorzów	51%	51%
14	Travel Network Solutions Sp. z o.o. ⁽³⁾	Polska, Warszawa	100%	100%
15	Open FM Sp. z o.o.	Polska, Warszawa	100%	-
16	Autocentrum.pl S.A. ⁽²⁾	Polska, Kraków	-	-

⁽¹⁾ On 2 January 2020 Totalmoney.pl Sp. z o.o. and Finansowysupermarket.pl Sp. z o.o. merged.

⁽²⁾ On 1 February 2020 Wirtualna Polska Media SA and Autocentrum.pl SA merged.

⁽³⁾ On 1 July 2020 Travel Network Solutions Sp. z o.o. and Wakacje.pl SA merged.

The Group's activities are mainly focused on selling advertisements on the Internet. Furthermore, Wakacje.pl SA and Travel Network Solutions Sp. z o.o. which operate in the tourism sector in addition to online travel trips also give customers the opportunity to buy offline through a franchise network of fixed-line stores. Business other than sale of advertisement is also run by Netwizor Sp. z o.o., which provides internet services connected with the distribution of television channels on the Internet, by Extradom which deals in the sale of architectural projects online and by Superauto24 which sells leased cars online.

Changes in the Group's structure

On 2 January 2020, Totalmoney.pl Sp. z o.o. and Finansowysupermarket.pl Sp. z o.o. merged by transferring all assets of Finansowysupermarket.pl sp. z o. o. to Totalmoney.pl Sp. z o.o.

On 1 February 2020, Wirtualna Polska Media SA and Autocentrum.pl SA merged by transferring all assets of Autocentrum.pl SA to Wirtualna Polska Media SA.

On 1 July 2020, Wakacje.pl SA and Travel Network Solutions Sp. z o.o. merged by transferring all assets of Travel Network Solutions Sp. z o.o. to Wakacje.pl SA.

There were no changes in the capital structure of the Group besides those described above.

8. EVENTS WITH SIGNIFICANT IMPACT ON BUSINESS AND FINANCIAL RESULTS OF THE GROUP

In the period under analysis, the following significant factors had an impact on the Group's financial and operating results:

- impact of COVID-19 on operations and financial results of the Capital Group;
- material acquisitions made by the Group in the previous periods;
- increased effectiveness resulting from the use of the Group's data resources and big data tools;
- borrowings related to the acquisitions.

I Impact of COVID-19 on operations and financial results of the Capital Group

In March of 2020 the state of epidemic was proclaimed in Poland due to infections of SARS-CoV-2 virus, causing COVID-19 disease. Several restrictions were introduced to slow down the spread of coronavirus, in particular the obligation of social distancing, closing borders and limiting the functioning of shops and services.

The pandemic and restrictions introduced in connection with it had an impact on the results of the first half of 2020 mainly in relation to revenues and EBITDA generated by the Group companies operating in the foreign and domestic tourism industry. However, the diversification of activities of individual holding companies allows to limit the negative effects of a pandemic on the results of the entire Group. A detailed description of the impact is provided in the next part of the report.

I Material acquisitions made by the Group in the previous periods

Since 2014, the Group has been intensively involved in acquisitions of other entities operating on the internet advertising and e-commerce market, including generating leads on the e-commerce market. In 2015 the Group acquired shares in the following companies: NextWeb Media sp. z o.o., Blomedia.pl Sp. z o.o., Finansowysupermarket.pl Sp. z o.o., Web Broker Sp. z o.o., Allani Sp. z o.o. and Wakacje.pl SA In 2016, the Group's purchased Totalmoney.pl Sp. z o.o., Nocowanie.pl Sp. z o.o. and Netwizor Sp. z o.o., in 2017 the Group was joined by Eholiday.pl Sp. z o.o., in 2018 by My Travel Sp. z o.o., Extradom.pl Sp. z o.o., Superauto24.com Sp. z o.o. and Parklot Sp. z o.o. and in 2019 by Travel Network Solutions Sp. z o.o. and Autocentrum.pl SA The acquisitions mentioned above had a significant impact on the level of revenues and EBITDA. They also had a significant impact on the amount of depreciation in the consolidated financial statements of the Group, as in the process of purchase price allocation of these entities a number of trademarks and customer relations have been identified which are currently depreciated and the costs are included in the consolidated financial results of the Group.

I Increase in effectiveness as a result of using the Group's data resources and big data tools

The Group has one of the largest databases of users of internet portals and the largest database of email users in Poland. Achieving the highest rank was possible, among other things, thanks to acquisitions made by the Group.

Having a large number of service and content users gives the Group access to information on user behaviour, within the limits set by the provisions of the law. Thanks to access to a large amount of data on user behaviours (in particular on the content and services used by users) and the progress in the ability to analyse extensive data resources over recent years (tools for analysis of large and diverse data sets, generated with high frequency, so called big data), the Group has a significant potential for increasing its operating effectiveness, among other things, through the personalization of content, and personalization of advertisements which are more effective, by eliminating the advertisements of products in which a given user is not interested.

I Borrowings related to the acquisitions

The Group's acquisition activities are supported by external financing.

The Group's debt results, among others, from the loan financing of part of the purchase price (PLN 175 million) of shares in Wirtualna Polska SA, purchase price of the shares in Money.pl Sp. z o.o. (PLN 47 million), part of the purchase price of the shares in Wakacje.pl SA (PLN 50 million), part of the purchase price of the shares in Nocowanie.pl Sp. z o.o. (PLN 25 million), Domodi Sp. z o.o. (PLN 85 million) and Extradom Sp. z o.o. (PLN 60 million) as well as refinancing part of the investment expenditure to purchase fixed and intangible assets.

The loan bears an interest rate of 3M WIBOR plus the margin specified in the agreement.

As of 30 June 2020 the balance of the Group's liability resulting from loan agreement amounted to PLN 355 million.

During the six months of 2020, the Group's interest and commissions expenses, the bulk of which resulted from interest on the bank loan, amounted to PLN 8,079 thousand. The amount of these costs in consecutive periods will depend on WIBOR 3M which equalled 0.26% as of 30 June 2020.

9. SIGNIFICANT EVENTS WHICH TOOK PLACE DURING THE FIRST HALF OF 2020

I Proclamation of the state of COVID-19 epidemic in Poland

In March of 2020, due to infections of SARS-CoV-2 virus causing COVID-19 disease, the state of epidemic was proclaimed in Poland. Several restrictions were introduced to slow down the spread of coronavirus, in particular the obligation of social distancing, closing borders and limiting the functioning of shops and services. Once the state of epidemic was proclaimed, the Group established a crisis management team, composed of key managers, whose goal is to respond to the changing situation on an ongoing basis as well as coordinate the implementation of all necessary changes in operational processes in response to emerging information.

The Group immediately took a number of actions to limit the impact of the pandemic on the activities of Group companies. The priority was set at ensuring the sense of security for employees and maintaining current high quality of services provided to clients.

Since mid-March, most of the Group's employees switched to home-office. Representatives of IT, administration and accounting departments are working in shifts to ensure proper workflow of documents and technical support. For security reasons, the TV studio team was split in two teams and worked on a biweekly schedule. All offices have been equipped with the necessary hygiene and disinfection products. Along with the reduction of restrictions imposed by the state, in the following months there was a gradual voluntary return to offices of some employees. Employees who decided to resign from remote work on certain days have access to the necessary hygiene and disinfection measures, masks and protective gloves. The necessary distance between work stations has also been ensured. Team meetings with more people are still held remotely. Depending on the development of the epidemiological situation in Poland, further limitation of remote work and an increase in the number of employees staying in the office at the same time are considered.

Based on the current knowledge, the Group estimates that the pandemic and related restrictions have had a significant impact on the results generated by some of the companies in the Group. The large diversification of activities of individual holding companies allows to minimize the negative impact of the pandemic on the entire Group's results.

The impact of COVID-19 on each CGU of Wirtualna Polska Holding Capital Group is presented below:

Publishing and advertising activities

The impact of COVID-19 pandemic on the results of the publishing and advertising activities became clear in the second quarter of 2020. The situation on the advertising market deteriorated due to the visible limitations on the side of clients from selected sectors (e.g. automotive, finance), mainly with regards to image campaigns. It should be however noted, that in the course of several past years the Group made a significant shift from image to efficiency-settled campaigns. The decreasing share of revenues from image campaigns in the total advertising and publishing revenue means that the hold on some image budgets will have a significantly smaller impact on the financial results as it would have few years ago.

Advertising activities are strongly correlated with the general state of the economy. In cases of an economic slowdown below 2% of GDP growth, we've historically observed a decline in the total advertising market of up to about 10% YoY. However, in spite of the GDP decrease in the second quarter of 2020, publishing and advertising revenues of the WPH Group remained at a level close to that in the second quarter of 2019. The Management Board systematically analyses possible options and at the same time introduces a number of initiatives limiting the cost base, which could enable generating a satisfactory EBITDA on publishing and advertising activities.

At the same time, during the lockdown, we observed a significant increase in users' interest in our portals and services, which seems natural due to the increased need for access to the latest information (mainly with regards to the epidemiological situation) and a greater amount of time that can be allocated to the use of our services. Being aware of our special responsibility, detailed guidelines have been prepared for the editors to ensure the information provided to the society is highly reliable and does not fuel the sense of fear and uncertainty.

International travel (Wakacje.pl SA)

Activity in international tourism halted completely during the second quarter of 2020. Numerous restrictions imposed in Poland and abroad, in particular relating to border closures and travel bans, resulted in both a lack of ongoing revenue generation as well as the necessity to recognise refunds on all services sold, but which could not take place in the dates planned.

Partial resumption of international touristic activity happened in July 2020, however, as per expectations, the revenues generated were lower by several dozen per cent than those in a comparable period of the previous year, in line with trends observed across the market. However, the reopening for touristic activity of further countries, in particular key destinations such as Turkey and Egypt, means that there is a big potential for an improvement of the results of this part of the Group's operations.

The Group implemented several measures aiming at the limitation of short-term losses, including in particular the optimisation of the cost base. Offering of services such as vacation in Poland and vacation abroad with transport by own means is also expanded.

Wakacje.pl received a guarantee of financial support (in the form of an increased loan limit) granted by its only shareholder, i.e. Wirtualna Polska Media SA.

Domestic travel (Nocowanie.pl Sp. z o.o. and Eholiday.pl Sp. z o.o.)

From 2 April to 3 May all accommodation facilities were closed (except for quarantine rental), which resulted in a significant decrease in the level of revenue of Nocowanie.pl and Eholiday.pl. Since this legal restrictions were lifted, the situation seems to be getting back to normal as we can observe significantly increased interest of users in the offers presented at Nocowanie.pl and Eholiday.pl. The available research on the tourism market in Poland in 2020 indicate that the interest in domestic tourism in Poland exceeds its previous levels. The Group decided to use this trend and execute an advertising campaign increasing the Nocowanie brand awareness among potential clients, which include owners of guesthouses and other lodging facilities in the country.

During the period of total tourism lock-down, Nocowanie.pl conducted a social campaign among the cooperating accommodation owners, encouraging them to make rooms available to healthcare professionals. An assistance package for lodging houses and boarding houses (including legal information and disinfection products) has also been introduced.

Lead Generation fashion/interior (Domodi Sp. z o.o)

In the initial phase, the general level of uncertainty in society resulted in a decrease in purchasing intentions and number of transactions compared to the period before the pandemic was announced. Over time, there is a noticeable improvement in consumer sentiment and a growing interest in online shopping (this trend was particularly visible during the closure of large-format stores, but weakened once restrictions were lifted, especially with regards to the fashion industry).

Aiming to exploit the identified change in the purchasing habits of Poles, the Group decided to accelerate the implementation of some new functionalities of the services. The group responded to the current consumer demand by expanding the home clothing offer and introducing the aggregation of the mask assortment from the beginning of the pandemic. During the pandemic, the Group also developed a new development strategy for the fashion area, however, resulting from the need to transform the business model and not directly from the fact of the pandemic. These activities, along with the implemented limitations of the cost base, were not however sufficient to generate revenues and EBITDA at a level similar to that in a comparable period of the previous year.

Financial lead generation (Totalmoney.pl Sp. z o.o.)

Since the second half of March, the operation of stationary branches of banks and financial institutions has been limited, significantly influencing the efficiency of transactions. The banks also substantially tightened their credit risk assessment, while some stopped lending entirely. Interest rates are at the historically lowest level causing additional product problems and forcing bank to change their offers. In addition, legal regulations enabling clients to suspend repayment of loan instalments created problems in the non-bank loans sector. Since June, a stabilisation of the

situation with regards to banking and cooperation with the banks returned to pre-pandemic state. However, lower lead conversion related to tighter credit policies and changes in banks' offerings is still being felt.

All these factors had a negative impact on the financial results of the end of the first and the entire second quarter of 2020.

The Management Board expects that in the coming months, increased consumer interest in financial products will continue, while the supply on the part of financial institutions will be insufficient in relation to demand, which will translate into decrease in the level of revenue and EBITDA compared to 2019.

Extradom

In the first stage, immediately after the pandemic was announced, we noted a temporary strong decline in interest in the offer of architectural house designs, which, however, returned to a satisfactory level in the last days of March. In the second quarter of 2020, an increase in consumer interest is noticeable, which in our opinion should positively affect the results of Extradom.

Superauto24

The outbreak of the pandemic caused a significant decrease in demand for the purchase of new cars. At the same time banks and leasing institutions has tightened their credit risk assessment. The disruption of global supply chains was also a significant problem, leading to production shutdown and supply reduction by many car factories. In the following months, demand was gradually restored and production capacity was restored, but in our opinion, a return to the pre-pandemic condition is only possible in the last quarter of the year.

At the same time, we are observing greater activity online on the part of car manufacturers and importers. They are increasingly encouraging clients to buy cars online. The social distance forced by the COVID-19 pandemic can be a catalyst for changes in consumer habits and may direct their interest in finding and buying a car online, which can be a great opportunity for a Superauto24 which, unlike dealers, has many years of experience in online sales.

The Groups expects that the results of this part of the online activities will exceed the results of the previous year in each quarter of 2020.

Impact of COVID-19 on the financial results of the Group

The described above negative impact of COVID-19 on the revenue generated by the Group companies, forced the management to introduced a number of initiatives to accordingly reduce the cost base. Cost optimization in the companies most affected by the crisis included, along with obvious non-employee cuts costs in the first place, also a reduction in employment as well as reduction of working time or salaries. Some companies from the Group also decided to use the available forms of public support from the government (anti-crisis shield). In the first half of 2020 the Group received c. PLN 2.4m of support as part of the anti-crisis shield.

Ultimately, revenues decreased by 5% in the first quarter and by 38% in the second quarter of 2020.

Group EBITDA was lower by 7% and 36% than in comparable periods in the first and second quarter of 2020, respectively, while adjusted EBITDA, which eliminates one-off transactions, decreased by 7% in the first quarter and 24% in the second quarter.

The significant weakening of the polish currency against the euro and the US dollar in the first quarter of 2020 resulted in recognition of exchange rate losses (mainly due to long-term lease liabilities on office space), which are presented in the Group's financial costs. The weakening of the polish currency had a limited negative impact on operating costs, as most of the Group's transactions are settled in local currency.

In addition, due to the reduction of interest rates by the National Bank of Poland, the Group achieved significant savings in financial costs in the first half of 2020, which should also materialise in the following quarters. The entire debt of the Group is denominated in Polish zlotys and is based on the variable WIBOR interest rate.

Impact of COVID-19 on the Group's liquidity

As at the date of these financial statements, the Group maintains a high level of liquidity and generates satisfactory cash flows. As at 30 June 2020, the Group had approximately PLN 121 million in cash on bank accounts and an available credit line described in detail in Note 26 of the condensed interim financial statements. In the opinion of the Management Board, the funds held and cash flows generated in current periods provide the Group with adequate financial liquidity and ability to pay its liabilities. In the opinion of the Management Board, there is also no risk of breaking the permitted level of financial covenants stated in the Group's loan agreement.

The introduced epidemic status also had a significant impact on stock indexes. The price of WPH shares dropped by 2.3% in the first quarter of 2020. In the same period, the WIG and WIG 40 indices fell by 14.4% and 11.3%, respectively. The decrease in the Parent Company's share prices caused a decrease in the Group's stock market capitalization, which amounted to PLN 2,025 million as at 31 December 2019 and decreased to PLN 1,984 million by the end of the first half of 2020. As at 31 July 2020, the capitalization value was PLN 2,070 million, and the share price was 3% above the exchange rate as at 31 December 2019.

The Management Board notes that the above factors were described based on the best knowledge of the Board as at the date of publication of this report. The final impact of the COVID-19 coronavirus epidemic on the operational and financial activities of the Group is not currently measurable and depends on many factors beyond the Group's control, in particular on the duration of the pandemic and its further development as well as further potential steps that can be taken by the Polish government.

Receiving tax and customs control results

On 24 February 2020, Wirtualna Polska Media SA ("WPM") received information about the result of the customs and fiscal control carried out by the Head of the Małopolska Customs and Tax Office in Kraków ("MUCS"). The inspection covered the examination of WPM's compliance with the provisions of the Act of February 15, 1992. on corporate income tax for 2016. In the control result received by WPM, the Head of MUCS concluded that WPM had incorrectly recognized the tax costs related to the acquisition of Wirtualna Polska SA by o2 sp. z o.o. Details are presented in note 4 to the consolidated interim financial statements.

Conclusion of a new loan agreement

On 25 February 2020, a loan agreement was concluded between Wirtualna Polska Holding and Wirtualna Polska Media SA - as borrowers, Domodi sp. z oo, Totalmoney.pl sp. z o.o, Wakacje.pl SA, - as guarantors and a consortium of banks in composition: mBank Spółka Akcyjna, (Credit Agent), Powszechna Kasa Oszczędności Bank Polski SA, ING Bank Śląski SA, Bank Polska Kasa Opieki SA and BNP Paribas Bank Polska SA, as the lenders, on the basis of which the lenders granted the Company and WPM loans in the total amount of up to PLN 978 million. Details of the new agreement are described in Note 26 to the consolidated financial statements.

Agreement changing the settlement of the option to purchase non-controlling interests in Nocowanie.pl

On 28 May 2020 the subsidiary Wirtualna Polska Media SA entered into an agreement with the minority shareholder in Nocowanie.pl Sp. z o.o. regarding the rules governing the settlement of the option to sell and purchase non-controlling interest in the company. The initial agreement assumed the right to sell half of the non-controlling interest after fiscal year 2019 and the remaining half after fiscal year 2020. The amended agreement includes the right to sell non-controlling interests in three tranches:

- 10% of shares after fiscal year 2019;
- 7.5% of shares after fiscal year 2020;
- 7.5% of shares after fiscal year 2021.

At the same time, the Group announced the execution of the first tranche, as a result of which it purchased 4,012 shares in Nocowanie.pl Sp. z o.o. which constitute 10% of the share capital of the company and carry the right to 10% of votes at shareholders' meeting.

The price for all shares purchased equalled to PLN 13,467 thousand. The purchase was financed with the Capex tranche of the loan agreement dated 25 February 2020.

Following the transaction, the Group owns 85% shares in Nocowanie.pl.

As a result of the signed Annex the value of the liability related to the modified option on the remaining 15% of shares was estimated at PLN 21 million. The difference in the discounted value of liabilities of PLN 4.1 million was reflected in Group's financial result as additional financial income in the second quarter of 2020.

Following the executed transaction the Group recognised as retained earnings PLN 2,289 thousand which were recognised as non-controlling interests in previous periods. As a result of the settlement of the first option on non-controlling interest in Nocowanie.pl the Group reclassified a portion of supplementary capital relating to the initial recognition of this option to retained earnings in the amount of PLN 4,506 thousand. This change did not impact the total value of equity attributable to shareholders of the Parent Company.

10. SALES

(PLN'000)	Six months ending 30 June 2020	Six months ending 30 June 2019	Three months ending 30 June 2020	Three months ending 30 June 2019
Sales in Online segment, including:	249 429	325 876	106 213	173 486
Sales of services settled in cash	242 753	315 551	103 276	167 702
Sales of services settled in barter	6 676	10 325	2 937	5 784
Sales in TV segment, including:	11 398	9 632	4 806	5 027
Sales of services settled in cash	11 398	9 632	4 806	5 027
Total	260 827	335 508	111 019	178 513

(PLN'000)	Six months ending 30 June 2020	Six months ending 30 June 2019	Three months ending 30 June 2020	Three months ending 30 June 2019
Domestic sales	190 303	266 815	74 011	142 281
Export sales	70 524	68 693	37 008	36 232
European Union	63 252	61 171	33 528	32 244
Outside European Union	7 272	7 522	3 480	3 988
Total	260 827	335 508	111 019	178 513

11. EBITDA AND ADJUSTED EBITDA

The Group's EBITDA is calculated as operating profit plus depreciation and amortization (except for amortization of programming rights), and the Group's adjusted EBITDA is calculated as EBITDA adjusted for events, including: transaction costs related to acquisitions, result on barter transactions, income from revaluation of non-operational provisions, revaluation of non-current assets and costs of the management option scheme. EBITDA and adjusted EBITDA are presented because in the Group's opinion they are a useful measure of the results of operations. The EBITDA and adjusted EBITDA ratios are not defined by IFRS and should not be treated as an alternative to the profit/(loss) categories provided for in IFRS as a measure of operating results nor as a measure of cash flow from operating activities based on IFRS. Neither can they be treated as a liquidity ratio.

(PLN'000)	Six months ending 30 June 2020	Six months ending 30 June 2019	Three months ending 30 June 2020	Three months ending 30 June 2019
Profit before tax	20 663	35 196	10 788	15 385
Share in profits of investments accounted for using the equity method and dividends from associates	2 317	554	1 653	554
Finance costs	13 051	10 189	5 058	5 076
Finance income	(944)	(1 818)	(765)	(611)
Revaluation of commitments to purchase non-controlling interests and other liabilities on business combinations	(4 154)	11 610	(4 154)	11 610
Dividends received	-	(56)	-	(56)
Operating profit	30 933	55 675	12 580	31 958
Amortization and depreciation	41 128	37 856	20 202	19 293
EBITDA	72 061	93 531	32 782	51 251
Adjustments, including:				
Restructuring and transaction costs - external services	4 699	972	3 169	57
Restructuring and transaction costs - salaries	1 253	384	1 033	199
Restructuring and transaction costs - other operating costs and revenues	40	697	135	418
Costs of the employee option scheme	1 349	1 172	564	590
Net result of barter transactions settlements	(685)	(1 912)	(81)	(1 693)
Revaluation and liquidation of non-financial assets	361	106	296	70
Adjustment of historically used VAT rate in Extradom	861	-	861	-
Other	-	(21)	-	(6)
Adjusted EBITDA	79 939	94 929	38 759	50 886

12. ADJUSTED PROFIT BEFORE TAX

The adjusted profit before tax of the Group is calculated as profit before tax adjusted for events, comprising: transaction costs related to acquisitions, result on settlement of barter transactions, income from revaluation of non-operational provisions, revaluation of non-current assets, costs of the management option scheme and valuation of interest rate hedging instrument as well as costs recognized due to refinancing of the Group's debt and revaluation of commitments to purchase non-controlling interests. The adjusted profit before tax is not defined by IFRS and should not be treated as an alternative to the profit/(loss) categories provided for in IFRS as a measure of operating results nor as a measure of cash flow from operating activities based on IFRS. Neither can it be treated as a liquidity ratio.

(PLN'000)	Six months ending 30 June 2020	Six months ending 30 June 2019	Three months ending 30 June 2020	Three months ending 30 June 2019
Profit before tax	20 663	35 196	10 788	15 385
Adjustments, including:				
Restructuring and transaction costs - external services	4 699	972	3 169	57
Restructuring and transaction costs - salaries	1 253	384	1 033	199
Restructuring and transaction costs - other operating costs and revenues	40	697	135	418
Costs of the employee option scheme	1 349	1 172	564	590
Profit/loss on the sale of other financial assets	-	-	-	-
Net result of barter transactions settlements	(685)	(1 912)	(81)	(1 693)
Revaluation and liquidation of non-financial assets	361	106	296	70
Revaluation of commitments to purchase non-controlling interests and other liabilities on business combinations	(4 154)	11 610	(4 154)	11 610
Accelerated depreciation	639	1 154	8	736
Adjustment of historically used VAT rate in Extradom	861	-	861	-
Other	-	(21)	-	(6)
Total adjustments	4 363	14 162	1 831	11 981
Adjusted profit before tax	25 026	49 358	12 619	27 366

13. OTHER OPERATING INCOME/GAINS

The following table presents other operating income/gains for the period of 3 and 6 months of 2020 and 2019:

(PLN'000)	Six months ending 30 June 2020	Six months ending 30 June 2019	Three months ending 30 June 2020	Three months ending 30 June 2019
Revenue from grants	2 699	271	2 537	127
Liabilities expired	201	4	201	3
Repayment of receivables previously written off	32	-	18	-
FX differences on operating activity	183	-	(174)	-
Other	282	47	41	(33)
Income related to acquisitions and restructuring	404	-	-	-
Total	3 801	322	2 623	97

14. OTHER OPERATING EXPENSES

The following table presents the other operating expenses incurred by the Group in the first 3 and 6 months of 2020 and 2019:

(PLN'000)	Six months ending 30 June 2020	Six months ending 30 June 2019	Three months ending 30 June 2020	Three months ending 30 June 2019
Representation and other costs by type, including:	1 748	2 695	515	1 603
Representation	567	1 452	120	1 011
Other costs by type	1 181	1 243	395	592
Revaluation of receivables	1 463	233	1 140	69
Taxes and charges	1 628	1 810	735	1 011
Revaluation of provisions	102	500	61	261
Revaluation and liquidation of non-financial assets	610	481	440	139
Other	184	211	(184)	91
Costs related to acquisitions of subsidiaries and restructuring	444	697	135	418
Total	6 179	6 627	2 842	3 592

15. FINANCE INCOME AND COSTS

The following table presents the financial income incurred by the Group in the first 3 and 6 months of 2020 and 2019:

(PLN'000)	Six months ending 30 June 2020	Six months ending 30 June 2019	Three months ending 30 June 2020	Three months ending 30 June 2019
Interest income	258	210	126	128
Currency exchange differences	42	48	(5)	(154)
Income on the valuation of financial investments	-	1 553	-	637
Financial income on loan refinancing	630	-	630	-
Other	14	-	14	-
Total	944	1 818	765	611

The following table presents the financial income incurred by the Group in the first 3 and 6 months of 2020 and 2019:

(PLN'000)	Six months ending 30 June 2020	Six months ending 30 June 2019	Three months ending 30 June 2020	Three months ending 30 June 2019
Interests and commissions	8 079	8 676	3 919	4 301
Reversal of discount on investment liabilities	1 249	1 244	525	774
Currency exchange differences	1 237	-	(65)	-
Revaluation of financial assets	2 474	-	667	-
Other	12	269	12	1
Total	13 051	10 189	5 058	5 076

As at 30 June 2020 the Management Board measured at fair value the shares held in esky.pl SA and Teroplan Sp. z o.o. The valuation method used by the Group is based on multipliers of listed comparable companies. Both valued companies operate in the tourism and transport industries, which are significantly affected by COVID-19. Due to this, the valuations of the shares were reduced by PLN 6,986 thousand, which was offset by an increase in value of share options by PLN 4,512 thousand, resulting in total impact on the result of the first half of 2020 of PLN 2,474 thousand.

The following table presents income and costs due to the revaluation of the liability related to the commitment to purchase non-controlling interests and other acquisitions-related liabilities:

(PLN'000)	Six months ending 30 June 2020	Six months ending 30 June 2019	Three months ending 30 June 2020	Three months ending 30 June 2019
Revaluation of the liability related to the put option on non-controlling interests	4 154	(11 610)	4 154	(11 610)
	4 154	(11 610)	4 154	(11 610)

16. CURRENT AND DEFERRED INCOME TAX

The following table presents the current and deferred income tax incurred by the Group in the first 3 and 6 months of 2020 and 2019:

(PLN'000)	Six months ending 30 June 2020	Six months ending 30 June 2019	Three months ending 30 June 2020	Three months ending 30 June 2019
Current income tax	2 353	4 126	1 288	2 719
For the financial year	2 353	4 126	1 288	2 719
Deferred tax	3 218	8 234	1 657	4 198
Temporary differences arising and reversed	3 218	8 234	1 657	4 198
Total income tax	5 571	12 360	2 945	6 917

The notional amount of corporate income tax on profit before tax of the Group differs as follows from the income tax amount shown in the profit or loss:

(PLN'000)	Six months ending 30 June 2020	Six months ending 30 June 2019	Three months ending 30 June 2020	Three months ending 30 June 2019
Profit before tax	20 663	35 196	10 788	15 385
Corporate income tax at the statutory rate of 19%	3 926	6 687	2 050	2 923
Tax effects of the following items:				
Revenues and costs non-taxable permanent differences	1 621	2 109	2 005	987
Revaluation of commitments to purchase non-controlling interests and other liabilities on business combinations	(789)	2 206	(789)	2 206
Reversal of discount on investment liabilities	162	177	75	90
Unrecognized tax assets	1 387	1 149	730	646
Recognised asset on tax losses	(1 372)	-	(1 372)	-
Other	636	32	246	65
Total income tax	5 571	12 360	2 945	6 917

The following table presents the components of the deferred tax asset and liability.

(PLN'000)	1 January 2020	Financial result	30 June 2020
Deferred tax assets:			
Change in tax values of assets as a result of internal reorganization of the Group		7 958	(2 167)
Unutilized tax losses		19 378	(3 187)
Write-downs of assets		1 994	(20)
Differences in tax and carrying amounts of liabilities and receivables		22 980	(2 677)
Other differences		1 243	209
Deferred tax asset		53 553	(7 842)
Deferred tax liability:			
Differences in carrying and tax amount of property, plant and equipment		74 245	(3 481)
Other		2 429	(1 143)
Deferred tax liability		76 674	(4 624)
Deferred tax assets/liability net		(23 121)	(3 218)
			(26 339)

	30 June 2020	31 December 2019
Offsetting of deferred tax liability	(44 101)	(52 998)
Deferred tax assets after offsetting	1 610	555
Deferred tax liabilities after offsetting	27 949	23 676

Tax settlements and other regulated areas of activities (for example, customs or foreign currency issues) may be subject to inspections by administrative bodies which are entitled to impose high penalties and sanctions. The lack of reference to established legal regulations in Poland results in ambiguities and inconsistencies in the binding regulations. Frequent differences of opinion as to the legal interpretation of tax regulations, both internally within the state bodies and between the state bodies and enterprises, result in areas of uncertainty and conflict. Due to these factors the tax risk in Poland is considerably higher than in countries with more precisely developed tax systems. Tax settlements may be subject to inspections within five years from the end of the year in which tax was paid. As a result of inspections, the Group's tax settlements may be increased by additional tax liabilities. The Group is of the opinion that as of 30 June 2020 there were no premises to record a provision against identifiable and measurable tax risk.

As a result of the General Anti-Avoidance Rule (GAAR), effective July 15, 2016, which aims to prevent the creation and use of artificial legal structures created to avoid taxation in Poland, the Parent Entity's Management has carried out a comprehensive analysis of the tax situation of the Group's entities, identified and evaluated transactions and operations that could potentially be covered by GAAR and considered their impact on deferred tax, tax value of assets, and tax risk. In the opinion of the Management Board, the analysis did not indicate the need to adjust the current and deferred income tax items. Nevertheless, in the opinion of the Management Board, in case of GAAR there is an inherent uncertainty as to the interpretation of the tax law adopted by the Company that may affect the ability to realize deferred tax assets in future periods and the payment of additional tax for past periods.

17. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares in issue during the year. The dilutive items include shares under the option scheme (Note 24).

	Six months ending 30 June 2020	Six months ending 30 June 2019
Net profit attributable to equity holders of the Parent Company	14 018	22 091
Weighted average number of shares shown for the purpose of calculating basic earnings per share (no. of units)	29 045 235	28 972 561
Effect of diluting the number of ordinary shares	142 941	167 647
Weighted average number of ordinary shares shown for the purpose of calculating diluted earnings per share (no. of units)	29 188 176	29 140 208
Basic (In PLN)	0,48	0,76
Diluted (in PLN)	0,48	0,76

18. CHANGES IN ALLOWANCES FOR ASSETS

In the first half of 2020 the Group adjusted the value of allowances for trade receivables by PLN 1,463 thousand.

In the same period write-downs on intangible assets and property, plant and equipment and programming assets of PLN 610 thousand were recorded.

In addition, as at 30 June 2020 the Management Board measured at fair value the shares held in esky.pl SA and Teroplan Sp. z o.o. Details regarding the valuation and impairment are described in note 15 of these financial statements.

19. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

In the period from 1 January 2020 to 30 June 2020 the Group purchased property, plant and equipment (other than right to use of office spaces) of PLN 9.4 million and intangible assets of PLN 21.2 million.

The value of fixed assets recognized during 2020 on the basis of new lease contracts for means of transport and office space rental amounted to PLN 20.7 million.

In addition, the acquisition of programming assets amounted to PLN 3.1 million.

As of 30 June 2020 and 31 December 2019 the Group did not have any material commitments to purchase property, plant or equipment and intangible assets.

20. GOODWILL

The table below presents the allocation of goodwill to the consolidated subsidiaries.

(PLN'000)	Cash generating unit	As of 30 June 2020	As of 31 December 2019
Wirtualna Polska Media S.A.	Publishing and Advertising activities	92 040	92 040
Money.pl Sp. z o.o. Capital Group	Publishing and Advertising activities	11 550	11 550
Money.pl Sp. z o.o. Capital Group	Financial lead generation	7 808	7 808
NextWeb Media Sp. z o.o.	Publishing and Advertising activities	19 072	19 072
Finansowy supermarket.pl sp. z o.o.	Financial lead generation	6 148	6 148
dobreprogramy Sp. z o.o.	Publishing and Advertising activities	3 593	3 593
Domodi Sp. z o.o.	Lead Generation fashion/interior	9 349	9 349
Allani Sp. z o.o.	Lead Generation fashion/interior	9 497	9 497
Wakacje.pl S.A.	International travel	62 888	62 888
TotalMoney.pl Sp. z o.o.	Financial lead generation	8 820	8 820
Nocowanie.pl Sp. z o.o.	Domestic travel	16 793	16 793
Netwizor.pl Sp. z o.o.	Publishing and Advertising activities	2 272	2 272
eHoliday Sp. z o.o.	Domestic travel	9 463	9 463
My Travel Sp. Z o.o.	International travel	15 491	15 491
Extradom.pl Sp. z o.o.	Extradom	58 317	58 317
Parklot Sp. z o.o.	International travel	1 168	1 168
Superauto24.com Sp. z o.o.	Superauto24	18 533	18 533
http Sp. z o.o.	Publishing and Advertising activities	180	180
Travel Network Solutions Sp. z o.o.	International travel	5 610	5 610
Autocentrum.pl Sp. z o.o.	Publishing and Advertising activities	5 842	5 842
Goodwill (gross)		364 434	364 434
Goodwill revaluation write-off:			
http Sp. z o.o.	Publishing and Advertising activities	(180)	(180)
Goodwill (net)		364 254	364 254

In the case of the acquisition of Autocentrum.pl. Sp. z o.o. the goodwill presented above is based on the provisional purchase price allocation as of 30 June 2020.

The cash generating unit of Publishing and Advertising activities holds the trademark "WP.pl" with a carrying amount of PLN 102,500 thousand, which has been attributed with an unspecified useful life and is tested for impairment.

Impairment tests

Due to high uncertainty resulting from COVID-10 and in reference to significant drop in estimated results of selected cash generating units, the Management Board identified potential impairment indicators and decided to prepare impairment test for following CGU:

- International travel
- Domestic travel;
- Extradom;
- Lead Generation fashion/interior;
- Superauto24;
- Financial Lead Generation.

Impairment test were conducted as of 30 June 2020.

The recoverable value of the cash generating units was determined based on the calculated value in use. The key assumptions which when changed may have a significant effect on the estimated value in use of the assets are: the revenue growth rate, EBITDA margin and discount rate before tax.

Cash flow projections have been prepared based on the updated estimates for 2020, past results and expectations of the Management Board for the development of the market in 2021-2024, based on the available market sources. Due to the limited scope of long-term forecasts as to the development of the advertising market in Poland, it was assumed for the purposes of the tests that the cash flow growth rate in the residual period exceeding the five-year forecast period would be

equal to the inflation target of the NBP of 2.5%. The pre-tax discount rate was estimated based on the macroeconomic and market data for the individual cash generating units.

The impairment tests conducted with the following assumptions and taking into account probable changes in these assumptions did not show a need to record impairment allowances in respect of the tested assets.

	Forecast period	Annual terminal growth rate	Discount rate
Extradom	5 years	2.5%	10.6%
Lead Generation moda/wnętrza	5 years	2.5%	10.6%
Financial lead generation	5 years	2.5%	10.6%
International travel	5 years	2.5%	10.6%
Superautoz4	5 years	2.5%	10.6%
Domestic travel	5 years	2.5%	10.6%

21. OTHER FINANCIAL ASSETS

Other financial assets decreased their value primarily as a result of the reclassification to fixed assets held for sale of fair value of shares owned by the Group in eSky.pl SA, which the Group plans to sell. On 26 March 2020, in line with the procedure outlined in the investment agreement dated 9 June 2017, the Group issued a statement about the execution of the put option on its shares in eSky.pl SA. As of 30 June 2020 shares in ESKY.pl (PLN 10,016 thousand) were presented as assets held for sale.

As at 30 June 2020 the Management Board measured at fair value financial assets (i.e. shares and options) owned in eSky.pl SA and Teroplan Sp. z o.o. The valuation method used by the Group is based on multipliers of listed comparable companies. Both valued companies operate in the tourism and transport industries, which are significantly affected by COVID-19. Due to this, the valuations of the shares owned by the Group decreased by PLN 6,986 thousand, which was offset by an increase in value of share options by PLN 4,512 thousand, resulting in total impact on the result of the first half of 2020 of PLN 2,474 thousand.

In the second quarter of 2020 the Group also recognised a leasing receivable due to subletting a part of the office space to a non-related entity. The value of the receivable equalled to PLN 2,832 thousands at 30 June 2020, of which PLN 2,643 related to long-term receivables.

22. ACQUISITION AND BUSINESS COMBINATIONS IN 2020

On 2 January 2020, Totalmoney.pl Sp. z o.o. and Finansowysupermarket.pl Sp. z o.o. merged by transferring all assets of Finansowysupermarket.pl sp. z o. o. to Totalmoney.pl Sp. z o.o.

On 1 February 2020, Wirtualna Polska Media SA and Autocentrum.pl SA merged by transferring all assets of Autocentrum.pl SA to Wirtualna Polska Media SA.

On 1 July 2020, Wakacje.pl SA and Travel Network Solutions Sp. z o.o. merged by transferring all assets of Travel Network Solutions Sp. z o.o. to Wakacje.pl SA.

23. SHARE CAPITAL

As of 30 June 2020, the share capital was composed of 29,084,370 shares with a par value of PLN 0.05 each, including 11,289,709 preferred voting shares and 17,794,661 ordinary shares.

The structure of share capital was as follows:

Shareholder	No. of shares	% of share capital	No. of votes	% of votes
Jacek Świdorski through subsidiaries, including: Orfe S.A.	3 777 164 3 763 237	12.99% 12.94%	7 540 401 7 526 474	18.68% 18.64%
Michał Brański through subsidiaries, including: 10X S.A.	3 777 164 3 763 236	12.99% 12.94%	7 540 400 7 526 472	18.68% 18.64%
Krzysztof Sierota through subsidiaries, including: Albemuth Inwestycje S.A.	3 777 164 3 763 236	12.99% 12.94%	7 540 400 7 526 472	18.68% 18.64%
Founders together:	11 331 492	38.96%	22 621 201	56.03%
AVIVA OFE	2 731 000	9.39%	2 731 000	6.76%
Others	15 021 878	51.65%	15 021 878	37.21%
Total	29 084 370	100.00%	40 374 079	100.00%

* Founders (i.e. Jacek Świdorski, Michał Brański and Krzysztof Sierota) in connection with the shareholders agreement concluded on 19 March 2015 by the Founders and their subsidiaries (Orfe SA, 10X SA and Albemuth Inwestycje SA) concerning joint voting at the general meeting of the Company and conducting a long-term policy towards the Company exercise voting rights jointly

As of 31 December 2019, the share capital was composed of 29,011,826 shares with a par value of PLN 0.05 each, including 11,289,709 preferred voting shares and 17,722,117 ordinary shares. The structure of share capital was as follows:

Shareholder	No. of shares	% of share capital	No. of votes	% of votes
Jacek Świdorski through subsidiaries, including: Orfe S.A.	3 777 164 3 763 237	13.02% 12.97%	7 540 401 7 526 474	18.71% 18.68%
Michał Brański through subsidiaries, including: 10X S.A.	3 777 164 3 763 236	13.02% 12.97%	7 540 400 7 526 472	18.71% 18.68%
Krzysztof Sierota through subsidiaries, including: Albemuth Inwestycje S.A.	3 777 164 3 763 236	13.02% 12.97%	7 540 400 7 526 472	18.71% 18.68%
Founders together:	11 331 492	39.06%	22 621 201	56.13%
AVIVA OFE	2 190 044	7.55%	2 190 044	5.43%
Others	15 490 290	53.39%	15 490 290	38.44%
Total	29 011 826	100.00%	40 301 535	100.00%

The share capital of the Company was fully paid up as of 30 June 2020 and 31 December 2019.

Significant changes of shareholders

There were no significant changes to the shareholders' structure during the first half of 2020.

Share capital increase

On 31 January 2020 KDPW registered and WSE admitted to trading 4,102 series D ordinary bearer shares and 6,385 ordinary bearer series F shares. After registration, admission to trading and issuing of the above mentioned shares, the share capital of the Company amounts to PLN 1,451,115.65 and is divided into 29,022,313 shares with a nominal value of PLN 0.05, entitling to 40,312,022 votes and the shareholders structure is as presented in next table.

On 18 March 2020, KDPW registered and admitted to trading 29,397 series D ordinary bearer shares and 5,213 series F ordinary bearer shares. After registration, admission to trading and issuing of the abovementioned shares, the Company's share capital amounts to PLN 1,452,846.15 and is divided into 29,056,923 shares with a nominal value of PLN 0.05, entitling to 40,346,632 votes at the General Meeting.

On 15 May 2020, KDPW registered and admitted to trading 8,234 series D ordinary bearer shares and 19,213 series F ordinary bearer shares. After registration, admission to trading and issuing of the abovementioned shares, the Company's share capital amounts to PLN 1,454,218.50 and is divided into 29,084,370 shares with a nominal value of PLN 0.05, entitling to 40,374,079 votes at the General Meeting.

On 17 August 2020, KDPW registered and admitted to trading 13,362 series D ordinary bearer shares and 17,252 series F ordinary bearer shares. After registration, admission to trading and issuing of the abovementioned shares, the Company's share capital amounts to PLN 1,455,749.20 and is divided into 29,114,984 shares with a nominal value of PLN 0.05, entitling to 40,404,693 votes at the General Meeting.

Changes in the share capital after the balance sheet date

Until the publication of the consolidated interim financial statements no other changes in share capital occurred.

I Dividend policy and profit distribution

On 20 December 2016, the Management Board of Wirtualna Polska Holding S.A adopted a dividend policy. The policy assumes a dividend payment at the level above PLN 1 per share, but not more than 70% of the consolidated net profit of the Capital Group reported in the consolidated financial statements for a given financial year.

When recommending the payment of a dividend by WPH S.A, the Management Board of WPH SA will consider all the relevant factors, including in particular the current financial situation of the Group, its investment plans and potential acquisition targets as well as the expected level of free cash in WPH SA in the financial year in which the payment of dividends is due.

The dividend policy shall be first applied for the distribution of consolidated net profit of the Group for the financial year ending 31 December 2016.

On 25 May 2020 the Management Board of WPH SA recommended to the Supervisory Board and the Group General Meeting that the net income of the Company for fiscal year 2019 in the amount of PLN 8,879 thousand is fully transferred to supplementary capital, i.e. that the dividend is not paid for the fiscal year 2019. In line with the Dividend Policy of the Group, the Management Board issued the aforementioned recommendation accounting for the current situation of the Capital Group, its investment plans, as well as the specific market situation related to the COVID-19 pandemic. The recommendation was approved by the Group General Meeting on 14 July 2020.

24. INCENTIVE SCHEMES – SHARE-BASED PAYMENTS

I First Incentive Scheme

On 23 October 2014, the Company's shareholders signed an agreement which stipulates the establishment of an incentive scheme granting the Company's share options to key people working for the Capital Group in which the Company is the Parent Company. The total number of shares earmarked for the scheme is 1,230,576 and this shall not exceed 5% of the Company's share capital. The rights were awarded on 12 August 2014, and they are vested in the beneficiaries gradually (so-called vesting), on a quarterly basis, as a rule over a period no longer than 6 years. The scheme includes a requirement of being currently employed as a condition for the rights to the options vesting.

In connection with the above arrangements, there is an incentive scheme whose basic principles are defined in Resolution No. 6 of the Extraordinary General Meeting dated 12 December 2014. On the basis of the existing incentive plan, selected members of the Supervisory Board and Management Board as well as selected employees or co-workers of the Company or other companies of the Group which concluded the management option agreement with the Company or other Group's companies are entitled to acquire Company shares.

The existing incentive scheme includes two phases of the realization of the right to acquire Company shares: (i) acquiring series C shares due to the realization of rights under the management option contract until the end of December 2014 and (ii) acquiring series D shares due to the realization of rights starting from January 2015.

The scheme was classified as an equity settled share-based incentive scheme.

On 20 April 2016, the Ordinary Shareholders Meeting of the Company passed a resolution on changing the existing Incentive Scheme.

According to the introduced changes, the vesting period for Managerial Shares has been extended and can take place no later than 14 January 2025. The participants in the scheme are entitled to acquire the subscription warranties and to subscribe to shares within 10 working days from the end of each subsequent quarter of the acquisition of rights specified in the schedule.

After the modification of the scheme, the weighted average fair value of the options awarded during the period, determined using the BMS valuation model developed by Fisher Black, Myron Scholes and Robert Merton amounted to PLN 5.50 per option. The key input data for the model were as follows: the weighted average share price as of the date of awarding the options, the exercise price, volatility of rates of return on shares between 20.64%-23.04%, a dividend rate of 0.0%, the six-year planned vesting period and the annual risk-free interest rate of 1.56%-2.14%. The total established value of the scheme after the modification amounted to PLN 6,770 thousand which is PLN 341 thousand higher than the valuation of the scheme before the changes to the vesting period.

On 26 September 2016, the resolution no. 3 of the Extraordinary Shareholders Meeting of the Company was passed. On the basis of the resolution, the subscription warrants issued after the date of adoption of this resolution are non-transferable, the issuance of subscription warrants under the incentive scheme will be carried out by a private

placement addressed to no more than 149 entitled people, and shares will be offered by a private placement addressed to no more than 149 entitled people who will be entitled to subscribe to subscription warrants.

The total costs recognized in the financial result for the period ending 30 June 2020 in respect of the scheme amounted to PLN 352 thousand and the total cost recognized in the previous periods amounted to PLN 6,218 thousand.

	Stock options
As of 1 January 2020	196 190
Awarded	-
Not executed	-
Executed	(37 631)
As of 30 June 2020	158 559
Including the number of options vested as of the balance sheet date	44 565

The exercise price of the options outstanding as of 30 June 2020 amounted to PLN 12.17.

I Second Incentive Scheme

On 15 February 2016, the Supervisory Board of the Company passed a resolution adopting the rules of the new incentive scheme granting the Company's F series ordinary share options to key people working for the Capital Group in which the Company is the Parent Company. The total number of shares earmarked for the scheme is 593,511 and it shall not exceed 5% of the Company's share capital.

The issue price of F series shares was determined by the Management Board at PLN 32, which is the price at which the shares were acquired under the initial public offering. Participants in the scheme will be entitled to exercise their rights to shares no later than 5 March 2025, and rights to shares will be acquired gradually in accordance with the schedule set out in individual contracts between the Company and the participants in the scheme. The scheme includes a requirement of being currently employed as a condition for the rights to the options vesting. The participants in the scheme will be able to subscribe to shares within 10 working days from the end of each subsequent quarter; however, the vesting in three consecutive quarters after the day of initial public offering was suspended and was cumulative at the end of the second quarter of 2016.

The weighted average fair value of the options awarded during the period, determined using the binomial valuation model, amounted to PLN 15.23 per option. The key input data for the model were as follows: the share price as of the date of awarding the options, the exercise price, volatility of rates of return on shares between 18.6%-19.4%, a dividend rate of 0.0%, the expected vesting period and the annual risk-free interest rate of 1.68%-3.18%.

The total costs recognized in the financial result for the period ending 30 June 2020 in respect of the scheme amounted to PLN 996 thousand and the total cost recognized in the previous periods amounted to PLN 3,953 thousand.

The scheme was classified as equity settled share-based incentive scheme:

	Stock options
As of 1 January 2020	443 210
Awarded	-
Not executed	(27 087)
Executed	(24 426)
As of 30 June 2020	391 697
Including the number of options vested as of the balance sheet date	133 106

The exercise price of the options outstanding as of 30 June 2020 amounted to PLN 32.

25. DISCLOSURE OF COMPONENTS OF OTHER COMPREHENSIVE INCOME

On 28 April 2015 the Group concluded four IRS transactions. The IRS floating to fixed transactions was concluded with creditors in relation to PLN 48.8 million of the A tranche of the loan and PLN 77.2 million of the B tranche of the loan. The key parameters of the instruments (interest periods dates, the reference rate, payment schedules and amortization) were consistent with those deriving from the loan agreement. These financial instruments were treated as hedge accounting and recognized in the financial statements of the Group as cash flow hedge under IAS 39.

The loan agreement concluded by the Group with mBank SA, PKO BP and ING Bank Śląski on 12 December 2017 forced the Group to close earlier existing hedging instruments. However, as the hedging item (the loan) still exists, the valuation of

these terminated hedging transactions is invariably shown in other comprehensive income and is settled with the repayment of interest on the loan.

The valuation of hedging transactions made by the Group as of the date of their dissolution amounted to PLN 865 thousand and this value remained in the revaluation reserve is accounted for the initial duration of the contract.

On 25 February 2020 a new loan agreement was signed in line with which the creditors extended loans in the amount of PLN 978 million to the Group, with the aim of, among others, the refinancing of debt. The refinancing was executed on 17 April 2020. The Group recognised the agreement as a new financial instrument, as a result of which all unsettled hedging transactions were recognised in the financial result of the second quarter of 2020.

26. LOANS AND LEASES

(PLN'000)	As of 30 June 2020	As of 31 December 2019
Long-term		
Bank loans	332 319	311 208
A liability for the right of use buildings	61 434	45 401
Finance lease	1 230	1 444
	394 983	358 053
Short-term		
Bank loans	22 746	35 547
A liability for the right of use buildings	13 006	13 231
Finance lease	1 262	1 478
	37 014	50 256
Total	431 997	408 309

Bank loans

On 25 February 2020, the Company and Wirtualna Polska Media SA as borrowers and its subsidiaries Totalmoney.pl sp. z o.o., Wakacje.pl SA and Domodi sp. z o.o. - as the guarantors entered into a new senior term, capex and overdraft facilities agreements with a bank consortium comprising of mBank SA („Facility Agent“), Powszechna Kasa Oszczędności Bank Polski SA, ING Bank Śląski SA, Bank Polska Kasa Opieki SA and BNP Paribas Bank Polska SA as lenders, pursuant to which the lenders extended loans to the Company and WPM up to the total amount of PLN 978 million designated for:

- financing of acquisitions and investment expenses up to the total amount of PLN 602 million (Capex Loan Tranche)
- refinancing current indebtedness under the credit facility agreements executed on 12 December 2017 with consortium of banks comprising mBank SA – as a lender and facilities agent, Powszechna Kasa Oszczędności Bank Polski SA and ING Bank Śląski S.A
- financing current activities and a revolving facility

The credit facilities bear interest of 3-M WIBOR plus a margin depending on the Group's net debt to EBITDA ratio.

The debt repayment is scheduled as follows:

- Tranche A: PLN 138.4m in twenty equal quarterly instalments payable from the 1st quarter of 2021;
- Tranche B: PLN 207.6 m on the final maturity date occurring on the 7th anniversary of signing of the New Credit Facilities Agreement;
- up to PLN 240.8m of Capex Loan Tranche in sixteen equal quarterly instalments payable from the 1st quarter of 2022;
- up to PLN 361.2m of Capex Loan Tranche on the final maturity date occurring on the 7th anniversary of signing of the New Credit Facilities Agreement.

The Lenders receivables under the New Credit Facilities Agreement will be secured by:

- financial and registered pledges over the shares in WPM, Totalmoney.pl sp. z o.o., Domodi sp. z o.o., Wakacje.pl SA;
- registered pledges over set of assets and rights of the Company, WPM, Totalmoney.pl sp. z o.o., Wakacje.pl SA;
- ordinary and registered pledges over the rights to trademarks of the WPM, Domodi sp. z o.o. and Wakacje.pl SA;

- financial and registered pledges on all bank accounts of the Company, WPM, Totalmoney.pl sp. z o.o., Domodi sp. z o.o., Wakacje.pl SA, as well as the powers of attorney to such bank accounts;
- the agreement for the assignment of rights under the insurance policies, selected commercial receivables and the intercompany loans of the WPM;
- submission to enforcement relating to the claims of Lenders by the Company, WPM, Totalmoney.pl sp. z o.o., Domodi sp. z o.o. and Wakacje.pl SA; and
- a subordination agreement concerning any existing or future receivables with respect to WPM concerning the receivables of the Lenders.

Refinancing under the new loan agreement took place on 17 April 2020. Until 30 June 2020, the Group used a total of PLN 13,467 thousand of the new CAPEX tranche.

As at 30 June 2020, the Group presented the loan, divided into long- and short-term parts based on the repayment schedule in force under the loan agreement. The short-term part was calculated as the sum of payments for the next twelve months, based on the loan payment schedule.

I Lease liabilities related to right to use of the buildings

On 1 January 2019, the Group applied IFRS 16 "Leasing" for the first time. As of 1 January 2019, the Group, as the lessee, recognizes all identified contracts in accordance with one model, in which the asset is recognized in the statement of financial position of the right to use the leased asset in correspondence with the liability under the lease agreements.

The main change in long-term liabilities in the first half of 2020 was the recognition of the lease liability due to the rights to use new office spaces by Totalmoney.pl Sp. z o.o. in Wrocław, Nocowanie.pl Sp. z o.o. in Lublin and Wakacje.pl SA in Gdańsk with a total value of PLN 20,425 thousand. Additionally, as most of the office space lease agreements in the Group is settled in EUR, the liability was revalued by PLN 1,959 thousand due to the exchange rate increase in the first half of 2020. At the same time, the Group repaid the capital instalments in the total value of PLN 6,576 thousand.

I Lease liabilities related to other fixed assets

The Group is a lessee of cars as well as computer and server equipment, the contracts are signed for a period not exceeding 5 years. Lease liabilities are effectively secured because the rights to the leased assets return to the lessee in the event of a breach of contract by the lessee.

27. PROVISIONS

The following table presents the composition of provisions as of 30 June 2020 and 31 December 2019.

(PLN'000)	As of 30 June 2020	As of 31 December 2019
Provision for employee benefits	6 139	4 356
provision for pension benefits	660	482
holiday pay provision	5 479	3 874
Other provisions, including:	1 160	1 105
Provisions for litigation	1 160	1 105
Other	-	-
Total	7 299	5 461

28. TRADE AND OTHER PAYABLES

The following table presents the structure of trade and other payables as of 30 June 2020 and 31 December 2019.

(PLN'000)	As of 30 June 2020	As of 31 December 2019
Long-term		
Contingent liabilities related to business combinations	4 396	3 997
Liabilities related to business combinations	9 742	11 905
Liabilities with respect to the put option for non-controlling interests	12 391	20 505
Liabilities in respect of purchase of property, plant and equipment and intangible assets	6 435	7 771
Other	43	198
	33 007	44 376
Short-term		
Trade payables	42 703	51 097
Contingent liabilities related to business combinations	72	72
Liabilities related to business combinations	2 318	2 546
Liabilities with respect to the put option for non-controlling interests	8 676	17 333
Contract and refund liabilities	36 151	39 749
State liabilities	6 936	8 844
Barter liabilities	2 248	2 986
Wages and salaries payables	7 447	10 021
Liabilities in respect of purchase of property, plant and equipment and intangible assets	4 819	7 639
Other	9 928	7 901
	121 298	148 188

On 28 May 2020 the subsidiary Wirtualna Polska Media SA entered into an agreement with the minority shareholder in Nocowanie.pl Sp. z o.o. regarding the rules governing the settlement of the option to sell and purchase non-controlling interest in the company. The initial agreement assumed the right to sell half of the non-controlling interest after fiscal year 2019 and the remaining half after fiscal year 2020. The amended agreement includes the right to sell non-controlling interests in three tranches:

- 10% of shares after fiscal year 2019;
- 7.5% of shares after fiscal year 2020;
- 7.5% of shares after fiscal year 2021.

At the same time, the Group announced the execution of the first tranche, as a result of which it purchased 4,012 shares in Nocowanie.pl Sp. z o.o. which constitute 10% of the share capital of the company and carry the right to 10% of votes at shareholders' meeting.

The price for all shares purchased equalled to PLN 13,467 thousand. The purchase was financed with the Capex tranche of the loan agreement dated 25 February 2020.

Following the transaction, the Group owns 85% shares in Nocowanie.pl.

As a result of the signed Annex the value of the liability related to the modified option on the remaining 15% of shares was estimated at PLN 21 million. The difference in the discounted value of liabilities of PLN 4.1 million was reflected in Group's financial result as additional financial income in the second quarter of 2020.

Following the executed transaction the Group recognised as retained earnings PLN 2,289 thousand which were recognised as non-controlling interests in previous periods. As a result of the settlement of the first option on non-controlling interest in Nocowanie.pl the Group reclassified a portion of supplementary capital relating to the initial recognition of this option to retained earnings in the amount of PLN 4,506 thousand. This change did not impact the total value of equity attributable to shareholders of the Parent Company.

29. LITIGATION

If the Group is a defendant in a litigation case, a provision is booked for the case based on its actual status and the cost estimation prepared by the Legal Department. The provisions are recorded in the amount of the claims and court fees, whose ad-judgment is probable in the Group's opinion. Currently, there are no pending court proceedings, arbitration or

proceedings before the administrative authority in respect of liabilities or receivables of Wirtualna Polska Holding SA and its subsidiaries in the amount of at least 10% of the Wirtualna Polska Holding SA equity.

In the analysed period, the provision for court proceedings increased by PLN 55 thousand.

30. FAIR VALUE ESTIMATION

The table below presents financial instruments held by the Group and measured at fair value, by particular valuation methods. Particular levels were defined as follows:

- Input data other than level 1 identifiable or observable quotations for assets or liabilities, directly (i.e. in the form of prices) or indirectly (i.e. on the basis of price-based calculations) (level 2);
- Input data for the valuation of assets or liabilities which are not based on observable market data (i.e. unobservable data) (level 3).

The following table presents the Group's financial assets and liabilities measured at fair value as of 30 June 2020:

(PLN'000)	Level 1	Level 2	Level 3	Total
Assets and liabilities measured at fair value				
Assets measured at fair value through profit or loss	-	25 738	-	25 738
Contingent liabilities related to business combinations	-	-	(4 468)	(4 468)

Level 1 financial Instruments

The fair value of financial instruments traded on an active market is determined by the use of market prices of similar assets or liabilities as at the balance sheet date.

Level 2 financial Instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. Such valuation techniques optimize the use of observable market data where they are available and rely to the smallest extent on specific unit estimates. If all input data necessary to measure an instrument at fair value are indeed observable the instrument is classified to level 2.

If one or a larger number of input data is not based on observable market data, the instrument is classified to level 3.

Level 3 financial Instruments

The following table presents changes in level 3 liabilities for the period ending 30 June 2020:

	Conditional remuneration related to mergers and acquisitions	
	As of 30 June 2020	As of 31 December 2019
At the beginning of the period	4 069	10 245
Revaluation earn-out liability - Superauto24.com Sp. z o.o.	-	(834)
Revaluation earn-out liability - My Travel Sp. z o.o.	-	(1 637)
Earn-out repayment - My Travel Sp. z o.o.	-	(4 266)
Earn-out repayment - Netwizor Sp. z o.o.	-	(334)
Gains and losses recognized in the financial result	399	895
At the end of the period	4 468	4 069

31. OBJECTIVES AND PRINCIPLES OF FINANCIAL RISK MANAGEMENT

The Group is exposed to credit risk and liquidity risk and also to cash flow and fair value risks as a result of interest rate fluctuations. Currency risk mainly results from the sale of advertising services to foreign customers, investment purchases, and above all from the lease of office space, which is largely denominated in EURO. As a result, the balance sheet valuation of liabilities arising from the right to use buildings has a significant impact on the Group's currency risk.

The Group does not hedge currency risk by concluding long-term transactions hedging currency exchange risk. As at the date of this report, as well as in the whole of 2019, the Group did not have currency options or any other instruments hedging currency risk.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group utilizes derivative financial instruments to hedge against some risks. Since 2014, The Group has swap instruments to economically hedge

against interest rate risk arising from loan agreements concluded. In connection with the new loan agreement signed on 12 December 2017, the Group terminated IRS transactions and as at 30 June 2020, it was not a party to any active hedging transactions

Risk is managed by the centralized Cash Flow Management Department of the Group which executes the policy approved by the Management Board. The Group's Cash Flow Management Department identifies and evaluates financial risks and safeguards the Group against them in strict cooperation with operating units. The Management Board sets in writing the general principles for risk management and the policy concerning the specific areas such as currency risk, interest rate risk, credit risk, application of derivatives and other non-derivative financial instruments and investing of liquidity surpluses.

I Credit risk

The credit risk to which the Group is exposed arises mainly from trade receivables and cash in the bank.

• Trade receivables

The Group concludes transactions with firms having a good reputation on the market and with a long relationship history which so far had no problems with the settlement of liabilities to the Group. All clients who wish to use trade credit are subjected to initial verification procedures. Moreover, due to the on-going monitoring of the balances of receivables, the Group's exposure to bad debt risk is insignificant. Due to a specific nature of the market on which the Group operates, receivables overdue up to 90 days are not considered irregular (unless the Group has information of a given client's financial difficulties). This results from the fact that the Group's clients are mainly agents (media houses, etc.) acting on behalf of the end clients. Therefore, it is frequently the case that the Group's clients suspend payment until funds from the end client are transferred to their account. There is no significant concentration of credit risk in the Group, and receivables are usually paid up within 60 days.

• Cash in the bank

The Group places its cash solely in financial institutions with the best reputation.

(PLN'000)	As of 30 June 2020	As of 31 December 2019
Banks with high rating	121 421	73 929
Total cash at banks	121 421	73 929

The maximum exposure to credit risk corresponds to the carrying amount of the above financial assets.

Write-offs for impairment of cash and cash equivalents were determined individually for each balance related to a given financial institution. External bank ratings and publicly available information on default rates for a given rating set by Moody's Investors Service agencies were used to assess credit risk. The analysis showed that these assets have a low credit risk as at the reporting date. The Group benefited from the simplification allowed by the standard and the impairment loss was determined based on 12-month loan losses. Calculation of the write-off showed a negligible amount of the impairment loss.

I Cash flow and fair value risk resulting from interest rate fluctuations

In the Group's case, interest rate risk is related to long-term loans and borrowing. Loans and borrowing with floating interest rates expose the Group to the risk of cash flow fluctuations as a result of changes in interest rates.

The Group actively analyses its exposure to interest rate fluctuations. Simulations of various scenarios are conducted, taking into account refinancing, renewal of the existing positions, alternative financing and hedges. Based on these scenarios, the Group calculates the effect of specific interest rate fluctuations on the financial result. These scenarios are only created for liabilities which constitute the largest interest-bearing items. Based on various scenarios, the Group manages its cash flow risk relating to interest rate fluctuations.

During the period of six months ending 30 June 2020 and 2019 the Group did not use any interest rate hedging instruments. The Group estimates that a change of interest rate by 1 p.p. would result in additional PLN 3 million of financial interest costs per annum.

I Liquidity risk

The Group monitors liquidity risk using a periodic liquidity planning tool. The tool takes into account the maturities of investments and financial assets (e.g. receivables, other financial assets), as well as expected cash flows from operating activities.

32. RELATED PARTY DISCLOSURES

As of 30 June 2020 no individual entity can control the Group independently. Nevertheless, in view of the share of the overall number of votes at the General Meeting, the Founders (i.e. Jacek Świderski, Michał Brański and Krzysztof Sierota) and Companies controlled by them (acting in concert on the basis of a cooperation agreement regarding the joint exercise of ownership rights based on holding shares in the Company after the Admission Date) are able to exercise a decisive influence over the decisions regarding the most important corporate issues such as the appointment and dismissal of the President of the Management Board, the appointment and dismissal of the members of the Supervisory Board, the amendment of the Articles of Association, the issuance of new shares in the Company, a decrease of the share capital of the Company, the issuance of convertible bonds, dividend payments and other actions which, pursuant to the Commercial Companies Code, require an ordinary or a qualified majority of votes at the General Meeting.

The ultimate parent of the Capital Group is Wirtualna Polska Holding SA.

The following transactions were concluded with related entities.

(PLN'000)	Six months ending 30 June 2020	Six months ending 30 June 2019
Purchases		
Subsidiary of a member of the Management Board of the Parent Company	-	75
Total	-	75
Sales		
Advertising services rendered to a subsidiary of a member of the Management Board	-	398
Total	-	398
Interest income		
Associate	54	-
Total	54	-

Balances of receivables and payables as of the balance sheet date arising from sale/purchase of goods/services:

(PLN'000)	As of 30 June 2020	As of 31 December 2019
Liabilities		
Subsidiary of a member of the Management or Supervisory Board of the Parent Company	-	80
Total	-	80
Receivables		
Subsidiary of a member of the Supervisory Board of the Parent Company	15	23
Total	15	23
Loans granted		
Associate	3 854	-
Total	3 854	-

The benefits payable or paid to the Parent Company's Management and Supervisory Board Members in the analysed period of current year and previous year are presented in the following table.

(PLN'000)	Six months ending 30 June 2020	Six months ending 30 June 2019
Short-term employee benefits (salaries and mark-ups)	2 638	3 491
Stock-based incentive scheme	318	159
Total:	2 956	3 650

33. EXPLANATIONS TO THE CASHFLOW STATEMENT

(PLN'000)	Six months ending 30 June 2020	Six months ending 30 June 2019
Change in receivables and other short-term assets arises from the following items:	50 657	(9 638)
Change in receivables and other short-term assets per balance sheet	46 245	(8 309)
Change in long-term receivables per balance sheet	(52)	343
Change in assets relating to financial activities	4 068	91
Receivables and other assets of companies as of the date of obtaining control	-	(201)
Change in accounting policies	-	(140)
Change in income tax receivables	547	(1 399)
Other	(151)	(23)
Change in short-term liabilities arises from the following items:	(15 055)	24 979
Change in short-term liabilities per balance sheet	(26 890)	19 538
Adjustment for a change in investment liabilities	11 705	3 969
Adjustment for a change in investment liabilities taken over as a result of obtaining control	-	(1 170)
Change in long-term deferred income	(155)	(267)
Change in liabilities in respect of financial activities	285	-
Change in accounting policies	-	2 907
Other	-	2
Change in provisions arises from the following items:	1 838	757
Change in short-term provisions per balance sheet	1 838	769
Stan rezerw przejęty w wyniku objęcia kontroli	-	(12)
Purchase of shares in a subsidiary	-	(6 715)
Nominal purchase price	-	(6 750)
Cash and cash equivalents in subsidiaries as of the date of the acquisition's settlement	-	35

As of all balance sheet dates above, cash and cash equivalents comprised solely the cash in the bank and in the hands of the Group's companies.

34. INFORMATION ON GUARANTEES AND WARRANTIES GRANTED IN RESPECT OF LOANS

Guarantees granted to non-Group entities

In the period under analysis none of the Group's companies granted any warranties in respect of loans or borrowings or guarantees – in aggregate to one company or an entity related to that company – the total value of which would constitute at least 10% of the Group's equity.

Inter-company guarantees

As of the date of this report, the companies: Totalmoney.pl Sp. z o.o., Domodi Sp. z o.o. and Wakacje.pl SA were guarantors of the bank loan agreement concluded by and between Wirtualna Polska Media SA, Wirtualna Polska Holding SA, mBank SA, Powszechna Kasa Oszczędności Bank Polski SA, ING Bank Śląski SA, Bank Polska Kasa Opieki SA oraz BNP Paribas Bank Polska SA.

35. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

The Management Board received the resignation from the function of Supervisory Board Member from Mr. Krzysztof Krawczyk, Vice-president of the Supervisory Board, effective as of 7 July 2020.

Apart from the events described above and the changes in the structure of the capital group described in note 7, no other significant events occurred until the date of this report.

36. SELECTED CONSOLIDATED FINANCIAL DATA CONVERTED INTO EUR

Consolidated income statement and other comprehensive income

	Six months ending 30 June 2020	Six months ending 30 June 2019	Six months ending 30 June 2020	Six months ending 30 June 2019
	PLN'000		EUR'000	
Online Segment				
Sales	249 429	325 876	56 161	75 995
Cash sales	242 753	315 551	54 658	73 588
Adjusted EBITDA (IFRS 16)	80 725	97 990	18 176	22 852
EBITDA (IFRS 16)	72 847	96 613	16 402	22 530

	Six months ending 30 June 2020	Six months ending 30 June 2019	Six months ending 30 June 2020	Six months ending 30 June 2019
	PLN'000		EUR'000	
TV segment				
Sales	11 398	9 632	2 566	2 246
Cash sales	11 398	9 632	2 566	2 246
Adjusted EBITDA (IFRS 16)	(786)	(3 061)	(177)	(714)
EBITDA (IFRS 16)	(786)	(3 082)	(177)	(719)

	Six months ending 30 June 2020	Six months ending 30 June 2019	Six months ending 30 June 2020	Six months ending 30 June 2019
	PLN'000		EUR'000	
Segments total				
Sales	260 827	335 508	58 728	78 242
Cash sales	254 151	325 183	57 224	75 834
Adjusted EBITDA (IFRS 16)	79 939	94 929	17 999	22 138
EBITDA (IFRS 16)	72 061	93 531	16 225	21 812
Amortization and depreciation	(41 128)	(37 856)	(9 260)	(8 828)
Operating profit	30 933	55 675	6 965	12 984
Result on financial activities	(10 270)	(20 479)	(2 312)	(4 776)
Profit before tax	20 663	35 196	4 652	8 208
Net profit	15 092	22 836	3 398	5 325

Consolidated statement of financial position

	As of 30 June 2020	As of 31 December 2019	As of 30 June 2020	As of 31 December 2019
	PLN'000		EUR'000	
TOTAL ASSETS	1 153 102	1 145 069	258 196	268 890
Non-current assets	906 141	909 137	202 898	213 488
Current assets	246 961	235 932	55 298	55 403
Long-term liabilities	455 939	426 105	102 091	100 060
Short-term liabilities	166 443	205 837	37 269	48 336
Equity	530 720	513 127	118 836	120 495
Share capital	1 454	1 451	326	341
Non-controlling interests	11 031	12 246	2 470	2 876

Consolidated cash flow statement

	Six months ending 30 June 2020	Six months ending 30 June 2019	Six months ending 30 June 2020	Six months ending 30 June 2019
	PLN'000		EUR'000	
Net cash flows from operating activities	106 833	107 830	24 054	25 146
Net cash flows from investing activities	(54 848)	(69 668)	(12 350)	(16 247)
Net cash flows from financing activities	(5 218)	(50 540)	(1 175)	(11 786)
Total net cash flows	46 767	(12 378)	10 530	(2 887)

Conversion into euro was performed based on the following principles:

- amounts presented in zloty as of 30 June 2020 were converted into Euro at the exchange rate of 4.4660 (the NPB exchange rate as of 30 June 2020),
- amounts presented in zloty as of 31 December 2020 were converted into Euro at the exchange rate of 4.2585 (the NPB exchange rate as of 31 December 2020),
- amounts presented in zloty for the period of six months ending 30 June 2020 were converted into Euro at the exchange rate of 4.3967 (the arithmetic mean of the NBP exchange rates as of the last day of each month of the first half of 2020),
- amounts presented in zloty for the period of six months ending 30 June 2019 were converted into Euro at the exchange rate of 4.2881 (the arithmetic mean of the NBP exchange rates as of the last day of each month of the first half of 2019).

37. OTHER INFORMATION THE GROUP CONSIDERS MATERIAL TO THE ASSESSMENT OF THE GROUP'S HUMAN RESOURCES, ASSETS AND FINANCIAL POSITION, ITS RESULTS AND CHANGES AND INFORMATION WHICH IS MATERIAL TO THE ASSESSMENT OF THE GROUP'S ABILITY TO DISCHARGE ITS LIABILITIES

Apart from the events described in this document and in the Management's commentary, until the day of publication of this report, no other events occurred which would be material to the assessment of the Group's ability to discharge its liabilities.

In the opinion of the Management Board of Wirtualna Polska Holding SA the presented information describes exhaustively the human resources, assets and financial position of the Group. No other events took place which have not been disclosed by the Company and which could be considered material to the assessment of its respective position.

A photograph of a modern office building courtyard with a red overlay. The building has multiple floors with large windows, some of which are lit up. The courtyard is paved and has some greenery. A large red triangle is overlaid on the bottom right of the image, containing the text.

Condensed standalone financial statements of Wirtualna Polska Holding SA

for the period of 3 and 6 months ending 30 June 2020

STANDALONE INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

(PLN'000)	Note	Six months ending 30 June 2020	Six months ending 30 June 2019	Three months ending 30 June 2020	Three months ending 30 June 2019
Sales		-	-	-	-
Amortization and depreciation		(6)	(7)	(3)	(4)
Materials and energy used		(12)	(3)	(6)	-
Costs of the employee option scheme		(318)	(318)	(159)	(159)
Other external services		(1 023)	(1 450)	(666)	(850)
Other salary and employee benefit expenses		(395)	(1 640)	317	(662)
Other operating expenses		(120)	(199)	(46)	(110)
Dividends received		-	29 324	-	29 324
Income (loss) on operating activity		(1 874)	25 707	(563)	27 538
Finance income	11	2 452	2 352	1 413	1 129
Finance costs	11	(4 216)	(3 160)	(968)	(1 778)
Profit before tax		(3 638)	24 899	(118)	26 889
Income tax		-	74	-	(38)
Net profit		(3 638)	24 973	(118)	26 851
Other comprehensive income (loss)		-	-	-	-
Comprehensive income		(3 638)	24 973	(118)	26 851

STANDALONE STATEMENT OF FINANCIAL POSITION

(PLN'000)	Note	As of 30 June 2020	As of 31 December 2019
Non-current assets			
Property, plant and equipment	6	6	-
Intangible assets	6	-	5
Investments in subsidiaries and related companies	8	429 034	429 073
Loans granted	8	64 625	68 714
Deferred tax assets		-	-
		493 665	497 792
Current assets			
Trade and other receivables		1 338	187
Cash and cash equivalents		947	1 286
		2 285	1 473
TOTAL ASSETS		495 950	499 265
Equity			
Share capital	9	1 454	1 451
Supplementary capital		323 458	321 969
Other reserves		11 526	10 432
Retained earnings		82 806	86 445
		419 244	420 297
Long-term liabilities			
Loans and leasing	10	55 392	54 497
Other long-term liabilities		14 138	15 902
Deferred tax liabilities		-	-
		69 530	70 399
Short-term liabilities			
Loans and leasing	10	3 833	4 307
Trade and other payables		3 343	4 262
Current income tax liabilities		-	-
		7 176	8 569
TOTAL EQUITY AND LIABILITIES		495 950	499 265

STANDALONE STATEMENT OF CHANGES IN EQUITY

(PLN'000)	Equity					Total
	Share capital	Supplementary capital	Other reserves	Revaluation reserve		
Equity as of 1 January 2020	1 451	321 969	10 432	86 445	420 297	
Net profit	-	-	-	(3 638)	(3 638)	
Total comprehensive income	-	-	-	(3 638)	(3 638)	
Increase in share capital	3	1 489	-	-	1 492	
Motivation plan - share-based payments	-	-	1 094	-	1 094	
Equity as of 30 June 2020	1 454	323 458	11 526	82 806	419 244	

(PLN'000)	Equity					Total
	Share capital	Supplementary capital	Other reserves	Revaluation reserve		
Equity as of 1 January 2019	1 449	320 895	7 801	106 561	436 706	
Net profit	-	-	-	8 879	8 879	
Total comprehensive income	-	-	-	8 879	8 879	
Increase in share capital	2	1 074	-	-	1 076	
Motivation plan - share-based payments	-	-	2 631	-	2 631	
Dividend payment	-	-	-	(28 995)	(28 995)	
Equity as of 31 December 2019	1 451	321 969	10 432	86 445	420 297	

(PLN'000)	Equity					Total
	Share capital	Supplementary capital	Other reserves	Revaluation reserve		
Equity as of 1 January 2019	1 449	320 895	7 801	106 562	436 707	
Equity after adjustments	1 449	320 895	7 801	106 562	436 707	
Net profit	-	-	-	(1 878)	(1 878)	
Total comprehensive income	-	-	-	(1 878)	(1 878)	
Increase in share capital	1	329	-	-	330	
Motivation plan - share-based payments	-	-	582	-	582	
Equity as of 30 June 2019	1 450	321 224	8 383	104 684	435 741	

STANDALONE CASH FLOW STATEMENT

(PLN'000)	Six months ending 30 June 2020	Six months ending 30 June 2019
Cash flows from operating activities		
Profit before tax	(3 638)	24 899
Adjustments for:	2 088	1 120
Amortization and depreciation	6	7
Financial income and costs	1 764	808
Costs of the employee option scheme	318	318
Other adjustments	-	(13)
Changes in working capital	(1 087)	(1 029)
Change in trade and other receivables	12 (6)	137
Change in trade and other payables	12 (1 081)	(1 164)
Income tax paid	-	(117)
Received tax refund	-	1 260
Net cash flows from operating activities	(2 637)	26 133
Cash flows from investing activities		
Purchase of intangible assets and property, plant and equipment	(7)	-
Repayment of loans granted	4 100	14 700
Interest on loans granted	1 295	1 632
Acquisition of shares	-	(12 752)
Repayment of investment liabilities	(2 558)	(1 616)
Net cash flows from investing activities	2 830	1 964
Net cash flows from financing activities		
Inflows from share capital increase	1 238	755
Repayment of bank commissions	(830)	(757)
Interest paid	(940)	(1 094)
Interest income	-	3
Dividends paid to owners	-	(28 995)
Net cash flows from financing activities	(532)	(30 088)
Total net cash flows	(339)	(1 991)
Cash and cash equivalents at the beginning of the period	1 286	3 254
Cash and cash equivalents at the end of the period	947	1 263

1. GENERAL INFORMATION

Wirtualna Polska Holding SA („Company”) is entered in the Register of Business Entities maintained by the District Court for the Capital City of Warsaw in Warsaw, XIII Division of the National Court Register, under KRS No. 407130. The REGON number assigned by the Statistical Office is: 016366823. Company headquarters is located in Warsaw at Żwirki i Wigury 16.

The Company was established for an indefinite term. The company’s core business comprises the holding activities.

2. BASIS OF PREPARATION

These condensed interim financial statements have been prepared on the assumption that the Company will continue as a going concern, in accordance with IAS 34 “Interim Financial Reporting” (“IAS 34”). The accounting policies used in the preparation of the condensed interim standalone financial statements for the period of six months ending 30 June 2020 are consistent with those used in the standalone financial statements for the year ending 31 December 2019.

The financial statements for the year ending 31 December 2019 have been prepared in accordance with IFRS standards which are binding in the European Union in the financial year ending 31 December 2019.

Standalone statement of financial position as of 30 June 2020, standalone income statement and other comprehensive income, standalone cash flow statement and standalone statement of changes in equity for six months ending 30 June 2020 was not audited. Standalone financial statements as of 31 December 2019 and for twelve months ending 31 December 2019 were audited by independent certified auditor, who issued an unqualified opinion. These condensed interim standalone financial statements should be read in conjunction with the audited annual standalone financial statements for the year 2019.

The Company as a Parent Company prepared condensed interim consolidated financial statements which were approved by the Management Board on 24 August 2020. These financial statements should be read in conjunction with the consolidated financial statements.

2.1. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

Since the date of publication of the financial statements for the year ended 31 December 2019 prepared in accordance with IFRS, no new standards and interpretations have been published.

3. APPROVAL FOR PUBLICATION OF THE STANDALONE FINANCIAL STATEMENTS

These condensed interim standalone financial statements have been approved for publication by the Management Board on 24 August 2020.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The main accounting estimates and assumptions made in these condensed interim standalone financial statements were the same as in financial statements for the year ending 31 December 2019.

(a) Deferred tax asset

As a result of IFRS adoption, the value of shares held in Grupa Wirtualna Polska Sp. z o.o. decreased by PLN 148,155 thousand due to valuation of these shares to fair value as of 31.12.2012. This caused the deductible temporary difference arose on this investment of PLN 148,155 thousand. Due to the fact that the Company does not plan to sell its shares in the foreseeable future, pursuant to IAS 12.44, no deferred tax asset was recorded on this temporary difference of PLN 28,155 thousand in the financial statements.

Additionally, on 25 November 2016 the Company concluded the agreement concerning the early settlement of earn-out amounts in connection with the agreement for the purchase of shares in NextWeb Media Sp. z o.o. The amount paid in this respect amounted to PLN 15.5 million and was by PLN 3,431 thousand higher than originally included in the purchase price of shares the discounted value of this liability. The total amount paid was recognized as the tax purchase price of shares in NextWeb Media Sp. z o.o. (and after the merger in Grupa Wirtualna Polska Sp. z o.o.). Due to such tax recognition the temporary difference arose in the value of shares in respect to which no deferred tax asset

was recorded by the Company.

In the opinion of the Management Board, the Company's tax costs will significantly exceed tax revenues in the coming periods. Therefore, the tax asset or liability would not be settled or realized. Analyzing the company's net tax position, it would indicate a deferred tax asset, however, the Management Board decided not to create the deferred tax asset or reserve.

(b) Impairment of investment in subsidiaries

An impairment loss of financial assets is recognized when there is objective evidence that one or more events have had a negative effect on the estimated future cash flows of that asset. If the carrying amount of the asset is greater than its recoverable amount, the asset is impaired and its carrying amount is reduced to its recoverable amount. Impairment losses are recognized in the income statement.

Impairment losses are reversed if a subsequent increase in recoverable value can be related objectively to the event occurring after the impairment losses were recognized.

(c) Impairment of financial assets -loans

The amount of revaluation write-offs for loans at amortized cost is determined in accordance with the three-grade model of expected loan losses . The Company carried out an individual analysis of each loan in order to assign these items to one of three levels. Next, the probability of failure to meet the obligation was determined. The expected credit loss was calculated based on the probability of default, the repayment profile agreed in the loan agreement

5. CHANGE IN ALLOWANCES FOR ASSETS

In the period from 1 January 2020 to 30 June 2020 the Company recognised impairment of shares in the amount of PLN 1,069 thousand and decreased its allowances for loans granted by PLN 8 thousand.

6. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

In the period from 1 January 2020 to 30 June 2020 the Company the Company's expenditure on property, plant and equipment amounted to PLN 7 thousand.

7. RELATED PARTY DISCLOSURES

The following transactions were concluded with related entities:

(PLN'000)	Six months ending 30 June 2020	Six months ending 30 June 2019
Purchases:		
Subsidiaries	95	144
Total	95	144
Interest income, guarantees, dividends and reversals of impairment losses on loans granted:		
Subsidiaries	2 440	31 672
Total	2 440	31 672
Guaratee costs:		
Subsidiaries	503	680
Total	503	680

Balances of receivables and payables as of the balance sheet date arising from sale/purchase of goods/services:

(PLN'000)	As of 30 June 2020	As of 31 December 2019
Receivables:		
Subsidiaries	-	24
Total	-	24
Loans granted:		
Subsidiaries	65 938	68 714
Total	65 938	68 714
Liabilities:		
Subsidiaries	645	177
Total	645	177

Benefits payable or paid to the Company's Management and Supervisory Board Members.

(PLN'000)	Six months ending 30 June 2020	Six months ending 30 June 2019
Short-term employee costs (salaries and related benefits)	395	1 611
Motivation plan - share-based payments	318	318
Total	713	1 929

8. LONG-TERM FINANCIAL ASSETS

Shares

As of 30 June 2020 the structure of shares held by the Company was as follows:

Name of the company	Value of shares at purchase price (PLN'000)	Revaluation adjustments	Carrying value of shares (PLN'000)	Percentage of shares held	Percentage of votes held
Wirtualna Polska Media S.A.	206 568	-	206 568	100%	100%
Domodi Sp. z o.o.	120 387	(13 439)	106 948	49%	49%
Extradom.pl Sp. z o.o.	75 759	-	75 759	100%	100%
Superauto24.com Sp. z o.o.	25 500	-	25 500	51%	51%
Teroplan Sp. z o.o.	8 144	(1 069)	7 075	13%	13%
Digitics S.A.	5 000	-	5 000	20%	20%
WP Zarządzenie Sp. z o.o.	2 179	-	2 179	100%	100%
OPEN FM Sp. z o.o.	5	-	5	100%	100%
As of 30 June 2020	443 542	(14 508)	429 034		

As of 31 December 2020 the structure of shares held by the Company was as follows:

Name of the company	Value of shares at purchase price (PLN'000)	Revaluation adjustments	Carrying value of shares (PLN'000)	Percentage of shares held	Percentage of votes held
Wirtualna Polska Media S.A.	206 173	-	206 173	100%	100%
Domodi Sp. z o.o.	120 277	(13 439)	106 838	49%	49%
Extradom.pl Sp. z o.o.	75 759	-	75 759	100%	100%
Superauto24.com Sp. z o.o.	25 500	-	25 500	51%	51%
Teroplan Sp. z o.o.	8 144	-	8 144	13%	13%
Digitics S.A.	5 000	-	5 000	20%	20%
WP Zarządzenie Sp. z o.o.	1 654	-	1 654	100%	100%
OPEN FM Sp. z o.o.	5	-	5	100%	100%
As of 31 December 2019	442 512	(13 439)	429 073		

The Management Board analyzed whether there is any evidence of impairment of shares held in Digitics SA. The company suffers significant financial losses, but taking into account the fact that it is in the initial stage of development, in which activities are focused on acquiring a customer base, in the opinion of the Management Board

there are no premises for impairment of these shares.

As at June 30, 2020, the Management Board carried out an impairment test for shares in Domodi Sp. z o.o. The recoverable amount was determined based on value-in-use calculations. The key assumptions, the change of which may significantly affect the estimated value in use of assets, are the revenue growth rate, EBITDA margin and the pre-tax discount rate.

Cash flow projections have been prepared on the basis of the results estimation for 2020, past results and the Management Board's forecasts for the development of the market in 2021-2024, based on available market sources. Due to the limited scope of long-term market development forecasts in Poland, for the purposes of the tests, an assumption was made that the growth rate of cash flows in the residual period, exceeding the five-year forecast period, will be at the NBP inflation target of 2.5%. The pre-tax discount rate was estimated on the basis of macroeconomic and market data for individual cash-generating units.

The impairment test carried out with the following assumptions did not show the need to make impairment losses on the tested assets. However, even a small change in the assumed projected cash flows and ratios could cause an impairment loss, and thus a write-off.

	Forecast period	Terminal annual growth rate	Discount rate
Domodi Sp. z o.o.	5 years	2.5%	10.6%

Loans granted

In the first half of 2020, the subsidiary Wirtualna Polska Media SA repaid PLN 4,100 thousand of the capital and PLN 1,256 thousand of interest. Totalmoney.pl Sp. z o.o. repaid the accrued interest on the loan in the amount of PLN 39 thousand.

In the analysed period, the write-down for loans granted for potential credit risk decreased by PLN 8 thousand.

9. SHARE CAPITAL

Detailed information about the structure and changes in Company's equity and dividend declared is presented in Note 23 to the condensed consolidated interim financial statements

10. LOANS AND BORROWINGS RECEIVED

(PLN'000)	As of 30 June 2020	As of 31 December 2019
Long-term		
Loans	55 392	54 497
	55 392	54 497
Short-term		
Loans	3 833	4 307
Total:	3 833	4 307

On 25 February 2020, the Company and Wirtualna Polska Media SA as borrowers and its subsidiaries Totalmoney.pl sp. z o.o., Wakacje.pl SA and Domodi sp. z o.o. - as the guarantors entered into a new senior term, capex and overdraft facilities agreements with a bank consortium comprising of mBank SA („Facility Agent”), Powszechna Kasa Oszczędności Bank Polski SA, ING Bank Śląski SA, Bank Polska Kasa Opieki SA and BNP Paribas Bank Polska SA as lenders, pursuant to which the lenders extended loans to the Company designated for refinancing current indebtedness under the credit facility agreements executed on 12 December 2017 with consortium of banks comprising mBank SA – as a lender and facilities agent, Powszechna Kasa Oszczędności Bank Polski SA and ING Bank Śląski S.A.

The credit facilities bear interest of 3-M WIBOR plus a margin depending on the Group's net debt to EBITDA ratio.

The debt repayment is scheduled as follows:

- Tranche A: PLN 23.8m in twenty equal quarterly instalments payable from the 1st quarter of 2021;
- Tranche B: PLN 35.7 m on the final maturity date occurring on the 7th anniversary of signing of the New Credit Facilities Agreement;

The Lenders receivables under the New Credit Facilities Agreement will be secured by:

- financial and registered pledges over the shares in WPM, Totalmoney.pl sp. z o.o., Domodi sp. z o.o., Wakacje.pl SA;
- registered pledges over set of assets and rights of the Company, WPM, Totalmoney.pl sp. z o.o., Wakacje.pl SA;
- ordinary and registered pledges over the rights to trademarks of the WPM, Domodi sp. z o.o. and Wakacje.pl SA;
- financial and registered pledges on all bank accounts of the Company, WPM, Totalmoney.pl sp. z o.o., Domodi sp. z o.o., Wakacje.pl SA, as well as the powers of attorney to such bank accounts;
- the agreement for the assignment of rights under the insurance policies, selected commercial receivables and the intercompany loans of the WPM;
- submission to enforcement relating to the claims of Lenders by the Company, WPM, Totalmoney.pl sp. z o.o., Domodi sp. z o.o. and Wakacje.pl SA; and
- a subordination agreement concerning any existing or future receivables with respect to WPM concerning the receivables of the Lenders.

Refinancing under the new loan agreement took place on 17 April 2020.

As at 30 June 2020, the Company presented the loan, divided into long- and short-term parts based on the repayment schedule in force under the loan agreement. The short-term part was calculated as the sum of payments for the next twelve months, based on the loan payment schedule.

11. FINANCE INCOME AND COST

The tables below present finance income and cost for the period of 3 and 6 months ending 30 June 2020 and 2019:

(PLN'000)	Six months ending 30 June 2020	Six months ending 30 June 2019
Interest income on loans granted	1 287	1 636
Interest income on cash at banks	9	-
Income from guarantees	1 145	678
Other	11	38
Total	2 452	2 352

(PLN'000)	Six months ending 30 June 2020	Six months ending 30 June 2019
Interest and commissions	2 245	2 168
Currency exchange differences	-	10
Reversal of the discount from contingent liabilities due to the acquisition of a subsidiary	399	302
Impairment losses on financial assets	1 069	-
Interest and guarantees costs	503	680
Total	4 216	3 160

12. EXPLANATION TO THE CASH FLOW STATEMENT

(PLN'000)	Six months ending 30 June 2020	Six months ending 30 June 2019
Change in receivables and short-term assets arises from the following items:	(6)	137
Change in trade receivables and other receivables per balance sheet	(1 151)	602
Guarantees granted	1 145	678
Change in income tax receivables - correction	-	(1 143)
Change in short-term liabilities arises from the following items:	(1 081)	(1 164)
Change in trade liabilities, accruals, operating provisions and other long-term liabilities per balance sheet	(919)	(1 570)
Adjustment for a change in investment liabilities	227	1 083
Change in liabilities in respect of financing activities	(388)	(680)
	(1)	

13. IMPACT OF THE PROCLAMATION OF THE STATE OF COVID-19 EPIDEMIC ON COMPANY OPERATIONS

In March 2020, an epidemic was announced in Poland in connection with the SARS-CoV-2 virus infection causing the COVID-19 disease. Wirtualna Polska Holding operates as a holding company, generating profits, among others, from dividends paid by its subsidiaries. Some of the subsidiaries have been more or less affected by the restrictions introduced in the country, which may translate into their results in 2020, and thus their dividend potential in subsequent periods. In the opinion of the Management Board, this does not pose a liquidity threat. The description of the impact on the individual Group companies is presented in Note 9 to the condensed interim financial statements.

14. EVENTS AFTER THE BALANCE SHEET DATE

Besides the events described in note 35 of the consolidated interim financial statements, there were no other significant events after the balance sheet date.

15. SELECTED STANDALONE FINANCIAL DATA CONVERTED INTO EUR

Income statement and other comprehensive income

(PLN'000)	Six months ending 30 June 2020	Six months ending 30 June 2019	Six months ending 30 June 2020	Six months ending 30 June 2019
	PLN'000		EUR'000	
Sales	-	-	-	-
Loss on operating activity	(1 874)	25 707	(422)	5 995
Profit before tax	(3 638)	24 899	(819)	5 807
Net profit	(3 638)	24 973	(819)	5 824

Statement of financial position

(PLN'000)	As of 30 June 2020	As of 31 December 2019	As of 30 June 2020	As of 31 December 2019
	PLN'000		EUR'000	
TOTAL ASSETS	495 950	499 265	111 050	117 240
Non-current assets	493 665	497 792	110 539	116 894
Current assets	2 285	1 473	512	346
Long-term liabilities	69 530	70 399	15 569	16 531
Short-term liabilities	7 176	8 569	1 607	2 012
Equity	419 244	420 297	93 875	98 696
Share capital	1 454	1 451	326	341

Cash flow statement

(PLN'000)	Six months ending	Six months ending	Six months ending	Six months ending
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	PLN'000		EUR'000	
Net cash flows from operating activities	(2 637)	26 133	(594)	6 094
Net cash flows from investing activities	2 830	1 964	637	458
Net cash flows from financing activities	(532)	(30 088)	(120)	(7 017)
Total net cash flows	(339)	(1 991)	(76)	(464)

Conversion into euro was performed based on the following principles:

- amounts presented in zloty as of 30 June 2020 were converted into Euro at the exchange rate of 4.4660 (the NPB exchange rate as of 30 June 2020),
- amounts presented in zloty as of 31 December 2020 were converted into Euro at the exchange rate of 4.2585 (the NPB exchange rate as of 31 December 2020),
- amounts presented in zloty for the period of six months ending 30 June 2020 were converted into Euro at the exchange rate of 4.3967 (the arithmetic mean of the NBP exchange rates as of the last day of each month of the first half of 2020),
- amounts presented in zloty for the period of six months ending 30 June 2019 were converted into Euro at the exchange rate of 4.2881 (the arithmetic mean of the NBP exchange rates as of the last day of each month of the first half of 2019).