



Financial report of WP Capital Group

for the period of 3 and 6 months ending 30 June 2021



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A modern office interior featuring a wall with vertical wooden slats. A glowing white sign on the wall reads "WP holding". The ceiling has several pendant lights, including a cluster of three gold-colored spheres. A large red graphic overlay covers the bottom half of the image.

WP holding

Management's report on the activities of WP Capital Group

for the period of 3 and 6 months ending 30 June 2021

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

The financial data for the three and nine months ending 30 June 2021 and 2020 was not audited by an independent auditor. The information presented in the following table should be read in conjunction with the information included in the consolidated financial statements.

Selected financial data from the consolidated income statement for the period of 3 months ending 30 June 2021

(PLN'000)	Three months ending 30 June 2021	Three months ending 30 June 2020	Change	Change %
Online Segment				
Sales	210 977	106 213	104 764	98.6%
Cash sales	204 028	103 276	100 752	97.6%
Adjusted EBITDA (IFRS 16)	76 412	39 704	36 708	92.5%
EBITDA (IFRS 16)	75 120	33 727	41 393	122.7%
TV segment				
Sales	7 206	4 806	2 400	49.9%
Cash sales	7 206	4 806	2 400	49.9%
Adjusted EBITDA (IFRS 16)	697	(945)	1 642	(173.8%)
EBITDA (IFRS 16)	697	(945)	1 642	(173.8%)
Segments total				
Sales	218 183	111 019	107 164	96.5%
Cash sales	211 234	108 082	103 152	95.4%
Adjusted EBITDA (IFRS 16)	77 109	38 759	38 350	98.9%
EBITDA (IFRS 16)	75 817	32 782	43 035	131.3%
Amortization and depreciation	(19 922)	(20 202)	280	(1.4%)
Operating profit	55 895	12 580	43 315	344.3%
Result on financial activities	(2 422)	(1 792)	(630)	35.2%
Profit before tax	53 473	10 788	42 685	395.7%
Net profit	42 707	7 843	34 864	444.5%

Revenue from services in online segment in 2Q 2021 grew by 86% YoY, to PLN 179.2 million. The increase in revenue was mostly driven by:

- I. significant improvement in online media part (compared to slight decline in 2Q 2020, when the entire advertising market was down due to the coronavirus-related lockdown),
- II. growth YoY in revenue of our subsidiary, Wakacje.pl, selling foreign travels, due to an improvement in market environment, lighter restrictions and wide availability of anti-COVID-19 vaccines. In 2Q 2021 revenue of Wakacje.pl were significantly higher than in 2Q 2020 (when it was negative due to returns). Still, it was below 2Q 2019 level.
- III. continued positive trends in e-commerce companies, especially in Superauto and Extradom.

Online merchandise sales in 2Q 2021 amounted to PLN 24.8 million, compared to PLN 6.9 million in 2Q 2020. Significant growth was driven mostly by the evolution of sales model of Superauto within 2020, from pure agency sales to hybrid sales (under which cars are purchased by the company both with and without a specific customer order). In 2Q 2020 online merchandise sales was reported only by the subsidiary Extradom, while Superauto has not reported any merchandise revenue then.

Adjusted EBITDA of online segment in 2Q 2021 amounted to PLN 76.4 million, which implies growth of 92% YoY, on the back of higher adj. EBITDA in online media part (driven by higher revenue), as well as positive EBITDA contribution of the subsidiary selling foreign travels Wakacje.pl (compared to EBITDA loss generated in 2Q 2020).

TV Segment in 2Q 2021 reported revenue at PLN 7.2 million (+50% YoY). Adjusted EBITDA of the segment was at PLN 0.7 million, compared to EBITDA loss of PLN 0.9 million in 2Q 2020. An improvement in revenue and results was driven, among others, by significant negative impact of lockdown on the TV advertising market in 2Q 2020 (visible especially in April and May).

EBITDA adjustments amounted to PLN 1.3 million and were related mostly to transaction costs, restructuring and management options. EBITDA was also adjusted by a profit on barter settlement of PLN 0.6 million.

Net income attributable on equity holders in 2Q 2021 amounted to PLN 41.1 million PLN, compared to PLN 7.1 million in 2Q 2020.

Operating Cash Flow in 2Q 2021 grew by 41% YoY, to PLN 66.5 million, thanks to significant improvement in financial results. Changes in working capital in 2Q 2021 were negative at PLN 3.0 million, compared to positive PLN 14.4 million in 2Q 2020.

Investing Cash Flow in 2Q 2021 was negative, at PLN 30.5 million, impacted by (1) CAPEX of PLN 15.3 million (7.0% of total revenue); (2) purchase of an organized part of enterprise 17bankow.com of PLN 5.9 million; (3) financial investments of PLN 9.4 million.

Net debt at the end of June 2021 under IFRS 16 accounted for PLN 208 million, compared to PLN 189.1 million at the end of March 2021. Increase in net debt in 2Q 2021 was driven by (1) dividend payment of PLN 45.3 million, (2) buying 8.75% non-controlling stake in the subsidiary Nocowanie.pl related to exercise of the put option, (3) financial investments of PLN 9.4 million. **Financial leverage (net debt / adj. EBITDA) at the end of 2Q 2021 was at 0.77x.** Net debt including contingent liabilities (related to M&As) to EBITDA was at 0.84x.

Selected financial data from the consolidated income statement for the period of 6 months ending 30 June 2021

The table below presents the main items of the income statement for the period of 6 months ended 30 June 2021 and 2020:

(PLN'000)	Six months ending 30 June 2021	Six months ending 30 June 2020	Change	Change %
Online Segment				
Sales	383 865	249 429	134 436	53.9%
Cash sales	374 159	242 753	131 406	54.1%
Adjusted EBITDA (IFRS 16)	137 435	80 725	56 710	70.3%
EBITDA (IFRS 16)	132 175	72 847	59 328	81.4%
TV segment				
Sales	13 248	11 398	1 850	16.2%
Cash sales	13 248	11 398	1 850	16.2%
Adjusted EBITDA (IFRS 16)	479	(786)	1 265	(160.9%)
EBITDA (IFRS 16)	479	(786)	1 265	(160.9%)
Segments total				
Sales	397 113	260 827	136 286	52.3%
Cash sales	387 407	254 151	133 256	52.4%
Adjusted EBITDA (IFRS 16)	137 914	79 939	57 975	72.5%
EBITDA (IFRS 16)	132 654	72 061	60 593	84.1%
Amortization and depreciation	(39 400)	(41 128)	1 728	(4.2%)
Operating profit	93 254	30 933	62 321	201.5%
Result on financial activities	(4 684)	(10 270)	5 586	(54.4%)
Profit before tax	88 570	20 663	67 907	328.6%
Net profit	69 995	15 092	54 903	363.8%

1H 2021 results summary

Revenue from services in online segment in 1H 2021 grew by 45% YoY, to PLN 323.7 million. The increase in revenue was mostly driven by:

- I. significant improvement in online media part (compared to low single digit growth in 1H 2020, when the entire advertising market was down due to the coronavirus-related lockdown),
- II. growth YoY in revenue of our subsidiary, Wakacje.pl, selling foreign travels, due to an improvement in market environment, lighter restrictions and wide availability of anti-COVID-19 vaccines. In 1H 2021 revenue

of Wakacje.pl were significantly higher than in 1H 2020 (when it was due to returns). Still, it was below 1H 2019 level.

III. continued positive trends in e-commerce companies, especially in Superauto and Extradom.

Online merchandise sales in 1H 2021 amounted to PLN 50.4 million, compared to PLN 18.8 million PLN in 1H 2020. Significant growth was driven mostly by the evolution of sales model of Superauto within 2020, from pure agency sales to hybrid sales (under which cars are purchased by the company both with and without a specific customer order). In 1H 2020 online merchandise sales was reported only by the subsidiary Extradom, while Superauto has not reported any merchandise revenue then.

Adjusted EBITDA of online segment in 2Q 2021 amounted to PLN 137.4 million, which implies growth of 70% YoY, on the back of higher adj. EBITDA in online media part (driven by higher revenue), as well as positive EBITDA contribution of the subsidiary selling foreign travels Wakacje.pl (compared to EBITDA loss generated in 1H 2020).

TV Segment in 1H 2021 reported revenue at PLN 13.2 million (+16% YoY). Adjusted EBITDA of the segment was at PLN 0.5 million, compared to EBITDA loss of PLN 0.8 million in 1H 2020. An improvement in revenue and results was driven, among others, by significant negative impact of lockdown on the TV advertising market in 1H 2020 (visible especially in April and May).

EBITDA adjustments amounted to PLN 5.3 million and were related mostly to transaction costs, restructuring and management options. EBITDA was also adjusted by a profit on barter settlement of PLN 0.2 million.

Net financial costs in 1H 2020 increased by 5.6 million m PLN YoY, which was driven by different impact of FX changes – in 1H 2021 a FX gain of PLN 1.9m was recognized, while in 1H 2020 an FX loss PLN 1.2m was reported (positive net impact of PLN 3.1 million). Costs of interest and fees were lowered by PLN 2.2m. Additionally, in 1H 2020 a write-off of PLN 2.5m was recognized (due to an impact of COVID on our investment portfolio), while in 1H 2021 it was at PLN 0.3m. At the same time, cost related to revaluation of put option for non-controlling stake amounted to PLN 0.2m, compared to gain of PLN 4.1m in 1H 2020. In 1H 2020 financial costs included PLN 2.3 million of share in losses of investments accounted for using the equity method (DIGITICS SA), which were not recorded in 1H 2021.

Net income attributable on equity holders in 1H 2021 amounted to PLN 67.6 million PLN, compared to PLN 14.0 million in 1H 2020.

Entities consolidated in the two quarters of 2021 and 2020

The consolidated results of the Group for the two quarters of 2021 and 2020 included the results of the following subsidiaries:

No.	Name of subsidiary	Date of taking control	% of shares held	Period covered by consolidation	
				30 June 2021	30 June 2020
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	Homebook Sp. z o.o. ⁽¹⁾	12 September 2014	100%	full period	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	93,75%	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	-	-	full period
10	WPZ Sp. z o.o. ⁽³⁾	29 December 2017	-	-	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	Open FM Sp. z o. o.	1 July 2019	100%	full period	full period
15	Stacja Służew Sp. z o.o. ⁽²⁾	27 May 2021	100%	since 27 May 2021	-

(1) On 31 May 2021, Domodi Sp. z o.o. divided into Domodi Sp. z o.o. and newly established Homebook Sp. z o.o.

(2) On 27 May 2021 100% of shares in Stacja Służew Sp. Z o.o. were acquired

(3) On 1 June 2021 WPZ Sp. z o.o. and Wirtualna Polska Media SA merged

Financial situation of the Capital Group

The table below presents the Group's consolidated statement of financial position as at 30 June 2021 and 31 December 2020.

(PLN'000)	As of 30 June 2021	As of 31 December 2020	Change PLN'000	Change %
Non-current assets	892 422	887 333	5 089	0.6%
Current assets	288 924	356 500	(67 576)	(19.0%)
Long-term liabilities	320 601	435 538	(114 937)	(26.4%)
Short-term liabilities	235 038	210 601	24 437	11.6%
Equity attributable to equity holders of the Parent Company	613 188	586 658	26 530	4.5%
Share capital	1 461	1 457	4	0.3%
Non-controlling interests	12 519	11 036	1 483	13.4%

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 2021	Structure 2021	As of 31 December 2020	Structure 2020	Change PLN'000	Change %
Property, plant and equipment	99 210	11.1%	106 898	12.0%	(7 688)	(7.2%)
Goodwill	368 921	41.3%	364 254	41.1%	4 667	1.3%
Other intangible assets	392 720	44.0%	394 900	44.5%	(2 180)	(0.6%)
Non-current programming assets	10 687	1.2%	8 512	1.0%	2 175	25.6%
Long-term receivables	786	0.1%	201	0.0%	585	291.0%
Other financial assets	18 892	2.1%	10 005	1.1%	8 887	88.8%
Deferred tax assets	1 206	0.1%	2 563	0.3%	(1 357)	(52.9%)
Non-current assets	892 422	100.0%	887 333	100.0%	5 089	0.6%

In the analysed period, property, plant and equipment decreased in value by PLN 7,688 thousand. PLN, which resulted mainly from the depreciation costs of PLN 14,724 thousand exceeding the value of the acquired fixed assets (PLN 6,922 thousand).

In the first half of 2021, the Group recognized PLN 4,659 thousand of goodwill on the provisional settlement of the acquisition of 17banków.com (an organized part of the enterprise) and PLN 8 thousand on the provisional settlement of the purchase of shares in Stacja Służew Sp. z o.o.

Expenditures on intangible assets (PLN 22,514) were lower than depreciation costs in the current period (PLN 24,676,000). In the current period, the Group incurred expenditure mainly on capitalized development projects (PLN 16,536 thousand) and on the purchase of new systems used in the Group's operations. It also recognized PLN 1,575 thousand of the value of trademark and commercial relations as part of the provisional settlement of the acquisition of 17bankow.com.

The increase in the value of other financial assets results from the investments in a minority stake in a company operating on the media market.

Current assets

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

(PLN'000)	As of 30 June 2021	Structure 2021	As of 31 December 2020	Structure 2020	Change PLN'000	Change %
Cash trade receivables	133 147	46.1%	135 846	38.1%	(2 699)	(2.0%)
Barter receivables	3 171	1.1%	1 805	0.5%	1 366	75.7%
Contract assets	186	0.1%	1 170	0.3%	(984)	(84.1%)
State receivables	4 093	1.4%	3 314	0.9%	779	23.5%
Income tax receivables	2 616	0.9%	4 722	1.3%	(2 106)	(44.6%)
Current programming assets	1 257	0.4%	540	0.2%	717	132.8%
Short-term receivables from financial activities	361	0.1%	288	0.1%	73	25.3%
Investing activities receivables	7 383	2.6%	7 383	2.1%	-	0.0%
Accrued expenses	2 609	0.9%	2 206	0.6%	403	18.3%
Inventory	8 953	3.1%	6 601	1.9%	2 352	35.6%
Other current assets	10 481	3.6%	4 370	1.2%	6 111	139.8%
Cash and cash equivalents	114 667	39.7%	188 255	52.8%	(73 588)	(39.1%)
Current assets	288 924	100.0%	356 500	100.0%	(67 576)	(19.0%)

The Group significantly decreased the value of cash at its disposal, compared to the end of 2020 mainly due to early partial repayment of the investment loan. A detailed analysis of changes in cash value are presented in the next part of the report.

The increase in the value of other current assets results, inter alia, from an increase in the balance of advances and deposits received related to the fast growing activity of Superauto24.com Sp. z o.o. The same factor is responsible for significant increase in the value of inventories.

The decrease in the value of income tax receivables is related, inter alia, to the refund of overpaid CIT advances for 2016 based on the decision of the Head of the Małopolska Customs and Tax Office in Krakow.

Long-term liabilities

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

(PLN'000)	As of 30 June 2021	Structure 2021	As of 31 December 2020	Structure 2020	Change PLN'000	Change %
Bank loans and other loans	217 152	67.7%	320 762	73.6%	(103 610)	(32.3%)
Leasing liabilities due to the right of use the assets	52 122	16.3%	58 705	13.5%	(6 583)	(11.2%)
Liabilities related to business combinations	6 969	2.2%	9 742	2.2%	(2 773)	(28.5%)
Liabilities with respect to the put option for non-controlling interests	-	0.0%	7 704	1.8%	(7 704)	(100.0%)
Liabilities in respect of purchase of property, plant and equipment and intangible assets	4 999	1.6%	6 576	1.5%	(1 577)	(24.0%)
Deferred tax liabilities	38 779	12.1%	31 469	7.2%	7 310	23.2%
Other	580	0.2%	580	0.1%	-	0.0%
Long-term liabilities	320 601	100.0%	435 538	100.0%	(114 937)	(26.4%)

As of 30 June 2021, the value of the long-term bank loans decreased by PLN 103,610 thousand, mainly due to early partial repayment of the investment loan with cash surplus in the amount of PLN 100,000 thousand by Wirtualna Polska Holding SA and Wirtualna Polska Media SA

The Group also repaid the first installment of the preferential loan received on 17 March 2021 by the subsidiary Wakacje.pl SA from the Polski Fundusz Rozwoju S.A. ("PFR") under the PFR Financial Shield program for Large Companies. The loan amounts to PLN 18.8 million. PFR may, at the borrower's request, write off the obligation in the amount corresponding to a maximum of 75% of the value of the loan granted. The decision on potential write off will be made no later than by the end of October 2021. The loan granted is secured by Wirtualna Polska Holding S.A. The loan was granted for the period until 30 June 2022, and may be repaid at any time without additional costs. As at 30 June 2021, the entire loan was recognized as short-term liability.

Liabilities related to business combinations decreased by PLN 2,773 thousand mainly as a result of the repayment in January 2021 of another part of the retained purchase price for shares in Extradom Sp. z o.o in the amount of PLN 2,450 thousand.

The Group's liability under the put option for the remaining non-controlling interests in Nocowanie.pl Sp. z o.o. were transferred to the short-term part of the balance sheet as at 30 June 2021.

In March 2021 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 2021, with six instalments paid, the value of the liability calculated at the amortised cost equals PLN 6,525 thousand, PLN 4,845 thousand of which is recognised as long-term.

Short-term liability

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

(PLN'000)	As of 30 June 2021	Structure 2021	As of 31 December 2020	Structure 2020	Change PLN'000	Change %
Bank loans and other loans	39 838	16.9%	34 604	16.4%	5 234	15.1%
Leasing liabilities due to the right of use the assets	13 710	5.8%	14 613	6.9%	(903)	(6.2%)
Cash trade payables	69 562	29.6%	46 006	21.8%	23 556	51.2%
Barter trade payables	3 040	1.3%	2 414	1.1%	626	25.9%
Contract and refund liabilities	40 438	17.2%	44 482	21.1%	(4 044)	(9.1%)
State liabilities	8 768	3.7%	12 248	5.8%	(3 480)	(28.4%)
Wages and salaries payables	13 857	5.9%	13 497	6.4%	360	2.7%
Liabilities in respect of purchase of property, plant and equipment and intangible assets	5 667	2.4%	6 839	3.2%	(1 172)	(17.1%)
Other short-term payables	14 222	6.1%	10 647	5.1%	3 575	33.6%
Provisions of employee benefits	6 743	2.9%	4 850	2.3%	1 893	39.0%
Other provisions	858	0.4%	1 065	0.5%	(207)	(19.4%)
Contingent liabilities related to business combinations	4 100	1.7%	7 100	3.4%	(3 000)	(42.3%)
Liabilities related to business combinations (other than earn-out)	2 857	1.2%	2 318	1.1%	539	23.3%
Liabilities with respect to the put option for non-controlling interests	7 901	3.4%	9 039	4.3%	(1 138)	(12.6%)
Current income tax liabilities	3 477	1.5%	879	0.4%	2 598	295.6%
Short-term liabilities	235 038	100.0%	210 601	100.0%	24 437	11.6%

In the analyzed period, the short-term portion of loans and advances increased by PLN 5,234 thousand, which results mainly from the recognition of the short-term part of the loan granted to Wakacje.pl as part of the PFR Financial Shield for Large Companies (PLN 15,057 thousand). At the same time the balance of bank loan decreased by PLN 9,824 thousand due to early repayment of the Group's investment loan.

Significant increase in trade liabilities is mainly due to growing demand for organized international trips as compared to the previous year, when the tourist market was under significant restrictions caused by the COVID-19 pandemic. Increase in demand translated directly into increase of liabilities to travel agencies cooperating with Wakacje.pl.

On 18 June 2021, the Group exercised a put option for 8.75% of shares in Nocowanie.pl Sp. z o.o. for the total price of PLN 9,331 thousand. This option was presented as short-term liability as of 31 December 2020. As of 30 June 2021, this balance sheet position includes the liability for the remaining 6.25% of minority shares in Nocowanie.pl Sp. z o.o.

Contract and refund liabilities decreased by PLN 4,044 thousand. This is due to the fact that a major part of the refund liabilities for 2020 has already been settled with customers, while the current calculations relate to sales of only 6 months of 2021 (compares to 12 months as at 31 December 2020).

Contingent liabilities on business combinations decreased by PLN 3,000 thousand due to the advance payment made to the minority shareholders of Superauto24.com Sp. z o.o. The remaining part of liability (PLN 4,100 thousand) was repaid in July 2021.

Equity

(PLN'000)	As of 30 June 2021	Structure 2021	As of 31 December 2020	Structure 2020	Change PLN'000	Change %
Equity attributable to equity holders of the Parent Company, including	613 188	98.0%	586 658	98.2%	26 530	4.5%
Share capital	1 461	0.2%	1 457	0.2%	4	0.3%
Supplementary capital	326 606	52.2%	324 485	54.3%	2 121	0.7%
Revaluation reserve	123	0.0%	123	0.0%	-	0.0%
Other reserves	10 828	1.7%	5 467	0.9%	5 361	98.1%
Retained earnings	274 170	43.8%	255 126	42.7%	19 044	7.5%
Non-controlling interests	12 519	2.0%	11 036	1.8%	1 483	13.4%
Equity	625 707	100.0%	597 694	100.0%	28 013	4.7%

In the first half of 2021, the equity attributable to the parent company's shareholders increased by PLN 26,530 thousand. The change in equity attributable to the parent company's shareholders resulted from the following events:

- Increase by PLN 67,593 thousand due to the net profit attributable to the parent company's shareholders for 2021;
- decrease by PLN 45,300 thousand due to dividend paid to the shareholders of the parent company;
- an increase by PLN 919 thousand due transfer of equity attributable to non-controlling interest to equity attributable to the parent company shareholders resulting from the acquisition of 8.75% shares in Nocowanie.pl Sp. z o.o.;
- increase by PLN 2,125 thousand due to registration, admission to trading and issuing shares under share option plans, out of which PLN 4 thousand increased share capital and the remaining part - PLN 2,121 thousand was booked as supplementary capital;
- increase by PLN 1,193 thousand due to vesting of the rights to the consecutive tranche of share options under the existing incentive scheme;
- the Group reclassified PLN 4,168 thousand of the reserve capital on initial recognition of this Nocowanie put option to retained earnings. This change did not affect the total value of equity attributable to parent company's shareholders and was triggered by the execution of consecutive part of put option for non-controlling interest in Nocowanie.pl.

In the first half of 2021 the non-controlling interests increased by PLN 1,483 thousand due to the allocation to the non-controlling shareholders of an appropriate part of the net result for the period earned by Nocowanie.pl Sp. z o.o and Superauto24.com Sp. z o.o. (PLN 2,402 thousand). At the same time, due to the purchase of 8.75% of minority shares in Nocowanie.pl Sp. z o.o., the value of 919 thousand PLN was transferred from non-controlling interests to retained earnings attributable to the shareholders of the parent company.

Description of cash flows in the two quarters of 2021

(PLN'000)	Six months ending 30 June 2021	Six months ending 30 June 2020
Net cash flows from operating activities	140 572	106 833
Net cash flows from investing activities	(51 694)	(41 381)
Net cash flows from financing activities	(162 662)	(18 685)
Total net cash flows	(73 784)	46 767

The positive cash flows from operating activities in the amount of PLN 140,572 thousand were driven by EBITDA of the Group (amounting to PLN 132,654 thousand) along with PLN 14 million of increase in the working capital.

Cash flows from investing activities were negative and amounted to PLN (51,694) thousand which was mainly due to expenditure incurred (CAPEX) on the purchase of fixed and intangible assets (PLN 31,079 thousand), the repayment of another part of the retained purchase price for shares in Extradom Sp. z o.o. (PLN 2,450 thousand), acquisition of an organized part of the enterprise 17bankow.com (PLN 5,940 thousand) and the advance payment of Superauto24.com earn-out in the amount of PLN 3,000 thousand. Moreover, the Group made a minority stake investment in a company operating on the media market. The purchased shares do not give the Group control or significant influence over the activities of the company.

Cash flows from financing activities were negative and amounted to PLN (162,662) thousand, which was mainly due to repayment of bank loans (PLN 117,661 thousand), payment of dividend to shareholders of the parent company (PLN

45,300 thousand), exercising of the option to purchase minority shares in Nocowanie.pl (PLN 9,331 thousand), lease payments (PLN 5,920 thousand) and payment of bank interest and commissions in the amount of PLN 5,413 thousand. As part of financial activities, the Group also showed the inflow of PLN 2,125 thousand due to an increase in share capital related the issue of further shares under the existing incentive programs and the loan received by Wakacje.pl, under the PFR Financial Shield program for Large Companies, in the amount of PLN 18,822 thousand.

Selected financial ratios of the online segment

Financial indicators Online Segment	Six months ending 30 June 2021	Six months ending 30 June 2020
Sales (PLN'000)	383 865	249 429
Sales (YoY increase)	53,9%	(23,5%)
Cash sales	374 159	242 753
Cash sales (YoY increase)	54,1%	(23,1%)
Adjusted EBITDA margin (IFRS 16) - on cash sales	40%	33,0%
Financial leverage ratio (Net debt/Adjusted EBITDA LTM - IFRS 16)	0,77	1,49

The main financial ratios analysed by the Group's Management Board, relate only to the ONLINE segment and comprise cash proceeds from sales and their growth, result on sales (non-barter) and the adjusted EBITDA margin. The cash sales were 54.1% higher compared to the sales of the corresponding period of 2020. The increase was mainly due to very good results of the publishing and advertising business (characterised by higher EBITDA margin), therefore the total EBITDA margin of the Group increased from 33% to 40%.

In addition to the above-mentioned ratios, the Group's Management Board monitors on an ongoing basis the financial ratios defined in the loan agreement. 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.

MSSF 16 adjustment

The financial statements for the period of 6 months ending 30 June 2021 were prepared in accordance with IFRS 16. For information purpose only, the next 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 2021 (IFRS 16)	IFRS 16 Adjustment	Six months ending 30 June 2021 (AS 17)
Sales	397 113		397 113
Cost of goods sold	(42 410)	-	(42 410)
Amortization and depreciation	(41 499)	6 053	(35 446)
Materials and energy used	(2 509)	-	(2 509)
Costs of the employee option scheme	(1 193)	-	(1 193)
Other external services	(97 847)	(6 869)	(104 716)
Other salary and employee benefit expenses	(118 855)	-	(118 855)
Other operating expenses	(5 522)	-	(5 522)
Other operating income/gains	5 976	382	6 358
Operating profit	93 254	(434)	92 820
Finance income	2 152	(1 944)	208
Finance costs	(6 639)	445	(6 194)
Revaluation of commitments to purchase non-controlling interests and other liabilities on business combinations	(197)	-	(197)
Share in profits of investments accounted for using the equity method	-	-	-
Profit before tax	88 570	(1 933)	86 637
Income tax	(18 575)	367	(18 208)
Net profit	69 995	(1 566)	68 429

2. CHARACTERISTICS OF THE WIRTUALNA POLSKA HOLDING CAPITAL GROUP

GENERAL INFORMATION AND PARENT COMPANY'S SCOPE OF ACTIVITIES

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. 0000407130. 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 Mediapanel study, as there were 21.1 million real users of all Internet products of the WP Group in July 2021, they made 3.3 billion page views, spending 61 million hours on the portals. The Group's reach is 63.55%.

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.

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



money.pl

dobreprogramy

WP SportoweFakty

WP autokult

For us and our users, Wirtualna Polska is the centre of everything that happens in Poland. It is thanks to Wirtualna Polska's team of employees and collaborators that WP Home Page has outstripped the competition, rising up to the 1st place in the Mediapanel measurement.

WP's portfolio also includes a number of thematic portals. Each day we present the most important news from Poland and the world, we run the most popular financial service in Poland, we also provide a full overview of sports

information as well as of automotive, technological, lifestyle and entertainment content. In March 2020, Polygamia.pl was added to our array of services, and as of September 2020 we offered Vibez and praca.money.pl.

money.pl >>> praca

The team of money.pl, the biggest Polish economic service, launched a new version of the recruitment service praca.money.pl in October. It includes, among others, job offers, guides, a salary calculator and sample documents for job candidates. The publisher also offers employer branding tools for employers, such as content marketing and targeted video and display campaigns. In the new version of praca.money.pl, nearly 60 thousand job offers are available.



The look and architecture of the website were designed with mobile users in mind. The service is created by a completely new editorial team composed of young editors, visual artists as well as consultants and representatives of Generation Z. The website features thematic cycles related to ecology, sex education, the fight against discrimination, mental health, as well as a number of lifestyle topics. The team is made up of people aged 18-23 who work remotely and prepare their material completely outside the publishing cycle of a traditional online medium.

Polygamia.pl

It is one of the oldest gaming websites in Poland. Upon its incorporation into the Wirtualna Polska portfolio, it was thoroughly rebuilt and technologically modernised.

E-mail poczta POCZTA

Other services that facilitate communication to our users 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. In 2020, we focused on developing a variety of e-mail features, among others, by introducing the 1Login od WP service. Not only does it allow for additional two-step account security, but it also facilitates logging in to many other services. By the end of 2020, more than 3 million Internet users used this service.

Television WP|telewizja

Telewizja WP's programmes include movies and shows from all over the world, never before broadcast on Polish FTA TV channels. The offer of the TV station entails signature commentary programmes, entertainment shows, documentaries and home renovation and decoration programmes. According to data published by Nielsen Audience Measurement, WP TV remained the leader on MUX8.

Telewizja WP is available terrestrially on the 8th multiplex (MUX8), on Cyfrowy Polsat and CANAL+ platforms, in the best cable networks and via the WP Pilot service.

Video pilot

Our users can also tune into traditional television online. WP Pilot enables them to watch over 100 TV channels, of which 30 are entirely free of charge. The service is available without any contracts or decoding devices. In 2020, we also developed streaming of live events, which was very popular amongst Internet users, including broadcasts of sports events and concerts. 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 OPEN FM

OpenFM is the most popular Polish Internet radio. Listeners can tune into nearly two 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.

Advertising

Wirtualna Polska operates on the Polish online advertising market, offering a wide range of advertising products to its customers. These consist of e.g. modern display advertising, including online video advertising, email advertising, mobile device advertising and efficiency model based advertising (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.

The year 2020 saw numerous new additions to the video advertising offering, including short Bumper Video Ads, Vertical Video Ads in response to users watching video materials on their phones in a vertical position, and further development of engaging Interactive Video Spots with a poll or a product board. WP has also introduced the WP Custom offer, which is based on a flexible approach to accounting for display visibility standards selected by advertisers. In 2020, in the big-data area of advertising, we developed consumer profiles that allow us to precisely target users who use specific portals and services.

WP's strategy is based on signature technological solutions and innovations within the holding. WP Marketing Platform is a comprehensive technological platform created by us in 2020. It is used to conduct effective advertising activities on our own areas, the areas of Wirtualna Polska Holding companies and the areas of external publishers cooperating with WP. It features an advanced adserver carrying out campaigns based on user data, multi-step engagement scenarios and effective transaction finalisation. Amongst Wirtualna Polska's innovations special attention should be paid to the WP Sales Booster solution, which is responsible for the implementation of effective sales campaigns with the use of artificial intelligence algorithms allowing for a dynamic selection of a target group, area purchase rates, etc. in selected industries, e.g. fashion, depending on the changing market reality. The basis underlying WP Sales Booster is its ability to dynamically select the target group, the area purchase rate and the

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.

In 2020, a significant part of the Group's operations was affected by the outbreak of the COVID-19 pandemic. Lockdown, movement restrictions (particularly relevant to the travel industry) and the general economic downturn have made the Group adapt its business to the new market situation. The companies have taken a number of actions related to seeking new sources of income and reducing costs with a view to continue operations in the face of high uncertainty. At the same time, it should be emphasised that the period since March 2020 has also been intensively used by the Group companies for activities related to the product development, introduction of process optimisations and implementation of technological initiatives. These measures are expected to improve the competitive advantage of the Group companies in the post-pandemic period.



Tourism portals of the Group provide a complete offer to travellers and those looking for accommodation in Poland and abroad. Wakaże.pl is the first tourist portal in Poland and a dynamically developing network of brick-and-mortar locations throughout Poland. Every day, the portal presents current offers of the largest renowned tour operators. Wakaże.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 portal that has the biggest database of domestic accommodation in Poland.



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.



Homebook.pl is a modern platform for interior design professionals and enthusiasts. It offers users the possibility to search among hundreds of thousands of 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 the sale of house design plans online. Both brands integrate the consumers' purchasing journey from the house design, through building materials, up to the 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 make it possible 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 market position against competitors.

No.	Entity	Real Users (mln)	Page views (bln)	Time spent (mln hrs)
1	Group Google	27.9	6.5	139
2	Group Youtube	25.0	0.7	396
3	Group RAS Polska	21.8	2.3	47
4	Facebook App	21.5	0.0	252
5	facebook.com	21.4	1.6	95
6	Group Wirtualna Polska	21.1	3.3	61
7	Group Allegro	20.6	2.6	34
8	Messenger App	20.5	0.0	81
9	Group Polsat-Interia	19.4	2.0	25
10	Group OLX	18.3	4.6	41

Source: Mediapanel, July 2021

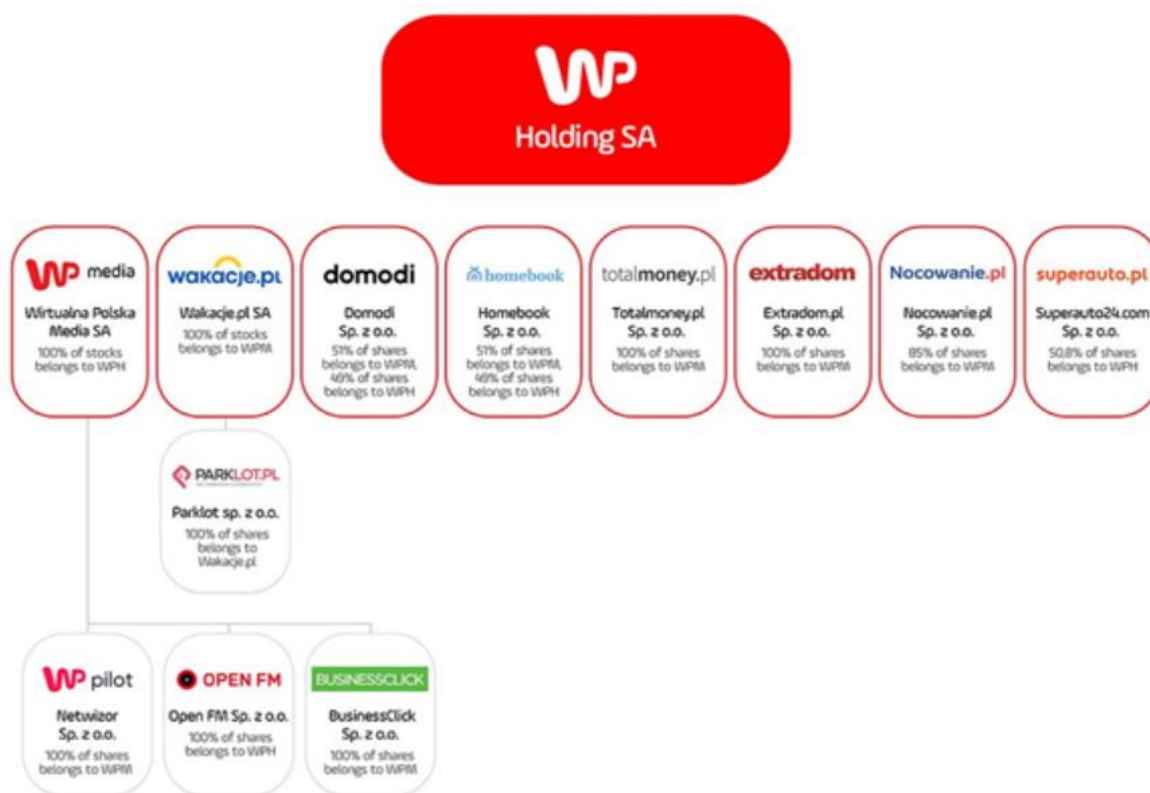
The table below presents the Group's position in various thematic categories:

Category	Real Users (RU)	Rank
Culture and entertainment	9 593 478	1
Business, finance, law	9 298 314	1
Gossip, celebrities life	8 748 810	1
Movies, TV series, cinema	8 227 494	1
Tourism	7 096 410	1
Science and technology	6 278 472	1
Lifestyle	13 513 068	2
Sport	9 108 288	2
Women's websites	8 556 030	2
Health and medicine	8 453 160	2
Automotive	6 316 866	2
Children, family	5 114 988	2
VOD and OTT services	4 460 346	3
Culture, literature, theater, exhibitions	1 540 944	3
Photography and graphics	1 474 524	3
Healthy lifestyle	1 169 154	3
Information and journalism	11 463 444	4
Cooking	2 985 984	5
Weather	2 474 226	5
Games and gaming services	1 521 990	19

Source: Mediapanel, July 2021

STRUCTURE OF THE WIRTUALNA POLSKA HOLDING CAPITAL GROUP

The following diagram presents the structure of the Group as of 30 June 2021.



Changes in Group structure

On 28 April 2021, the Group acquired an organized part of the enterprise, conducting services, inter alia, through the website 17banków.com for the total purchase price of PLN 5,940 thousand.

On 27 May 2021 the Group acquired 100% of the shares of in Stacja Służew Sp. z o.o.

On 31 May 2021, Domodi Sp. z o.o. divided into Domodi Sp. z o.o. and newly formed Homebook Sp. z o.o.

On 1 June 2021, WPZ Sp. z o.o. and Wirtualna Polska Media SA merged by transferring all assets of WPZ Sp. z o.o. to Wirtualna Polska Media SA

On 2 July 2021, the Group acquired 100% of shares in Solar Park Kostomłoty Sp. z o.o.

Apart from the events described above, there were no other changes in the Group's capital structure.

3. 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 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.

Impact of Covid-19 on operations and financial results of the Group

In March of 2020, due to multiple infections of SARS-CoV-2 virus causing COVID-19 disease, the state of epidemic was introduced 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.

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 of 2020, most of the Group's employees switched to home-office. Along with the reduction of restrictions imposed by the State, in the following months there has been a gradual voluntary return to the offices (while maintaining sanitary requirements).

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. At the same time, as a result of restrictions (including in offline, 'brick-and-mortar' trade) and still higher percentage of people working remotely, we observe an accelerated trend of users moving to the online world, which had a positive impact on the growth of the e-commerce market (starting from the end of Q1 2020) and online advertising (from mid-2020).

On the other hand, the intensified competition on the online market causes a significant increase in the costs of traffic, which has a negative impact on margins. In addition, international movement restrictions negatively affected foreign tourism, which was visible especially in 2020.

In the coming periods, we expect that the further development of the COVID-19 pandemic and related restrictions will still have a significant impact. Prospects are improved by the increase in the number of vaccinated people. As of 20 August, 18.2 million people (48% of the population) were vaccinated with the full dose in Poland.

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

■ Publishing and advertising business

The impact of COVID-19 pandemic on the results of the publishing and advertising activities became most noticeable in the second quarter of 2020. The situation on the advertising market temporarily worsened due to the visible limitations on the side of clients from selected sectors (e.g. automotive, finance), mainly with regards to image campaigns.

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. In the first half of 2020 the internet advertising market was under significant pressure of lockdown and an environment of high uncertainty, dropping by 4.5% YoY, with the highest declines in April and May 2020, of 14% and 10%, respectively. However, the specificity of the current situation (lockdown, in particular the closure of shopping centres) resulted in a strong trend of users moving to the online world, which in turn meant that both the second half of 2020 and the first half of 2021 were characterized by strong positive dynamics of revenues in the online publishing and advertising. As a result, both sales revenues and EBITDA in publishing and media activities in the second quarter of 2021 recorded a high double-digit increase compared to the corresponding period of the previous year.

In the coming quarters we expect the favourable trends in the online advertising to be continued, nevertheless, due to a high base in the second half of 2020, growth dynamics might be below the level observed in the first half of 2021.

■ International travel (Wakacje.pl S.A.)

The foreign tourism company Wakacje.pl is the part of the WPH Group mostly affected by COVID-19 pandemic.

Dynamic of sales of foreign package tours has been gradually improving in 2Q 2021, compared to 2020, when it was under significant pressure of pandemic-related restrictions. While in April 2021 sales of trips was still approx. 30%

below 2019 level, in May and June revenue was higher than in the same months of 2019. The market is still very vulnerable, hence consumer sentiment and decision making are strongly affected by current epidemiological situation, as well as imposed or lifted restrictions (in Poland and key destinations).

In the first half of 2021 the sanitary regime that required quarantine (or a release from quarantine based on negative test results) after returning from abroad by collective transport (regardless of similar requirements in some foreign destinations) for unvaccinated people remained in force.

Due to changing restrictions and environment of uncertainty, the peak of the holiday season this year is characterized by a clear tendency of buying trips in the last minute formula. The offer of major tour operators was planned significantly below 2019, which, coupled with the high demand for tours, has led to a significant growth in the prices of tourist services in recent months.

In the opinion of the Management Board, the organized tourism market is still highly volatile. Nevertheless, consumers' interest in traveling is rather strong and assuming no extraordinary increase in the number of COVID-19 cases in September and October (the so-called fourth wave of COVID), an increase in revenue YoY in the autumn season might be assumed. In the fourth quarter the exotic destinations tend to weigh the most and are sold mostly to more affluent customers.

The Group implemented several measures aiming at the limitation of short-term losses, including in particular the optimization of the cost base. Wakacje.pl S.A. also expanded its offer to customers through offering holidays in Poland and holidays abroad with own transport.

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

Wakacje.pl was the main entity of the Group that benefited to the greatest extent from government support. Details are described in the next part of the report ***Impact of the anti-crisis shield and government support***.

I Domestic travel (Nocowanie.pl Sp. z o.o.)

In the first months of 2021 the domestic tourism continued to be significantly adversely affected by the situation related to the Covid-19 pandemic, when restrictions of the accommodation industry resulted in low interest in accommodation from the tourists as well as the uncertainty of owners of accommodation facilities toward the situation in the industry in 2021.

In February 2021 the government has started to lift restrictions of the hotel industry, however, the industry was re-locked again in the period of 20 March until 8 May 2021.

From April 2021, there has been an increased interest of tourists in accommodation both for the pre-vacation period and for the dates falling in the 2021 high season.

The level of the daily number of inquiry for accommodation from tourists and the traffic on the nocowanie.pl portal reached historic records in 2021. In the current season, tourists are more interested in domestic trips, seaside and mountain destinations are invariably popular, and the category of summer houses has recorded the highest increase in interest in all of Poland.

In 2021, Nocowanie.pl increased its accommodation offer, which had a positive impact on the interest from tourists. The introduction of a simplified search for accommodation facilities that accept the 'tourist voucher' (Polish government's support programme for families with children) was also supportive, as tourists are eager to search for facilities that joined the program. The successful implementation of a vaccination program should positively affect the prospects of domestic tourism.

The management board of the entity closely monitors the situation and looks for ways to minimize the negative impact of the restrictions.

I Lead Generation: Fashion (Domodi Sp. z o.o)

The pandemic caused significant changes in the fashion industry in 2020 and these trends continue in 2021. Customer preferences and behaviour have changed, there has been a transformation and we are dealing with greater

digitization and the presence of online sales channels. This effect is visible in the greater interest of users in browsing fashion products online. On the other hand, we observe growing competition on the market and the struggle to gain users, the large players concentrate on the development of their online channels and e-commerce services as well as on the implementation of modern technologies in the product offer.

In 2Q 2021 Domodi reported a decline in revenue YoY, on the back of intensified competition in user acquisition, which resulted in higher cost of traffic acquisition and, hence, lower profitability and the scalability of revenue. On top of that, in the comparable period, Domodi had relatively high base, related to strong increases in internet market, especially in April and May 2020.

At the same time, since May 2021 we have been observing an impact of reopening the shopping malls and higher footfall compared to 2Q 2020. Omnichannel stores gain the most, as they focus on acquiring online traffic during the week, and the transactions are finalized at the weekend in a 'brick-and-mortar' store.

In the coming quarters we expect a continuation of the drivers observed in 2Q 2021.

Lead Generation: Interior Design (Homebook Sp. z o.o.)

In the interior and home & decor industry, the pandemic had an impact in two dimensions: it caused the shift of sales from the offline market to online, but on the other hand it significantly increased competition in the online market. This translates into higher cost of traffic and thus results in a decrease of margins as well as limits the possibility of scaling the revenues, especially from paid sources (Facebook and Google). Homebook was negatively affected by this situation especially in 2Q 2021, when it reported a decline in revenue.

The company is currently working on improving the efficiency of the website. Homebook expects that the changes in product and the measures taken will allow for slowing down the decline in revenues from Q4 2020 and growing the revenues in subsequent periods.

Lead Generation: Financials (Totalmoney.pl Sp. z o.o.)

From the second half of March 2020, 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 banks to change their offers. In addition, legal regulations enabling clients to suspend repayment of loan instalments created problems in the non-bank loans sector. The situation in the banking sector stabilized in June 2020 and cooperation with the banks returned to pre-pandemic state. Since March 2021, we have recorded a significant increase in conversion and revenues driven by the easing of credit standards and changes in banks' offer. Positive data was also published by BIK and Polish banks reported strong results by banks. As a result, in 2Q 2021, both revenues and EBITDA significantly improved compared to Q2 2020, but still remained at a lower level than in the corresponding period of 2019. In the coming quarters we assume the business would continue to improve. The main risk remains the threats resulting from the pandemic and potential restrictions related to that.

Extradom S.A.

In 2Q 2020 the pandemic had a visible negative impact on Extradom's operations, but as soon as in 2H 2020 the situation stabilized and we observed growing interest of users in products offered by the company. After strong results in 4Q 2020, in 1Q 2021 users' interest in architectural house designs continued to grow and Extradom reported double digit growth in revenue and bookings.

In 2Q 2021, despite a double-digit increase in revenues and EBITDA compared to the corresponding period of 2020, from May 2021 we have observed a slow-down in the growth rate, driven mostly by two factors: a significant increase in the costs of building houses (and lower availability of materials and construction crews) and communication of the assumptions of the Polish Deal. In the latter case, it is mainly related to consumers postponing their decision to purchase the project due to the planned launch of government's co-financing programs and the construction of houses up to 70 sq. m. (90 sq. m. of usable space) without permission. These factors have a negative impact on the current demand.

I Superauto.pl Sp. z o.o.

Despite the maintenance of the restrictions, in 1H 2021 we observed a gradual recovery of the automotive market, which grew by 35% YoY. Nevertheless, it is strongly related to the last year's low base, because when compared to the same period of 2019, the new passenger car and delivery car registrations was down by around 13%, so the market has still not returned to pre-pandemic sales levels.

The outbreak of the pandemic initially resulted in a significant decrease in demand for the purchase of new cars, as well as with tightening of the credit risk assessment criteria in banks and lease institutions. The disruption of global supply chain was also a significant problem, leading to production shutdown and reduction of supply by many car factories. As a consequence, the automotive market shrank in 2020 by approx. 25% compared to the previous year.

A persistent problem is the low supply of new cars due to production downtime and delays in delivery times caused by a shortage of production components (mainly semiconductors) and difficulties in international transport. As a result, production orders from the first and second quarters are to be realized by producers as late as in the third or fourth quarter of this year, therefore shifting sales to the second half of 2021 and first quarter of 2022.

Low supply of cars at authorized dealers forces consumers to intensively search for goods, shifting their attention to the Internet, which accelerates the progressive changes in their habits and the adoption of the model of buying a car via the Internet, the beneficiary of which is Superauto.

The financial results of Superauto in the first half of 2021 significantly exceeded the results achieved in the first half of 2020 as well as the previous years. As a consequence of the increase in the current demand and the forecasted economic growth in the second half of this year resulting from the gradual unfreezing of the economy and progress of the vaccination program, steps were taken to dynamically increase the scale of the Company's operations.

The Management Board of the Company, aware of the market trends and emerging threats resulting from the declining availability of cars, took measures in advance to ensure the availability of goods for its customers for the coming quarters.

Impact of the anti-crisis shield and government support

On 17 March 2021, Wakacje.pl S.A. signed a preferential loan agreement with the Polski Fundusz Rozwoju S.A. ("PFR") under the PFR Financial Shield program for Large Companies. The loan amounts to PLN 18.8 million. PFR may, at the borrower's request, write off the obligation in an amount corresponding to a maximum of 75% of the value of the loan granted. The decision to write off will be made no later than by the end of October 2021. The loan granted is secured by Wirtualna Polska Holding S.A. The loan was granted for the period until 30 June 2022, and may be repaid at any time without additional costs.

Wakacje.pl S.A. also benefited from the government assistance provided for in the Ordinance of February 26, 2021 on support for participants in business transactions affected by the COVID-19 pandemic. Under this agreement, the Company obtained a job protection benefit in the form of a 3-month wage subsidy. In addition, under the same act, the Company obtained an exemption from the obligation to pay ZUS contributions for December 2020, January 2021, February 2021, March 2021 and April 2021.

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 2021, the Group had approximately PLN 115 million of cash at banks. In the opinion of the Management Board, the cash held and the 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, the permitted levels of financial covenants stated in the Group's loan agreement are not at risk.

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.

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.

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.

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 2021 the balance of the Group's liability resulting from loan agreement amounted to PLN 242 million.

During six months of 2021, the Group's interest and commissions expenses, the bulk of which resulted from interest on the bank loan, amounted to PLN 5,928 thousand. The level of these costs in consecutive periods will depend on WIBOR 3M which equaled 0.21% as of 30 June 2021.

Apart from the factors described above, in the period of six months ended 30 June 2021, no unusual factors or events occurred that would significantly affect the financial results achieved.

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

The following factors, as in previous periods, will have significant impact on Group's operations:

COVID-19

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 Group 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.

In The Management Board's opinion, COVID-19 will continue to affect Group's operations and financial results, at least in 2021. 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, internal 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.

■ 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 2020 90.4% of households (3.7 p.p. increase compared to 2019) and 98% of enterprises had access to internet (source: Information Society 2020 – 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.

■ 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.

5. SIGNIFICANT CONTRACTS AND EVENTS WHICH TOOK PLACE IN THE FIRST HALF OF 2021

■ Receiving tax and customs control results

On 24 February 2020, Wirtualna Polska Media S.A. 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.

On 25 February 2021 Wirtualna Polska Media received a decision of the Head of the Małopolska Customs and Tax Office in Kraków regarding the amount of corporate income tax liability in connection with the above-described control. The head confirmed that the company was fully entitled to the protection resulting from the binding interpretation of the tax law received. Consequently, the Group intends to continue its current approach in tax settlements.

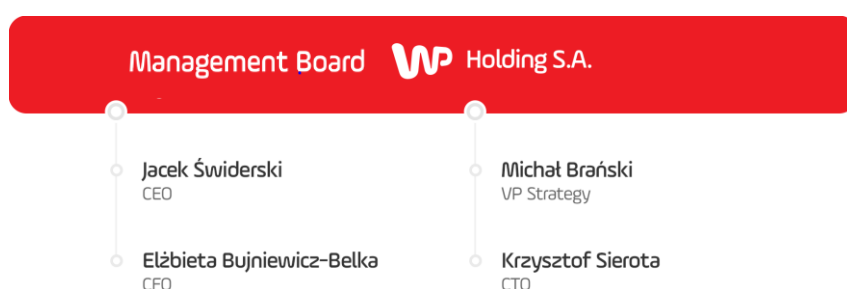
As at 30 June 2021, Wirtualna Polska Media recognized a deferred tax asset in the full amount of loss from the sale of shares in WP Shopping.

6. SHARES AND SHAREHOLDERS

COMPOSITION AND CHANGES TO THE BODIES OF WIRTUALNA POLSKA HOLDING S.A.

Management Board

As of the date of preparing this report the composition of the Management Board was as follows:

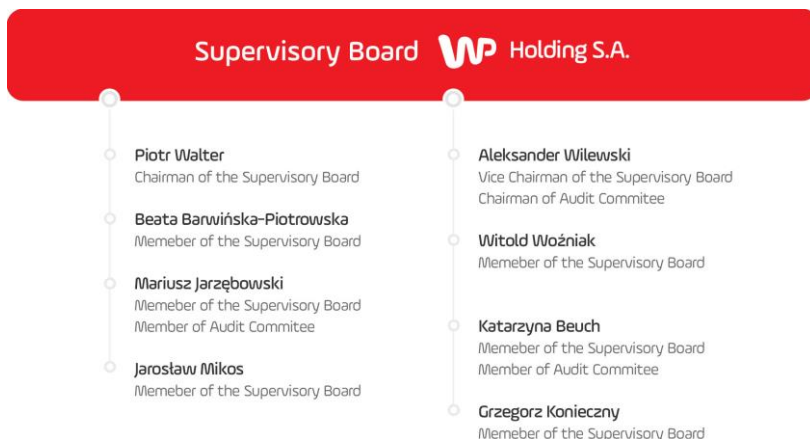


The term of office of the members of the Company's Management Board ended on 15 June 2021, as consequence to the Ordinary General Meeting's approval of the Company's financial statements for 2020. On 15 June 2021, by a resolution of the Ordinary General Meeting, Jacek Świdorski was appointed President of the Management Board for a new term of office. On 23 August 2021, as recommended by the President of the Management Board, the Supervisory Board of the Company adopted a resolution appointing Elżbieta Bujniewicz-Belka, Krzysztof Sierota and Michał Brański to the Management Board of Wirtualna Polska Holding SA for a new term of office.

Supervisory Board

The term of office of the members of the Company's Supervisory Board ended on 15 June 2021, as consequence to the Ordinary General Meeting approval of the Company's financial statements for 2020. On the same day, the Ordinary General Meeting adopted resolutions appointing members to the Supervisory Board for a new term of office. On 23 August 2021, the Supervisory Board appointed the Chairman and the Vice-Chairman from among its members, and appointed a new Audit Committee.

As of the date of this report the composition of Supervisory Board was as follows :



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:

- the current financial situation of the Capital Group,
- the investment plans of the Group,
- the potential acquisition targets of companies belonging to the Group,
- 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 15 June 2021, the General Meeting of the parent company adopted a resolution on the payment of a dividend of up to PLN 1.55 per share, in the total amount of PLN 45,299 thousand, financed from the Company's profits from previous years. At the same time, the net loss of the Company disclosed in the separate financial statements was covered from profits from previous years.

The date of establishing the right to dividend was set on 22 June 2021, and the date of dividend payment - on 29 June 2021. The total value of the dividend paid was PLN 45,300 thousand.

EQUITY STRUCTURE

As of 31 March 2021 the share capital of the Company consisted of 29.225.457 shares with a par value of PLN 0.05 each, entitling 40.478.668 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;
- 752.566 D series ordinary bearer shares;
- 3,339,744 E series ordinary bearer shares;
- 220.109 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 trade.

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 2021 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 presented in the following table..

Shareholder	Number of shares	% of share capital	Number of votes	% of votes
Jacek Świdorski through subsidiaries, including:	3 777 164	12.92%	7 540 401	18.61%
Orfe S.A.	3 763 237	12.88%	7 526 474	18.58%
Michał Brański through subsidiaries, including:	3 777 164	12.92%	7 540 400	18.61%
10X S.A.	3 763 236	12.88%	7 526 472	18.58%
Krzysztof Sierota through subsidiaries, including:	3 777 164	12.92%	7 540 400	18.61%
Albemuth Inwestycje S.A.	3 763 236	12.88%	7 526 472	18.58%
Founders together*:	11 331 492	38.77%	22 621 201	55.83%
AVIVA OFE	2 799 000	9.58%	2 799 000	6.91%
Others	15 094 965	51.65%	15 094 965	37.26%
Total	29 225 457	100.00%	40 515 166	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

On 20 July 20, 2021, the Company received notifications of transactions made on the Company's shares, according to which, as part of a block transaction on the Warsaw Stock Exchange, Orfe SA acquired 8,503 ordinary shares and 10x SA acquired 4,252 ordinary shares of the Company. As a result of these transactions and issue of share capital, as at the date of this report, the structure of shareholders holding, directly or indirectly through subsidiaries, at least 5% of the total number of votes at the General Meeting of the Company is as presented in the following table.

Shareholder	Number of shares	% of share capital	Number of votes	% of votes
Jacek Świdorski through subsidiaries, including:	3 785 667	12.95%	7 548 904	18.63%
Orfe S.A.	3 771 740	12.90%	7 534 977	18.59%
Michał Brański through subsidiaries, including:	3 781 416	12.93%	7 544 652	18.62%
10X S.A.	3 767 488	12.89%	7 530 724	18.58%
Krzysztof Sierota through subsidiaries, including:	3 777 164	12.92%	7 540 400	18.61%
Albemuth Inwestycje S.A.	3 763 236	12.87%	7 526 472	18.57%
Founders together:	11 344 247	38.80%	22 633 956	55.85%
AVIVA OFE	2 799 000	9.57%	2 799 000	6.91%
Others	15 094 666	51.63%	15 094 666	37.25%
Total	29 237 913	100.00%	40 527 622	100.00%

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 S.A., 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 and 8,503 ordinary bearer shares held by Orfe SA, which constitute a 12.95% interest in the Company's share capital, representing 7,548,904 votes at the general shareholders meeting of the Company and constituting 18.63% 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 S.A., 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 12.92% interest in the Company's share capital, representing 7,540,000 votes at the general shareholders meeting of the Company and constituting 18.61% 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 S.A., 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. and 4,252 ordinary bearer shares held by 10X SA, which constitute a 12,93% interest in the Company's share capital, representing 7,544,652 votes at the general shareholders meeting of the Company and constituting 18,62% of the overall number of votes.
- Under the first phase of the implementation of the incentive plan, Elżbieta Bujniewicz-Belka (Member of the Management Board) acquired 18,664 (nominal value of PLN 933) ordinary bearer shares of the new C series issued based on the resolution approving the issue of C series shares. In the next phases 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. Elżbieta Bujniewicz-Belka is entitled to acquire for a maximum of 120,000 series F ordinary bearer shares issued under the second managerial option program on the basis of the resolution on the issue of series F shares.

Additional information on the structure and changes in equity and voting rights are described in note 22 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 23 to the consolidated financial statements of the Group for the period of six months ending 30 June 2021.

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 23 to the consolidated financial statements of the Group for the period of six months ending 30 June 2021.

Purchase of own shares

As of 30 June 2021, neither Wirtualna Polska Holding nor any other any other company belonging to the Group does not hold any its own shares.

7. ADDITIONAL INFORMATION

Events after the balance sheet date

Detailed information of post- balance sheet events is provided in note 33 to the consolidated financial statements for the period of 3 and 6 months ending 30 June 2021.

Management comments on the feasibility of previously published forecasts for the year

The Group did not publish any forecasts of results for the year 2021.

Litigation pending before the court, the appropriate arbitration body or the public administration body

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 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 total amount of at least 10% of the Wirtualna Polska Holding SA's equity.

During 6 months of 2021 the provision for court proceedings decreased by PLN 207 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 30 of the consolidated financial statements for the 3 and 6 months ending 30 June 2021.

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., Homebook Sp. z o.o., Extradom 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 2021 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 24 to the consolidated financial statements.

On 17 March 2021, Wakacje.pl S.A. signed a preferential loan agreement with the Polski Fundusz Rozwoju S.A. ("PFR") under the PFR Financial Shield program for Large Companies. The loan amounts to PLN 18.8 million. PFR may, at the borrower's request, write off the obligation in an amount corresponding to a maximum of 75% of the value of the loan granted. The decision to write off will be made no later than by the end of October 2021.

The loan granted is secured by Wirtualna Polska Holding S.A. The loan was granted for the period until 30 June, 2022, and may be repaid at any time without additional costs.

I Inter-company loans

As of 30 June 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 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.

8. SELECTED FINANCIAL DATA CONVERTED INTO EUR

The following tables set out selected consolidated financial data for the period of 6 months ending 30 June 2021 and 2020. 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 consolidated financial statements for the period ending 30 June 2021 as well as the information included in point 3 of this report

	Six months ending 30 June 2021	Six months ending 30 June 2020	Six months ending 30 June 2021	Six months ending 30 June 2020
	PLN'000		EUR'000	
Online Segment				
Sales	383 865	249 429	84 418	56 161
Cash sales	374 159	242 753	82 283	54 658
Adjusted EBITDA (IFRS 16)	137 435	80 725	30 224	18 176
EBITDA (IFRS 16)	132 175	72 847	29 067	16 402

	Six months ending 30 June 2021	Six months ending 30 June 2020	Six months ending 30 June 2021	Six months ending 30 June 2020
	PLN'000		EUR'000	
TV segment				
Sales	13 248	11 398	2 913	2 566
Cash sales	13 248	11 398	2 913	2 566
Adjusted EBITDA (IFRS 16)	479	(786)	105	(177)
EBITDA (IFRS 16)	479	(786)	105	(177)

	Six months ending 30 June 2021	Six months ending 30 June 2020	Six months ending 30 June 2021	Six months ending 30 June 2020
	PLN'000		EUR'000	
Segments total				
Sales	397 113	260 827	87 331	58 728
Cash sales	387 407	254 151	85 197	57 224
Adjusted EBITDA (IFRS 16)	137 914	79 939	30 329	17 999
EBITDA (IFRS 16)	132 654	72 061	29 173	16 225
Amortization and depreciation	(39 400)	(41 128)	(8 665)	(9 260)
Operating profit	93 254	30 933	20 508	6 965
Result on financial activities	(4 684)	(10 270)	(1 030)	(2 312)
Profit before tax	88 570	20 663	19 478	4 652
Net profit	69 995	15 092	15 393	3 398

	As of	As of	As of	As of
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
	PLN'000		EUR'000	
TOTAL ASSETS	1 181 047	1 243 833	261 247	269 531
Non-current assets	892 123	887 333	197 337	192 280
Current assets	288 924	356 500	63 910	77 251
Long-term liabilities	328 201	435 538	72 598	94 379
Short-term liabilities	227 139	210 601	50 243	45 636
Equity	625 707	597 694	138 406	129 517
Share capital	1 461	1 457	323	316
Non-controlling interests	12 519	11 036	2 769	2 391

	Six months ending	Six months ending	Six months ending	Six months ending
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	PLN'000		EUR'000	
Net cash flows from operating activities	140 572	106 833	30 914	24 054
Net cash flows from investing activities	(51 694)	(41 381)	(11 368)	(9 317)
Net cash flows from financing activities	(162 662)	(18 685)	(35 772)	(4 207)
Total net cash flows	(73 784)	46 767	(16 226)	10 530

Conversion into euro was performed based on the following principles:

- amounts presented in zloty as of 30 June 2021 were converted into euro at the exchange rate of 4.5208 (the NBP exchange rate as of 30 June 2021),
- amounts presented in zloty as of 31 December 2020 were converted into euro at the exchange rate of 4.6148 (the NBP exchange rate as of 31 December 2020),
- amounts presented in zloty for the period of six months ending 30 June 2021 were converted into euro at the exchange rate of 4.5472 (the arithmetic mean of the NBP exchange rates as of the last day of each month of the two quarters of 2021),
- 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 two quarters of 2020),

A photograph of a modern office building courtyard with a red diagonal overlay. The building has multiple floors with large windows, some of which are lit up. The courtyard is filled with tall, dry grass. The red overlay is a large, solid red shape that covers the bottom half of the image and extends diagonally upwards from the left side.

Condensed interim consolidated financial statements

for the period of 3 and 6 months ending 30 June 2021

CONDENSED CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

PLN'ooo	Note	Six months ending 30 June 2021	Six months ending 30 June 2020	Three months ending 30 June 2021*	Three months ending 30 June 2020*
Sales	10	397 113	260 827	218 183	111 019
Cost of goods sold		(42 410)	(13 523)	(21 187)	(4 639)
Amortization and depreciation		(41 499)	(43 406)	(20 990)	(21 191)
Materials and energy used		(2 509)	(2 837)	(1 295)	(1 242)
Costs of the employee option scheme	23	(1 193)	(1 349)	(480)	(564)
Other external services		(97 847)	(72 810)	(57 405)	(27 623)
Other salary and employee benefit expenses		(118 855)	(93 591)	(62 090)	(42 961)
Other operating expenses	14	(5 522)	(6 179)	(2 880)	(2 842)
Other operating income/gains	13	5 976	3 801	4 039	2 623
Operating profit		93 254	30 933	55 895	12 580
Finance income	15	2 152	944	965	765
Finance costs	15	(6 639)	(13 051)	(3 458)	(5 058)
Revaluation of commitments to purchase non-controlling interests and other liabilities on business combinations	15	(197)	4 154	71	4 154
Share in profits/(losses) of investments accounted for using the equity method		-	(2 317)	-	(1 653)
Profit before tax		88 570	20 663	53 473	10 788
Income tax	16	(18 575)	(5 571)	(10 766)	(2 945)
Profit from continuing operations		69 995	15 092	42 707	7 843
Profit from discontinued operations		-	-	-	-
Net profit		69 995	15 092	42 707	7 843
Other comprehensive income/(losses) re-classifiable to profit and loss:		-	(86)	-	(83)
The effective part of gains and losses on the cash flow hedges		-	(86)	-	(83)
Comprehensive income		69 995	15 006	42 707	7 760
Net profit attributable to:					
Equity holders of the Parent Company		67 593	14 018	41 120	7 144
Non-controlling interests		2 402	1 074	1 587	699
Comprehensive income attributable to:					
Equity holders of the Parent Company		67 593	13 932	41 120	7 061
Non-controlling interests		2 402	1 074	1 587	699

PLN'ooo	Note	Six months ending 30 June 2021	Six months ending 30 June 2020	Three months ending 30 June 2021*	Three months ending 30 June 2020*
Net profit attributable to equity holders of the parent company per share (in PLN)					
Basic, incl.:					
from continued operations	17	2,32	0,48	1,41	0,24
from discontinued operations		-	-	-	-
Diluted, incl.:					
from continued operations	17	2,30	0,48	1,40	0,25
from discontinued operations		-	-	-	-

* Financial information not reviewed by auditor

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

PLN'ooo	Note	As of 30 June 2021	As of 31 December 2020
Non-current assets			
Property, plant and equipment	18, 19	99 210	106 898
Goodwill	20	368 921	364 254
Intangible assets	18, 19	392 720	394 900
Non-current programming assets	18, 19	10 687	8 512
Long-term receivables		786	201
Other financial assets		18 892	10 005
Deferred tax assets	16	1 206	2 563
Total non-current assets		892 422	887 333
Current assets			
Current programming assets	25	1 257	540
Trade and other receivables	28	161 431	156 382
Current tax assets		2 616	4 722
Inventories		8 953	6 601
Cash and cash equivalents	29	114 667	188 255
Total current assets		288 924	356 500
TOTAL ASSETS		1 181 346	1 243 833
Equity			
Equity attributable to equity holders of the Parent Company			
Share capital	22	1 461	1 457
Supplementary capital		326 606	324 485
Other reserves		10 951	5 590
Retained earnings		274 170	255 126
Equity attributable to equity holders of the Parent Company		613 188	586 658
Non-controlling interests		12 519	11 036
Equity		625 707	597 694
Long-term liabilities			
Bank loans and other loans	24	217 152	320 762
Leasing liabilities due to the right of use the assets	24	52 122	58 705
Other long-term liabilities	26	11 968	24 022
Long-term provisions, incl.:		580	580
Provisions of employee benefits		580	580
Deferred tax liabilities	16	38 779	31 469
Total long-term liabilities		320 601	435 538
Short-term liabilities			
Bank loans and other loans	24	39 838	34 604
Leasing liabilities due to the right of use the assets	24	13 710	14 613
Trade and other payables	26	170 412	154 590
Short-term provisions, incl.:		7 601	5 915
Provisions of employee benefits		6 743	4 850
Other provisions		858	1 065
Current tax liabilities		3 477	879
Total current liabilities		235 038	210 601
Total liabilities		555 639	646 139
TOTAL EQUITY AND LIABILITIES		1 181 346	1 243 833

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

PLN'000	Note	Share capital	Supplementary capital	Other reserves	Retained earnings	Equity attributable to equity holders of the Parent Company	Non-controlling interests	Equity
Equity as of 1 January 2021		1 457	324 485	5 590	255 126	586 658	11 036	597 694
Net profit		-	-	-	67 593	67 593	2 402	69 995
Other comprehensive income		-	-	-	-	-	-	-
Total comprehensive income		-	-	-	67 593	67 593	2 402	69 995
Share capital increase		4	2 121	-	-	2 125	-	2 125
Option scheme	22, 23	-	-	1 193	-	1 193	-	1 193
Acquisition of non-controlling interests		-	-	4 168	(3 249)	919	(919)	-
Dividend payment for owners of the parent company		-	-	-	(45 300)	(45 300)	-	(45 300)
Changes in equity		4	2 121	5 361	19 044	26 530	1 483	28 013
Equity as of 30 June 2021		1 461	326 606	10 951	274 170	613 188	12 519	625 707

PLN'000	Note	Share capital	Supplementary capital	Other reserves	Retained earnings	Equity attributable to equity holders of the Parent Company	Non-controlling interests	Equity
Equity as of 1 January 2020		1 451	321 969	(997)	178 458	500 881	12 246	513 127
Net profit		-	-	-	78 520	78 520	3 179	81 699
Other comprehensive income		-	-	(26)	-	(26)	-	(26)
Total comprehensive income		-	-	(26)	78 520	78 494	3 179	81 673
Share capital increase		6	2 516	-	-	2 522	-	2 522
Option scheme		-	-	2 107	-	2 107	-	2 107
Acquisition of non-controlling interests		-	-	4 506	(1 852)	2 654	(2 654)	-
Dividends payment for non-controlling shareholders		-	-	-	-	-	(1 735)	(1 735)
Changes in equity		6	2 516	6 587	76 668	85 777	(1 210)	84 567
Equity as of 31 December 2020		1 457	324 485	5 590	255 126	586 658	11 036	597 694

PLN'ooo	Note	Share capital	Supplementary capital	Other reserves	Retained earnings	Equity attributable to equity holders of the Parent Company	Non-controlling interests	Equity
Equity as of 1 January 2020		1 451	321 969	(997)	178 458	500 881	12 246	513 127
Net profit		-	-	-	14 018	14 018	1 074	15 092
Other comprehensive income		-	-	(86)	-	(86)	-	(86)
Total comprehensive income		-	-	(86)	14 018	13 932	1 074	15 006
Share capital increase		3	1 489	-	-	1 492	-	1 492
Option scheme		-	-	1 095	-	1 095	-	1 095
Acquisition of non-controlling interests		-	-	4 506	(2 217)	2 289	(2 289)	-
Changes in equity		3	1 489	5 515	11 801	18 808	(1 215)	17 593
Equity as of 30 June 2020		1 454	323 458	4 518	190 259	519 689	11 031	530 720

CONSOLIDATED CASH FLOW STATEMENT

PLN'000	Note	Six months ending 30 June 2021	Six months ending 30 June 2020
Cash flows from operating activities			
Profit before tax		88 570	20 663
Adjustments for:		57 513	90 202
Amortization and depreciation		41 499	43 406
Payments for programming rights		(4 643)	(3 091)
Losses on the sale /liquidation/revaluation of property, plant and equipment and intangible assets		74	610
Finance costs		6 639	13 051
Financial income on exchange differences on financial liabilities and cash		(1 936)	-
Financial income on loan refinancing		-	(630)
Share in the profit/loss of investments accounted for using the equity method		-	2 317
Revaluation of contingent liabilities arising from business combinations and commitments to purchase non-controlling interests		197	(4 154)
Costs of the employee option scheme		1 193	1 349
Other adjustments		(35)	(96)
Changes in working capital			
Change in trade and other receivables	31	(5 505)	53 955
Change in inventories		(2 351)	(3 298)
Change in trade and other payables	31	20 695	(15 055)
Change in provisions		1 686	1 838
Cash flows used in operations		146 083	110 865
Income tax paid		(9 147)	(4 085)
Income tax refunded		3 636	53
Net cash flows from operating activities		140 572	106 833
Cash flows from investing activities			
Sale of intangible assets and property, plant and equipment		51	79
Purchase of intangible assets and property, plant and equipment		(31 079)	(35 102)
Acquisition of an organised part of enterprise		(5 940)	-
Repayment of liabilities arising from business combinations		(5 450)	(2 558)
Loans granted		-	(3 800)
Repayment of loans granted and investment receivables		128	-
Acquisition of other financial assets		(9 404)	-
Net cash flows from investing activities		(51 694)	(41 381)
Net cash flows from financing activities			
Payments due to share capital increase		2 125	1 238
Bank loans and other loans received		18 838	359 368
Repayment of finance leases		(5 920)	(7 268)
Exercising of the option to acquire non-controlling interest		(9 331)	(13 467)
Repayment of bank commissions		(1 423)	(6 655)
Interest paid		(3 990)	(6 012)
Repayment of loans received	24	(117 661)	(345 889)
Dividends paid to the shareholders of the parent company		(45 300)	-
Net cash flows from financing activities		(162 662)	(18 685)
Total net cash flows		(73 784)	46 767
Impact of exchange differences on cash and cash equivalents		196	725
Change in cash and cash equivalents		(73 588)	47 492
Cash and cash equivalents at the beginning of the period		188 255	73 929
Cash and cash equivalents at the end of the period		114 667	121 421

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 14 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 three and six months ending 30 June 2021 are consistent with those used in the consolidated financial statements for the year ending 31 December 2020, except for new and changed accounting standards binding since 1 January 2021, described in the next point of the financial report.

The financial statements for the year ending 31 December 2020 have been prepared in accordance with IFRS standards which are binding in the European Union in the financial year ending 31 December 2020.

The consolidated statement of financial positions as of 30 June 2021, consolidated income statement and other comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity for three and six months ending 30 June 2021 were not audited. The consolidated financial statements as of 31 December 2020 and for twelve months ending 31 December 2020 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 2020.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS

In these consolidated financial statements, the following standards, which came into force on 1 January 2021, were applied for the first time:

- Amendment to IFRS 16 "Leases": "Rent concessions related to Covid-19". The change is effective for annual periods beginning on or after June 1, 2020.
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: "Interest rate benchmark reform _ Phase 2". The amendments apply to annual periods beginning on or after 1 January 2021.
- Amendments to IFRS 4 "Insurance Contracts" - deferment of the application of IFRS 9 "Financial Instruments". The amendments apply to annual periods beginning on or after 1 January 2021.

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 23 August 2021.

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 2020.

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 COMPONENTS

Deferred tax asset 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 2021 amounted to PLN 4,084 thousand.

On 24 February 2020, Wirtualna Polska Media S.A. 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.

On 25 February Wirtualna Polska Media received a decision of the Head of the Małopolska Customs and Tax Office in Kraków regarding the amount of corporate income tax liability in connection with the above-described control. The head confirmed that the company was fully entitled to the protection resulting from the binding interpretation of the tax law received. Consequently, the Group intends to continue its current approach in tax settlements.

As at 30 June 2021, Wirtualna Polska Media recognized a deferred tax asset in the full amount of loss from the sale of shares in WP Shopping.

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 market-wide 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.

After considering 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 adjudgement 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).

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 key assumptions underlying the option valuation are: EBITDA, the average annual growth rate and the cumulative annual growth rate (CAGR), which are the basis for the calculation of the option exercise price, and the 5.02% discount rate. Increasing the forecast cumulative annual EBITDA growth rate from the base year 2020 in each subsequent transaction window by 1 pp. causes an increase in the value of the liability by 1.6%. Increasing the discount rate by 1 pp. causes a decrease in the liability by 2.1%.

The commitment was initially estimated at PLN 11,571 thousand. As of 30 June 2021, the value of these commitments amounted to PLN 7,899 thousand and as of 31 December 2020 amounted to PLN 16,613 thousand.

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 and other liabilities resulting from business combinations".

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 2020. Details of the test are discussed in Note 21 the Group's consolidated financial statements for 2020. In the first half of 2021, the Management Board identified premises for a potential impairment of the CGU Lead Generation fashion/ interior. The performed tests did not prove any impairment of goodwill recognized at the acquisition in the consolidated financial statements. Details of the tests are described in Note 20 to these financial statements.

In the opinion of the Management Board, in the two quarters of 2021, there were no additional indications for impairment of individual CGUs, and therefore no tests were updated.

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 clients, the Group grants annual rebates. These rebates are granted to clients 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.

RECOGNITION OF REVENUE FROM AGENCY SALES ON CAR SALES

The Group sells goods both in the agency model, acting as an intermediary between the end customer and the supplier of the goods, as well as in the model of full control over the sales process to the end customer. For each sale, the Group assesses whether it acts as an intermediary or as a seller. If the Group acts as an intermediary, revenue is recognized in the amount of the commission received from the seller of the goods. Otherwise, revenue is recognized in the full amount due from the end customer.

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.

ESTIMATION OF LIABILITIES FOR REIMBURSEMENT OF REMUNERATION FROM CANCELED TOURIST EVENTS

Revenues from sale of tourist services are recognized when the reservation of a given tourist product is confirmed and the advance payment is paid. If the booking is cancelled, the revenue recognised is adjusted. Based on the historic rate of cancellations and expectations regarding the current situation on the tourist services market, the Group estimates the value of the commission received, which may be refunded in the future.

5. INFORMATION ON SEASONALITY OF GROUP'S OPERATIONS

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

6. INFORMATION ON SEGMENT REPORTING

Six months ending 30 June 2021	Segment Online	Segment TV	Total
Sales	383 865	13 248	397 113
including cash sales	374 159	13 248	387 407
EBITDA	132 175	479	132 654
Adjusted EBITDA	137 435	479	137 914

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

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. GROUP'S STRUCTURE

As of 30 June 2021 the Capital Group represented: the parent company Wirtualna Polska Holding SA and 14 subsidiaries. The consolidated financial statements of the Group comprise the Company and the following subsidiaries:

No.	Name of subsidiary	Location	% of shares	
			30 June 2021	30 June 2020
1	Wirtualna Polska Media S.A.	Poland, Warsaw	100%	100%
2	Totalmoney.pl Sp. z o.o.	Poland, Wroclaw	100%	100%
3	Businessclick Sp. z o.o.	Poland, Warsaw	100%	100%
4	Domodi Sp. z o.o.	Poland, Wroclaw	100%	100%
5	Homebook Sp. z o.o. ⁽¹⁾	Poland, Wroclaw	100%	-
6	Wakacje.pl S.A.	Poland, Gdansk	100%	100%
7	Nocowanie.pl Sp. z o.o.	Poland, Lublin	93,75%	85%
8	Netwizor Sp z o.o.	Poland, Warsaw	100%	100%
9	WPZ Sp. z o.o.	Poland, Warsaw	100%	100%
10	Extradom.pl Sp. z o.o.	Poland, Wrocław	100%	100%
11	Parklot Sp. z o.o.	Poland, Warsaw	100%	100%
12	Superauto24.com Sp. z o.o.	Poland, Chorzow	51%	51%
13	Open FM Sp. z o. o.	Poland, Warsaw	100%	100%
14	Stacja Służew Sp. z o.o. ⁽²⁾	Poland, Warsaw	100%	-

(1) On 31 May 2021, Domodi Sp. z o.o. divided into Domodi Sp. z o.o. and newly established Homebook Sp. z o.o.

(2) On 27 May 2021 100% of shares in Stacja Służew Sp. Z o.o. were acquired

(3) On 1 June 2021 WPZ Sp. z o.o. and Wirtualna Polska Media SA merged

The Group's activities are mainly focused on selling advertisements on the Internet. Furthermore, Wakacje.pl SA operates in the international tourism sector and in addition to online travel trips it also gives customers the opportunity to buy offline through a franchise network of fixed-line stores. Other Group companies running businesses different then sales of advertisement are Netwizor Sp. z o.o. - an internet TV service provider, Extradom – an online platform selling architectural projects as well as Superauto24 – online car seller.

! Changes in Group's structure

On 28 April 2021, the Group acquired an organized part of the enterprise, conducting services, inter alia, through the website 17banków.com for the total purchase price of PLN 5,940 thousand.

On 27 May 2021 the Group acquired 100% of the shares of in Stacja Służew Sp. z o.o.

On 31 May 2021, Domodi Sp. z o.o. divided into Domodi Sp. z o.o. and newly formed Homebook Sp. z o.o.

On 1 June 2021, WPZ Sp. z o.o. and Wirtualna Polska Media SA merged by transferring all assets of WPZ Sp. z o.o. to Wirtualna Polska Media SA

On 2 July 2021, the Group acquired 100% of shares in Solar Park Kostomłoty Sp. z o.o.

Apart from the events described above, there were no other changes in the Group's capital structure.

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 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;

Impact of Covid-19 on operations and financial results of the Group

In March of 2020, due to multiple infections of SARS-CoV-2 virus causing COVID-19 disease, the state of epidemic was introduced 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.

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 of 2020, most of the Group's employees switched to home-office. Along with the reduction of restrictions imposed by the state, in the following months there has been a gradual voluntary return to the offices (while maintaining sanitary requirements).

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.

At the same time, as a result of restrictions (including in offline, 'brick-and-mortar' trade) and still higher percentage of people working remotely, we observe an accelerated trend of users moving to the online world, which had a positive impact on the growth of the e-commerce market (starting from the end of Q1 2020) and online advertising (from mid-2020).

On the other hand, the intensified competition on the online market causes a significant increase in the costs of traffic, which has a negative impact on margins. In addition, international movement restrictions negatively affected foreign tourism, which was visible especially in 2020.

In the coming periods, we expect that the further development of the COVID-19 pandemic and related restrictions will still have a significant impact. Prospects are improved by the increase in the number of vaccinated people. As of August 20, 18.2 million people (48% of the population) were vaccinated with the full dose in Poland.

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

■ Publishing and advertising business

The impact of COVID-19 pandemic on the results of the publishing and advertising activities became most noticeable in the second quarter of 2020. The situation on the advertising market temporarily worsened due to the visible limitations on the side of clients from selected sectors (e.g. automotive, finance), mainly with regards to image campaigns.

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. In the first half of 2020 the internet advertising market was under significant pressure of lockdown and an environment of high uncertainty, dropping by 4.5% YoY, with the highest declines in April and May 2021, of 14% and 10%, respectively. However, the specificity of the current situation (lockdown, in particular the closure of shopping centres) resulted in a strong trend of users moving to the online world, which in turn meant that both the second half of 2020 and the first half of 2021 were characterized by strong positive dynamics of revenues in the online publishing and advertising. As a result, both sales revenues and EBITDA in publishing and media activities in the

second quarter of 2021 recorded a high double-digit increase compared to the corresponding period of the previous year.

In the coming quarters we expect the favourable trends in the online advertising to be continued, nevertheless, due to a high base in the second half of 2020, growth dynamics might be below the level observed in the first half of 2021.

I International travel (Wakacje.pl S.A.)

The foreign tourism company Wakacje.pl is the part of the WPH Group mostly affected by COVID-19 pandemic.

Dynamic of sales of foreign package tours has been gradually improving in 2Q 2021, compared to 2020, when it was under significant pressure of pandemic-related restrictions. While in April 2021 sales of trips was still approx. 30% below 2019 level, in May and June revenue was higher than in the same months of 2019. The market is still very vulnerable, hence consumer sentiment and decision making are strongly affected by current epidemiological situation, as well as imposed or lifted restrictions (in Poland and key destinations).

In the first half of 2021 the sanitary regime that required quarantine (or a release from quarantine based on negative test results) after returning from abroad by collective transport (regardless of similar requirements in some foreign destinations) for unvaccinated people remained in force.

Due to changing restrictions and environment of uncertainty, the peak of the holiday season this year is characterized by a clear tendency of buying trips in the last minute formula. The offer of major tour operators was planned significantly below 2019, which, coupled with the high demand for tours, has led to a significant growth in the prices of tourist services in recent months.

In the opinion of the Management Board, the organized tourism market is still highly volatile. Nevertheless, consumers' interest in traveling is rather strong and assuming no extraordinary increase in the number of COVID-19 cases in September and October (the so-called fourth wave of COVID), an increase in revenue YoY in the autumn season might be assumed. In the fourth quarter the exotic destinations tend to weigh the most and are sold mostly to more affluent customers.

The Group implemented several measures aiming at the limitation of short-term losses, including in particular the optimization of the cost base. Wakacje.pl S.A. also expanded its offer to customers through offering holidays in Poland and holidays abroad with own transport.

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

Wakacje.pl was the main entity of the Group that benefited to the greatest extent from government support. Details are described in the next part of the report ***Impact of the anti-crisis shield and government support***.

I Domestic travel (Nocowanie.pl Sp. z o.o.)

In the first months of 2021 the domestic tourism continued to be significantly adversely affected by the situation related to the Covid-19 pandemic, when restrictions of the accommodation industry resulted in low interest in accommodation from the tourists as well as the uncertainty of owners of accommodation facilities toward the situation in the industry in 2021.

In February 2021 the government has started to lift restrictions of the hotel industry, however, the industry was re-locked again in the period of 20 March until 8 May 2021.

From April 2021, there has been an increased interest of tourists in accommodation both for the pre-vacation period and for the dates falling in the 2021 high season.

The level of the daily number of inquiry for accommodation from tourists and the traffic on the nocowanie.pl portal reached historic records in 2021. In the current season, tourists are more interested in domestic trips, seaside and mountain destinations are invariably popular, and the category of summer houses has recorded the highest increase in interest in all of Poland.

In 2021, Nocowanie.pl increased its accommodation offer, which had a positive impact on the interest from tourists. The introduction of a simplified search for accommodation facilities that accept the 'tourist voucher' (Polish government's support programme for families with children) was also supportive, as tourists are eager to search for

facilities that joined the program. The successful implementation of a vaccination program should positively affect the prospects of domestic tourism.

The management board of the entity closely monitors the situation and looks for ways to minimize the negative impact of the restrictions.

I Lead Generation: Fashion (Domodi Sp. z o.o)

The pandemic caused significant changes in the fashion industry in 2020 and these trends continue in 2021. Customer preferences and behaviour have changed, there has been a transformation and we are dealing with greater digitization and the presence of online sales channels. This effect is visible in the greater interest of users in browsing fashion products online. On the other hand, we observe growing competition on the market and the struggle to gain users, the large players concentrate on the development of their online channels and e-commerce services as well as on the implementation of modern technologies in the product offer.

In 2Q 2021 Domodi reported a decline in revenue YoY, on the back of intensified competition in user acquisition, which resulted in higher cost of traffic acquisition and, hence, lower profitability and scalability of revenue. On top of that, in the comparable period of 2021 Domodi had relatively high base, related to strong increases in internet market, especially in April and May 2020.

At the same time, since May 2021 we have been observing an impact of reopening the shopping malls and higher footfall compared to 2Q 2020. Omnichannel stores gain the most, as they focus on acquiring online traffic during the week, and the transactions are finalized at the weekend in a 'brick-and-mortar' store.

In the coming quarters we expect a continuation of the drivers observed in 2Q 2021.

I Lead Generation: Interior Design (Homebook Sp. z o.o.)

In the interior and home & decor industry, the pandemic had an impact in two dimensions: it caused the shift of sales from the offline market to online, but on the other hand it significantly increased competition in the online market. This translates into higher cost of traffic and thus results in a decrease of margins as well as limits the possibility of scaling the revenues, especially from paid sources (Facebook and Google). Homebook was negatively affected by this situation especially in 2Q 2021, when it reported a decline in revenue.

The company is currently working on improving the efficiency of the website. Homebook expects that the changes in product and the measures taken will allow for slowing down the decline in revenues from Q4 2020 and growing the revenues in subsequent periods.

I Lead Generation: Financials (Totalmoney.pl Sp. z o.o.)

From the second half of March 2020, 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 banks to change their offers. In addition, legal regulations enabling clients to suspend repayment of loan instalments created problems in the non-bank loans sector. The situation in the banking sector stabilized in June 2020 and cooperation with the banks returned to pre-pandemic state. Since March 2021, we have recorded a significant increase in conversion and revenues driven by the easing of credit standards and changes in banks' offer. Positive data was also published by BIK and Polish banks reported strong results by banks. As a result, in 2Q 2021, both revenues and EBITDA significantly improved compared to Q2 2020, but still remained at a lower level than in the corresponding period of 2019.

In the coming quarters we assume the business would continue to improve. The main risk remains the threats resulting from the pandemic and potential restrictions related to that.

I Extradom S.A.

In 2Q 2020 the pandemic had a visible negative impact on Extradom's operations, but as soon as in 2H 2020 the situation stabilized and we observed growing interest of users in products offered by the company. After strong

results in 4Q 2020, in 1Q 2021 users' interest in architectural house designs continued to grow and Extrim reported double digit growth in revenue and bookings.

In 2Q 2021, despite a double-digit increase in revenues and EBITDA compared to the corresponding period of 2020, from May 2021 we have observed a slow-down in the growth rate, driven mostly by two factors: a significant increase in the costs of building houses (and lower availability of materials and construction crews) and communication of the assumptions of the Polish Deal. In the latter case, it is mainly related to consumers postponing their decision to purchase the project due to the planned launch of government's co-financing programs and the construction of houses up to 70 sq. m. (90 sq. m. of usable space) without permission. These factors have a negative impact on the current demand.

Superauto.pl Sp. z o.o.

Despite the maintenance of the restrictions, in 1H 2021 we observed a gradual recovery of the automotive market, which grew by 35% YoY. Nevertheless, it is strongly related to the last year's low base, because when compared to the same period of 2019, the new passenger car and delivery car registrations was down by around 13%, so the market has still not returned to pre-pandemic sales levels.

The outbreak of the pandemic initially resulted in a significant decrease in demand for the purchase of new cars, as well as with tightening of the credit risk assessment criteria in banks and lease institutions. The disruption of global supply chain was also a significant problem, leading to production shutdown and reduction of supply by many car factories. As a consequence, the automotive market shrank in 2020 by approx. 25% compared to the previous year.

A persistent problem is the low supply of new cars due to production downtime and delays in delivery times caused by a shortage of production components (mainly semiconductors) and difficulties in international transport. As a result, production orders from the first and second quarters are to be realized by producers as late as in the third or fourth quarter of this year, therefore shifting sales to the second half of 2021 and first quarter of 2022.

Low supply of cars at authorized dealers forces consumers to intensively search for goods, shifting their attention to the Internet, which accelerates the progressive changes in their habits and the adoption of the model of buying a car via the Internet, the beneficiary of which is Superauto.

The financial results of Superauto in the first half of 2021 significantly exceeded the results achieved in the first half of 2020 as well as the previous years. As a consequence of the increase in the current demand and the forecasted economic growth in the second half of this year resulting from the gradual unfreezing of the economy and progress of the vaccination program, steps were taken to dynamically increase the scale of the Company's operations.

The Management Board of the Company, aware of the market trends and emerging threats resulting from the declining availability of cars, took measures in advance to ensure the availability of goods for its customers for the coming quarters.

Impact of the anti-crisis shield and government support

The described above negative impact of COVID-19 on the revenue generated by some of the Group companies, forced the management to introduce a number of initiatives aimed at reducing the cost base accordingly.

On 17 March 2021, Wakacje.pl S.A. signed a preferential loan agreement with the Polski Fundusz Rozwoju S.A. ("PFR") under the PFR Financial Shield program for Large Companies. The loan amounts to PLN 18.8 million. PFR may, at the borrower's request, write off the obligation in an amount corresponding to a maximum of 75% of the value of the loan granted. The decision to write off will be made no later than by the end of October 2021. The loan granted is secured by Wirtualna Polska Holding S.A. The loan was granted for the period until June 30, 2022, and may be repaid at any time without additional costs.

Wakacje.pl S.A. also benefited from the government assistance provided for in the Ordinance of February 26, 2021 on support for participants in business transactions affected by the COVID-19 pandemic. Under this agreement, the Company obtained a job protection benefit in the form of a 3-month wage subsidy. In addition, under the same act, the Company obtained an exemption from the obligation to pay ZUS contributions for December 2020, January 2021, February 2021, March 2021 and April 2021.

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 2021, the Group had approximately PLN 115 million of cash at banks. In the opinion of the Management Board, the cash held and the 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, the permitted levels of financial covenants stated in the Group's loan agreement are not at risk.

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.

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.

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.

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 2021 the balance of the Group's liability resulting from loan agreement amounted to PLN 242 million.

During six months of 2021, the Group's interest and commissions expenses, the bulk of which resulted from interest on the bank loan, amounted to PLN 5,928 thousand. The level of these costs in consecutive periods will depend on WIBOR 3M which equalled 0.21% as of 30 June 2021.

Apart from the factors described above, in the period of six months ended 30 June 2021, no unusual factors or events occurred that would significantly affect the financial results achieved.

9. SIGNIFICANT CONTRACTS AND EVENTS WHICH TOOK PLACE IN THE FIRST HALF OF 2021

COVID-19

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, travel limitations and limiting the functioning of shops and services.

The pandemic and restrictions introduced had impact on the results of the Group 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 Note 8.

Receiving tax and customs control results

On 25 February 2021, Wirtualna Polska Media received a decision of the Head of the Małopolska Customs and Tax Office in Kraków on the determination of the amount of corporate income tax liability in connection with the control, including the examination of WPM's compliance with the provisions of the Act of February 15, 1992. on corporate income tax for 2016. The head maintained his position regarding the incorrectness of the loss amount recognized in the above-mentioned transaction, however, confirmed that the company was fully entitled to the protective power resulting from the binding interpretation of the tax law received. Consequently, the Group intends to continue its current approach in tax settlements.

Apart from the changes described above, there were no other significant events until the date of this report.

10. SALES

(PLN'ooo)	Six months ending 30 June 2021	Six months ending 30 June 2020	Three months ending 30 June 2021*	Three months ending 30 June 2020*
Sales in Online segment, including:	383 865	249 429	210 977	106 213
Sales of services settled in cash	323 718	223 985	179 224	96 399
Sales of merchandises settled in cash	50 441	18 768	24 804	6 877
Sales of services settled in barter	9 706	6 676	6 949	2 937
Sales in TV segment, including:	13 248	11 398	7 206	4 806
Sales of services settled in cash	13 248	11 398	7 206	4 806
Sales of services settled in barter	-	-	-	-
Total	397 113	260 827	218 183	111 019

*Financial information not reviewed by auditor

(PLN'ooo)	Six months ending 30 June 2021	Six months ending 30 June 2020	Three months ending 30 June 2021*	Three months ending 30 June 2020*
Domestic sales	299 515	190 303	166 483	74 011
Export sales	97 598	70 524	51 700	37 008
<i>European Union</i>	85 337	63 252	44 876	33 528
<i>Outside European Union</i>	12 260	7 272	6 824	3 480
Total	397 113	260 827	218 183	111 019

*Financial information not reviewed by auditor

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 2021	Six months ending 30 June 2020	Three months ending 30 June 2021*	Three months ending 30 June 2020*
Profit before tax	88 570	20 663	53 473	10 788
Share in profits of investments accounted for using the equity method and dividends from associates	-	2 317	-	1 653
Finance costs	6 639	13 051	3 458	5 058
Finance income	(2 152)	(944)	(965)	(765)
Revaluation of commitments to purchase non-controlling interests and other liabilities on business combinations	197	(4 154)	(71)	(4 154)
Operating profit	93 254	30 933	55 895	12 580
Amortization and depreciation, w/o d&a of acquired programming rights	39 400	41 128	19 922	20 202
EBITDA	132 654	72 061	75 817	32 782
Adjustments, including:				
Restructuring and transaction costs - external services	3 228	4 699	1 157	3 169
Restructuring and transaction costs - salaries	435	1 253	174	1 033
Restructuring and transaction costs - other operating costs and revenues	596	40	113	135
Costs of the employee option scheme	1 193	1 349	480	564
Net result of barter transactions settlements	(244)	(685)	(567)	(81)
Revaluation and liquidation of non-financial assets	52	361	(65)	296
Adjustment of VAT tax rate used in previous periods	-	861	-	861
Other	-	-	-	-
Adjusted EBITDA	137 914	79 939	77 109	38 759

*Financial information not reviewed by auditor

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 2021	Six months ending 30 June 2020	Three months ending 30 June 2021*	Three months ending 30 June 2020*
Profit before tax	88 570	20 663	53 473	10 788
Adjustments, including:				
Restructuring and transaction costs - external services	3 228	4 699	1 157	3 169
Restructuring and transaction costs - salaries	435	1 253	174	1 033
Restructuring and transaction costs - other operating costs and revenues	596	40	113	135
Costs of the employee option scheme	1 193	1 349	480	564
Net result of barter transactions settlements	(244)	(685)	(567)	(81)
Revaluation and liquidation of non-financial assets	52	361	(65)	296
Revaluation of commitments to purchase non-controlling interests and other liabilities on business combinations	197	(4 154)	(71)	(4 154)
Accelerated depreciation	-	639	-	8
Adjustment of VAT tax rate used in previous periods	-	861	-	861
Other	-	-	-	-
Adjustments total	5 457	4 363	1 221	1 831
Adjusted profit before tax	94 027	25 026	54 694	12 619

*Financial information not reviewed by auditor

13. OTHER OPERATING INCOME/GAIN

(PLN'000)	Six months ending 30 June 2021	Six months ending 30 June 2020	Three months ending 30 June 2021*	Three months ending 30 June 2020*
Revenue from grants	4 469	2 699	3 316	2 537
Liabilities expired	60	201	(85)	(203)
Repayment of receivables previously written off	51	32	23	18
FX differences on operating activity	-	183	(260)	(174)
Other	1 396	686	1 045	445
Total	5 976	3 801	4 039	2 623

*Financial information not reviewed by auditor

14. OTHER OPERATING COST

(PLN'000)	Six months ending 30 June 2021	Six months ending 30 June 2020	Three months ending 30 June 2021*	Three months ending 30 June 2020*
Representation and other costs by type, including:	1 779	1 748	976	515
Representation	914	567	533	120
Other costs by type	865	1 181	443	395
Revaluation of receivables	287	1 463	84	1 140
Taxes and charges	1 851	1 628	1 090	735
Revaluation of provisions	41	102	(30)	61
Revaluation and liquidation of non-financial assets	229	610	34	440
Other	1 335	628	726	(49)
Total	5 522	6 179	2 880	2 842

*Financial information not reviewed by auditor

15. FINANCE INCOME AND COST

The following table presents the financial income incurred by the Group:

(PLN'000)	Six months ending 30 June 2021	Six months ending 30 June 2020	Three months ending 30 June 2021*	Three months ending 30 June 2020*
Interest income	203	258	102	126
Currency exchange differences	1 937	42	852	(5)
Financial income on loan refinancing	-	630	-	630
Other	12	14	11	14
Total	2 152	944	965	765

*Financial information not reviewed by auditor

The following table presents the financial cost incurred by the Group:

(PLN'000)	Six months ending 30 June 2021	Six months ending 30 June 2020	Three months ending 30 June 2021*	Three months ending 30 June 2020*
Interests and commissions	5 928	8 079	2 954	3 919
Reversal of discount on investment liabilities	420	1 249	213	525
Currency exchange differences	-	1 237	-	(65)
Revaluation of financial assets	287	2 474	287	667
Other	4	12	4	12
Total	6 639	13 051	3 458	5 058

*Financial information not reviewed by auditor

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 2021	Six months ending 30 June 2020	Three months ending 30 June 2021*	Three months ending 30 June 2020*
Revaluation of liabilities with respect to the put option for non-controlling interests	(197)	4 154	71	4 154
	(197)	4 154	71	4 154

*Financial information not reviewed by auditor

Details regarding the valuation of investment liabilities are described in note 26 of the consolidated financial statement.

16. CURRENT AND DEFERRED INCOME TAX

The following table presents the current and deferred income tax incurred by the Group.

(PLN'000)	Six months ending 30 June 2021	Six months ending 30 June 2020	Three months ending 30 June 2021*	Three months ending 30 June 2020*
Current income tax	10 207	2 353	7 734	1 288
Deferred tax	8 368	3 218	3 032	1 657
Total income tax	18 575	5 571	10 766	2 945

*Financial information not reviewed by auditor

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 2021	Six months ending 30 June 2020	Three months ending 30 June 2021*	Three months ending 30 June 2020*
Profit before tax	88 570	20 663	53 473	10 788
Corporate income tax at the statutory rate of 19%	16 828	3 926	10 160	2 050
Tax effects of the following items:			-	-
Revenues and costs non-taxable permanent differences	979	1 621	354	2 005
Revaluation of commitments to purchase non-controlling interests and other liabilities on business combinations	37	(789)	37	(789)
Reversal of discount and revaluation of commitments to purchase non-controlling interests and other liabilities on business combinations	98	162	8	75
Unrecognized tax assets	450	1 387	231	730
Capitalized portion of tax loss	-	(1 372)	-	(1 372)
Other	183	636	(24)	246
Total income tax	18 575	5 571	10 766	2 945

*Financial information not reviewed by auditor

The table below shows the items for which the asset or provision for deferred tax was created.

(PLN'000)	1 January 2021	Financial result	Business combination	30 June 2021
Deferred tax assets:				
Change in tax values of assets as a result of internal reorganization of the Group	3 633	(2 157)	-	1 476
Unutilized tax losses	11 513	(7 429)	-	4 084
Write-downs of assets	1 025	63	-	1 088
Differences in tax and carrying amounts of liabilities and receivables	21 819	2 049	-	23 868
Other differences	1 644	(752)	-	892
Deferred tax asset	39 634	(8 226)	-	31 408
Deferred tax liability:				
Differences in carrying and tax amount of property, plant and equipment	67 992	331	299	68 622
Other	548	(189)	-	359
Deferred tax liability	68 540	142	299	68 981
Deferred tax assets/liability net	(28 906)	(8 368)	(299)	(37 573)

(PLN'000)	30 June 2021	31 December 2020
Offsetting of deferred tax liability	(30 202)	(37 071)
Deferred tax assets after offsetting	1 206	2 563
Deferred tax liabilities after offsetting	38 779	31 469

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 September 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 here 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 17)..

(PLN'000)	Six months ending 30 June 2021	Six months ending 30 June 2020
Net profit attributable to equity holders of the Parent Company	67 593	14 018
Weighted average number of shares shown for the purpose of calculating basic earnings per share (no. of units)	29 144 292	29 045 235
Effect of diluting the number of ordinary shares	254 833	354 483
<i>Weighted average number of ordinary shares shown for the purpose of calculating diluted earnings per share (no. of units)</i>	29 399 125	29 399 718
-		
Basic (In PLN)	2,32	0,48
Diluted (in PLN)	2,30	0,48

18. CHANGES IN ALLOWANCES FOR ASSETS

During the first half of 2021 the Group adjusted the value of allowances for trade receivables by PLN 287 thousand. In the same period write-downs on intangible assets and property, plant and equipment and programming assets of PLN 229 thousand were recorded.

19. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

In the period from 1 January 2020 to 30 June 2021 the Group purchased property, plant and equipment of PLN 6.9 million and intangible assets of PLN 20.9 million. In addition, the acquisition of programming assets amounted to PLN 5 million.

As of 30 June 2021 and 31 December 2020 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.

Cash generating unit	As of 30 June 2021	As of 31 December 2020
Publishing and Advertising activities	134 557	134 549
Financial lead generation	27 435	22 776
Lead Generation fashion	9 046	9 046
Lead Generation interior	9 800	9 800
International travel	85 157	85 157
Domestic travel	26 256	26 256
Extradom	58 317	58 317
Superauto24	18 533	18 533
Goodwill (gross)	369 101	364 434
Goodwill revaluation write-off:		
Publishing and Advertising activities	(180)	(180)
Goodwill (net)	368 921	364 254

On 31 May 2021, Domodi Sp. z o.o. separated into Domodi Sp. z o.o. and newly established Homebook Sp. z o.o. As a result, the previously combined CGJ Lead Generation fashion / interior was split into two separate CGUs. The allocation of goodwill was made based on current relative value of both CGUs.

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

The Management Board identified rationale for a potential impairment and conducted impairment tests of the CGUs Lead Generation fashion and Lead Generation interior. The impairment tests were carried out as at 30 June 2021.

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 budget for 2021, past results and expectations of the Management Board for the development of the market in 2022-2025, 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 forecasts for the Domodi Group (domodi.pl and allani.pl) assume that the share in the clothing market in the Internet channel will be maintained, which translates into an increase in revenues at the level of the dynamics of the e-commerce market. The currently implemented strategy envisages a gradual improvement in margins, taking into account, however, strong competitive pressure.

In the case of the Homebook (interior design), significant sales increases are forecasted, related to both favorable market trends and the expansion of the range of services offered, which should translate into several dozen percent average annual revenue increases in the following years, in line with the expectations regarding the ongoing digitization in the "home and garden" trade category. However, due to the verification of the assumptions of the adopted strategy, the sales dynamics used in test was adjusted to adopt a more conservative scenario of the company's development.

The impairment tests did not show a need to record impairment allowances in respect of the tested assets.

The Management Board did not identify any rationale for impairment of the remaining CGUs, therefore the tests performed as at 31 December 2020 were not updated.

21. ACQUISITIONS AND BUSINESS COMBINATIONS IN 2021

The following table presents the provisional settlement of goodwill on acquisitions taking place in first half of 2021.

(PLN'000)	17bankow.com	Stacja Służew Sp. z o.o.
Purchase price	5 940	13
Total	5 940	13
Assets and liabilities acquired in business combination		
Cash and cash equivalents	-	5
Property, plant and equipment	5	-
Trademark	547	-
Clients relations	1 028	-
Deferred tax	(299)	-
Total value of identified net assets	1 281	5
Goodwill	4 659	8

On 28 April 2021, the Group acquired an organized part of the enterprise, conducting services, inter alia, through the website 17banków.com for the total purchase price of PLN 5,940 thousand. The provisionally estimated goodwill amounted to PLN 4.659 thousand.

On 27 May 2021, the Group purchased 100% of shares in Stacja Służew Sp. z o.o. for a total purchase price of PLN 13 thousand zloty. The provisionally estimated goodwill is PLN 8 thousand. On 31 May 2021 and 30 June 2021, the subsidiary Stacja Służew Sp. z o.o. entered into the agreement to acquire a minority stake in a company operating on the media market. The total purchase price for the block of shares constituting in total 6.8% of the share capital of the company was PLN 9,311 thousand. The purchased shares do not give the Group control or significant influence on the activities of the company. The Group recognizes the acquired shares as an investment in financial instruments at fair value through profit or loss.

22. EQUITY

As of 30 June 2021, the share capital was composed of 29,225,457 shares with a par value of PLN 0.05 each, including 11,289,709 preferred voting shares and 17,935,748 ordinary shares. The equity structure is as follows:

Shareholder	Number of shares	% of share capital	Number of votes	% of votes
Jacek Świdorski through subsidiaries including among others:	3 777 164	12,92%	7 540 401	18,64%
Orfe S.A.	3 763 237	12,88%	7 526 474	18,61%
Michał Brański through subsidiaries including among others:	3 777 164	12,92%	7 540 400	18,64%
10X S.A.	3 763 236	12,88%	7 526 472	18,61%
Krzysztof Sierota through subsidiaries including among others:	3 777 164	12,92%	7 540 400	18,64%
Albemuth Inwestycje S.A.	3 763 236	12,88%	7 526 472	18,61%
Founders together *	11 331 492	38,77%	22 621 201	55,93%
AVIVA OFE	2 799 000	9,58%	2 799 000	6,91%
Others	15 094 965	51,65%	15 094 966	37,25%
Total	29 225 457	100,00%	40 515 166	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 2020, the share capital was composed of 29,130,498 shares with a par value of PLN 0.05 each, including 11,289,709 preferred voting shares and 17,840,789 ordinary shares. The equity structure was as follows:

Shareholder	Number of shares	% of share capital	Number of votes	% of votes
Jacek Świdorski through subsidiaries, including:	3 777 164	12,97%	7 540 401	18,66%
Orfe S.A.	3 763 237	12,92%	7 526 474	18,62%
Michał Brański through subsidiaries, including:	3 777 164	12,97%	7 540 400	18,66%
10X S.A.	3 763 236	12,92%	7 526 472	18,62%
Krzysztof Sierota through subsidiaries, including:	3 777 164	12,97%	7 540 400	18,66%
Albemuth Inwestycje S.A.	3 763 236	12,92%	7 526 472	18,62%
Founders together:	11 331 492	38,90%	22 621 201	55,97%
AVIVA OFE	2 731 000	9,38%	2 731 000	6,76%
Others	15 068 006	51,73%	15 068 006	37,28%
Total	29 130 498	100,00%	40 420 207	100,00%

The share capital of the Company was fully paid up as of 30 June 2021 and 31 December 2020

I Significant changes of shareholders

On 20 July 20, 2021, the Company received notifications of transactions made on the Company's shares, according to which, as part of a block transaction on the Warsaw Stock Exchange, Orfe SA acquired 8,503 ordinary shares, and 10x SA acquired 4,252 ordinary shares of the Company. As a result of these transactions, as at the date of this report, the structure of shareholders holding, directly or indirectly through subsidiaries, at least 5% of the total number of votes at the General Meeting of the Company is as presented in the following table. There were no significant changes to the shareholders' structure in the two quarters of 2021

I Share capital increase

On 11 March 2021 KDPW registered and WSE admitted to trading 15,750 series D ordinary bearer shares and 42,711 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 1,459,447.95 and is divided into 29,188,959 shares with a nominal value of PLN 0.05, entitling to 40,478.668 votes and the shareholders structure is presented in next table.

On 16 June 2021 KDPW registered and WSE admitted to trading 30,242 series D ordinary bearer shares and 6,256 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 1,461,272.85 and is divided into 29,225,457 shares with a nominal value of PLN 0.05, entitling to 40,515,166 votes and the shareholders structure is presented in next table.

I Share capital increase after balance sheet date

On 21 July 2021 KDPW registered and WSE admitted to trading 6,200 series D ordinary bearer shares and 6,256 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 1,461,895.65 and is divided into 29,237,913 shares with a nominal value of PLN 0.05, entitling to 40,527,622 votes and the shareholders structure is presented in next table.

I 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 15 June 2021, the General Meeting of the parent company adopted a resolution on the payment of a dividend of up to PLN 1.55 per share, in the total amount of PLN 45,299 thousand, financed from the Company's profits from previous years. At the same time, the net loss of the Company disclosed in the separate financial statements was covered from profits from previous years.

The date of establishing the right to dividend was set on 22 June 2021, and the date of dividend payment - on 29 June 2021. The total value of the dividend paid was PLN 45,300 thousand.

23. 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 2021 in respect of the scheme amounted to PLN 360 thousand and the total cost recognized in the previous periods amounted to PLN 6,919 thousand.

	Share options (no. of units)
As of 1 January 2021	134 913
Awarded	-
Non executed	(7 981)
Executed	(45 992)
As of 30 June 2021	80 940
Including the number of options vested as of the balance sheet date	14 792

The exercise price of the options outstanding as of 30 September 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 2021 in respect of the scheme amounted to PLN 763 thousand and the total cost recognized in the previous periods amounted to PLN 5,613 thousand.

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

	Share options (no. of units)
As of 1 January 2021	334 165
Awarded	-
Non executed	(33 333)
Executed	(48 967)
As of 30 June 2021	251 865
Including the number of options vested as of the balance sheet date	130 061

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

24. LOANS AND LEASES

(PLN'000)	As of 30 June 2021	As of 31 December 2020
Long-term		
Bank loans	217 154	320 762
A liability for the right of use buildings	51 637	57 848
Finance lease	485	857
	269 274	379 467
Short-term		
Bank loans	24 780	34 604
Other borrowings	15 058	-
A liability for the right of use buildings	12 925	13 519
Finance lease	785	1 094
	53 548	49 217
Total	322 822	428 684

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, Powszechna Kasa Oszczędności Bank Polski SA and ING Bank SA;
- financing current activities and a revolving facility up to PLN 30 million.

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

The refinancing was concluded on 17 April 2020.

The debt repayment as per original agreement was 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 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 Credit Facilities Agreement.

On 28 June 2021, the Group made an early repayment of PLN 100 million of the loan (PLN 34 million in Tranche A and PLN 66 million in Tranche B). Until 30 June 2021, the total value of the repaid capital was PLN 113.8 million.

Until 30 June 2021, the Group used a total of PLN 13,467 thousand of the new CAPEX tranche to finance the acquisition of minority shares in Nocowanie.pl Sp. z o.o. in 2020.

As at 30 June 2021, 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.

The Lenders receivables under the Credit Facilities Agreement are 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, Digitics S.A, Homebook Sp. z o.o. and Extradom Sp. z o.o.;
- registered pledges over set of assets and rights of the Company, WPM, Totalmoney.pl sp. z o.o., Domodi sp. z o.o., Wakacje.pl SA, Homebook Sp. z o.o. and Extradom Sp. z o.o.;
- 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, Homebook Sp. z o.o. and Extradom Sp. z o.o. 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. Homebook Sp. z o.o., Extradom 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.

Management Board monitors the financial ratios defined in the loan agreement on an ongoing basis. The loan agreement obliges the Group, inter alia, to maintain the financial leverage ratio calculated as the ratio of net debt to normalized EBITDA below the level specified in the agreement. As of the date of the preparation of this report, this ratio was satisfactory and there were no indications of a risk of not complying with the requirements concerning its value as defined in the loan agreement.

Other loans

On 17 March 2021, Wakacje.pl S.A. signed a preferential loan agreement with Polski Fundusz Rozwoju S.A. ("PFR") under the PFR Financial Shield program for Large Companies. The loan amounts to PLN 18.8 million. PFR may, at the borrower's request, write off the obligation in an amount corresponding to a maximum of 75% of the value of the loan granted. The decision to write off will be made no later than by the end of October 2021.

The loan granted is secured by Wirtualna Polska Holding S.A. The loan was granted for the period until June 30, 2022, and may be repaid at any time without additional costs.

By 30 June 2021 Wakacje.pl S.A. repaid PLN 3.8 million of the loan.

Liabilities related to the right to use of the buildings

The Group, as a lessee, recognizes all identified contracts in accordance with one model where the statement of financial position recognizes the asset for the right to use the leased asset in correspondence with the liability resulting from the lease contracts.

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.

I Lease liabilities related to right to use of the buildings

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.

25. PROVISIONS

The following table presents the composition of provisions as of 30 June 2021 and 31 December 2020.

(PLN'000)	As of 30 June 2021	As of 31 December 2020
Provision for employee benefits	7 323	5 430
provision for pension benefits	580	580
holiday pay provision	6 743	4 850
Other provisions, including:	858	1 065
Provisions for litigation	858	1 065
Other	-	-
Total	8 181	6 495

26. TRADE AND OTHER PAYABLES

The following table presents the structure of trade and other payables as of 30 June 2021 and 31 December 2020:

(PLN'000)	As of 30 June 2021	As of 31 December 2020
Long-term		
Liabilities related to business combinations	6 969	9 742
Liabilities with respect to the put option for non-controlling interests	-	7 704
Liabilities in respect of purchase of property, plant and equipment and intangible assets	4 999	6 576
	11 968	24 022
Short-term		
Trade payables	69 562	46 006
Contingent liabilities related to business combinations	4 100	7 100
Liabilities related to business combinations	2 857	2 318
Liabilities with respect to the put option for non-controlling interests	7 901	9 039
Contract and refund liabilities	40 438	44 482
State liabilities	8 768	12 248
Barter liabilities	3 040	2 414
Wages and salaries payables	13 857	13 497
Liabilities in respect of purchase of property, plant and equipment and intangible assets	5 667	6 839
Other	14 222	10 647
	170 412	154 590

Liabilities with respect to the put option for non-controlling interests

The subsidiary ,Wirtualna Polska Media SA, is a party to an agreement with a minority shareholder in Nocowanie.pl Sp. z o.o. concerning the terms of exercising the option to buy and sell minority shares

The agreement effective as of March 31, 2021 provides for the right to buy out minority shares in tranches:

- 8.75% of shares after the end of the financial year 2020;
- 6.25% of shares after the end of the financial year 2021, in one of the ten 14-day call option windows occurring every six months from August 1, 2021 to February 14, 2026. At the same time, the agreement provides for the right to sell the shares by the minority shareholder in one of the ten fourteen-day put option windows occurring every six months from August 15, 2021 to February 28, 2026.

On 18 June 2021 the Group exercised the first option to purchase 8.75% of shares in Nocowanie.pl. The exercise price amounted to PLN 9,331 thousand.

The total estimated value of the liability as of 30 June 2021 was PLN 7,899 thousand. The liability has been presented as short-term, based on the planned transaction completion date.

Contingent liabilities related to business combinations

Pursuant to the investment agreement concluded between the Group and the minority shareholders of Superauto24.com, the minority shareholders are entitled to additional remuneration ("earn-out") provided the financial targets for 2020 specified in the agreement are reached.

Based on the results achieved by Superauto24.com for 2020, the Group valued the remuneration liability for PLN 10,100 thousand. As of 30 June 2021, the liability in this respect amounts to PLN 4,100 thousand, as the advance payments were made on 12 November 2020 and 31 March 2021 in the total amount of PLN 6,000 thousand.

The total repayment took place on 8 July 2021.

Furthermore, the Group is entitled to purchase the remaining shares of Superauto24.com on the following conditions:

- in the period from 1 January 2023 to 31 December 31 - up to 60% of shares held by each of the seller at the time of submitting the statement on exercising the option by the WPH;
- in the period from 1 January 2024 to 31 December 2030 - all remaining shares held by each of the seller at the time of submitting the statement on the exercise of the option in the period from 2024 to 2030.

The purchase price will be calculated by multiplying the EBITDA of the individual business lines of Superauto24.com and the multipliers specified in the contract, which, in the Group's opinion, will reflect the market value of the acquired shares.

27. 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 decreased by PLN 207 thousand.

28. 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 2021.

(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	-	16 634	-	16 634
Contingent liabilities related to business combinations	-	-	(4 100)	(4 100)

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 2021

PLN'000	Contingent liabilities related to business combinations	
	As of 30 June 2021	As of 31 December 2020
At the beginning of the period	7 100	4 069
Revaluation earn-out liability - Superauto24.com Sp. z o.o.	-	4 941
Advance payment on account of earn-out Superauto24.com Sp. z o.o.	(3 000)	(3 000)
Earn-out repayment - Allani Sp. z o.o.	-	(72)
Gains and losses recognized in the financial result	-	1 162
At the end of the period	4 100	7 100

29. 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 2021, 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 had swap instruments to economically hedge against interest rate risk arising from loan agreements concluded. In connection with the loan agreement signed on 12 December 2017, the Group terminated IRS transactions and as at 30 June 2021, 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 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 2021	As of 31 December 2020
Banks with high rating	114 667	188 255
Total cash at banks	114 667	188 255

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 6 months ending 30 June 2021 and 2020 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 2.4 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.

30. RELATED PARTY DISCLOSURES

As of 30 June 2021 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 Świdorski, 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.

(PLN'000)	Six months ending 30 June 2021	Six months ending 30 June 2020
Purchases		
Subsidiary of a member of the Management and Supervisory Board of the Parent Company	169	115
Total	169	115
Sales		
Associate	48	-
Total	48	-
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 2021	As of 31 December 2020
Liabilities		
Subsidiary of a member of the Management or Supervisory Board of the Parent Company	-	-
Total	-	-
Receivables		
Subsidiary of a member of the Supervisory Board of the Parent Company	19	-
Total	19	-
Loans granted:		
Associate	-	-
Total	-	-

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

(PLN'000)	Six months ending 30 June 2021	Six months ending 30 June 2020
Short-term employee benefits (salaries and mark-ups)	3 878	2 638
Stock-based incentive scheme	636	318
Total	4 514	2 956

31. EXPLANATIONS TO THE CASH FLOW STATEMENT

(PLN'000)	Six months ending 30 June 2021	Six months ending 30 June 2020
Change in receivables and other short-term assets arises from the following items:	(5 505)	53 955
Change in receivables and other short-term assets per balance sheet	(5 049)	49 543
Change in long-term receivables per balance sheet	(585)	(52)
Change in assets relating to financial activities	130	4 068
Change in income tax receivables	-	547
Other	(1)	(151)
Change in short-term liabilities arises from the following items:	20 695	(15 055)
Change in short-term liabilities per balance sheet	7 923	(26 890)
Adjustment for a change in investment liabilities	12 669	11 705
Change in long-term deferred income	-	(155)
Change in liabilities in respect of financial activities	98	285
Other	5	-

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.

32. 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. Homebook Sp. z o.o., Extradom 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.

33. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Acquisition of a solar farm

On 2 July 2021 Wirtualna Polska Media S.A. concluded with two natural persons a shares purchase agreement in a special purpose vehicle that owns a solar farm located in Lower Silesia with a total capacity of 3 MW, occupying over 5 ha. On the basis of the above-mentioned agreement, WPM will acquire 200 shares in the share capital of SPV, representing in total 100% of votes at the meeting of shareholders of SPV.

Additionally, as part of the above-mentioned agreement, WPM undertook to enter into the creditor's rights under the loan agreements granted to the SPV by the current shareholder and to repay to him the amounts due under the above-mentioned agreements

The total value of the Transaction, including the payment of the sale price and the repayment of the receivables of the above-mentioned loan agreements will amount to approximately PLN 12.4 million. The rights to shares was transferred upon payment of the sale price.

The transaction is another step in the implementation of the climate neutrality strategy adopted by the WPH capital group, assuming that from 2023 all data centers used by entities from the WPH capital group will be zero-emission.

Apart from the information described above there were no other significant events after balance sheet date.

34. SELECTED CONSOLIDATED FINANCIAL DATA CONVERTED INTO EUR

Consolidated income statement and other comprehensive income

	Six months ending 30 June 2021	Six months ending 30 June 2020	Six months ending 30 June 2021	Six months ending 30 June 2020
	PLN'000		EUR'000	
Online Segment				
Sales	383 865	249 429	84 418	56 161
Cash sales	374 159	242 753	82 283	54 658
Adjusted EBITDA (IFRS 16)	137 435	80 725	30 224	18 176
EBITDA (IFRS 16)	132 175	72 847	29 067	16 402

	Six months ending 30 June 2021	Six months ending 30 June 2020	Six months ending 30 June 2021	Six months ending 30 June 2020
	PLN'000		EUR'000	
TV segment				
Sales	13 248	11 398	2 913	2 566
Cash sales	13 248	11 398	2 913	2 566
Adjusted EBITDA (IFRS 16)	479	(786)	105	(177)
EBITDA (IFRS 16)	479	(786)	105	(177)

	Six months ending 30 June 2021	Six months ending 30 June 2020	Six months ending 30 June 2021	Six months ending 30 June 2020
	PLN'000		EUR'000	
Segments total				
Sales	397 113	260 827	87 331	58 728
Cash sales	387 407	254 151	85 197	57 224
Adjusted EBITDA (IFRS 16)	137 914	79 939	30 329	17 999
EBITDA (IFRS 16)	132 654	72 061	29 173	16 225
Amortization and depreciation	(39 400)	(41 128)	(8 665)	(9 260)
Operating profit	93 254	30 933	20 508	6 965
Result on financial activities	(4 684)	(10 270)	(1 030)	(2 312)
Profit before tax	88 570	20 663	19 478	4 652
Net profit	69 995	15 092	15 393	3 398

Consolidated statement of financial position

	As of		As of	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
	PLN'000		EUR'000	
TOTAL ASSETS	1 181 346	1 243 833	261 313	269 531
Non-current assets	892 422	887 333	197 404	192 280
Current assets	288 924	356 500	63 910	77 251
Long-term liabilities	320 601	435 538	70 917	94 379
Short-term liabilities	235 038	210 601	51 990	45 636
Equity	625 707	597 694	138 406	129 517
Share capital	1 461	1 457	323	316
Non-controlling interests	12 519	11 036	2 769	2 391

Consolidated cash flow statement

	Six months ending		Six months ending	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	PLN'000		EUR'000	
Net cash flows from operating activities	140 572	106 833	30 914	24 054
Net cash flows from investing activities	(51 694)	(41 381)	(11 368)	(9 317)
Net cash flows from financing activities	(162 662)	(18 685)	(35 772)	(4 207)
Total net cash flows	(73 784)	46 767	(16 226)	10 530

Conversion into euro was performed based on the following principles:

- amounts presented in zloty as of 30 June 2021 were converted into euro at the exchange rate of 4.5208 (the NBP exchange rate as of 30 June 2021),
- amounts presented in zloty as of 31 December 2020 were converted into euro at the exchange rate of 4.6148 (the NBP exchange rate as of 31 December 2020),
- amounts presented in zloty for the period of six months ending 30 June 2021 were converted into euro at the exchange rate of 4.5472 (the arithmetic mean of the NBP exchange rates as of the last day of each month of the two quarters of 2021),
- 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 two quarters of 2020).

35. 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.



Condensed interim standalone financial statements

for the period of 3 and 6 months ending 30 June 2021

INTERIM STANDALONE STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME

PLN'000	Note	Six months ending 30 June 2021	Six months ending 30 June 2020	Three months ending 30 June 2021*	Three months ending 30 June 2020*
Sales		-	-	-	-
Amortization and depreciation		(2)	(6)	(1)	(3)
Materials and energy used		(14)	(12)	(7)	(6)
Costs of the employee option scheme		(636)	(318)	(318)	(159)
Other external services		(498)	(1 023)	(249)	(666)
Other salary and employee benefit expenses		(1 738)	(395)	(1 011)	317
Other operating expenses		(430)	(120)	(346)	(46)
Other operating income		(24 197)	-	(24 197)	-
Dividends received		53	-	-	-
Impairment of shares held in subsidiaries		90 000	-	90 000	-
Income (loss) on operating activity		62 538	(1 874)	63 871	(562)
Finance income	11	3 035	2 452	1 473	1 413
Finance costs	11	(837)	(4 216)	(149)	(968)
Revaluation of commitments to purchase non-controlling interests and other liabilities on business combinations		-	-	-	-
Profit before tax		64 736	(3 638)	65 195	(117)
Income tax		-	-	-	-
Net profit		64 736	(3 638)	65 195	(117)
Other comprehensive income (loss)		-	-	-	-
Comprehensive income		64 736	(3 638)	65 195	(117)

*Financial information not reviewed by auditor

INTERIM STANDALONE STATEMENT OF FINANCIAL POSITION

PLN'000	Note	As of 30 June 2021	As of 31 December 2020
Non-current assets			
Property, plant and equipment		3	4
Intangible assets		-	-
Investments in subsidiaries and related companies	8	372 899	396 828
Loans granted	8	60 136	64 625
Deferred tax assets		-	-
		433 038	461 457
Current assets			
Trade and other receivables		2 391	180
Cash and cash equivalents		9 981	3 352
		12 372	3 532
TOTAL ASSETS		445 410	464 989
Equity			
Share capital	9	1 461	1 457
Supplementary capital		326 606	324 485
Other reserves		13 731	12 539
Retained earnings		64 913	45 476
		406 711	383 957
Long-term liabilities			
Loans and leasing	10	20 528	53 358
Other long-term liabilities		6 969	9 729
Deferred tax liabilities		-	-
		27 497	63 087
Short-term liabilities			
Loans and leasing	10	2 368	5 899
Trade and other payables		8 834	12 035
Current income tax liabilities		-	11
		11 202	17 945
TOTAL EQUITY AND LIABILITIES		445 410	464 989

INTERIM STANDALONE STATEMENT OF CHANGES IN EQUITY

PLN'000	Share capital	Supplementary capital	Other reserves	Retained earnings	Equity
Equity as of 1 January 2021	1 457	324 485	12 539	45 476	383 957
Net profit	-	-	-	64 736	64 736
Total comprehensive income	-	-	-	64 736	64 736
Share capital increase	4	2 121	-	-	2 125
Incentive scheme - share-based payments	-	-	1 192	-	1 192
Dividend paid	-	-	-	(45 300)	(45 300)
Equity as of 30 June 2021	1 461	326 606	13 731	64 913	406 711

PLN'000	Share capital	Supplementary capital	Other reserves	Retained earnings	Equity
Equity as of 1 January 2020	1 451	321 969	10 432	86 445	420 297
Net profit	-	-	-	(40 968)	(40 968)
Total comprehensive income	-	-	-	(40 968)	(40 968)
Share capital increase	6	2 516	-	-	2 522
Incentive scheme - share-based payments	-	-	2 107	-	2 107
Dividend paid	-	-	-	-	-
Equity as of 31 December 2020	1 457	324 485	12 539	45 476	383 957

PLN'000	Share capital	Supplementary capital	Other reserves	Retained earnings	Equity
Equity as of 1 January 2020	1 451	321 969	10 432	86 445	420 297
Net profit	-	-	-	(3 638)	(3 520)
Total comprehensive income	-	-	-	(3 638)	(3 638)
Share capital increase	3	1 489	-	-	1 492
Incentive scheme - share-based payments	-	-	1 094	-	1 094
Dividend paid	-	-	-	-	-
Equity as of 30 June 2020	1 454	323 458	11 526	82 806	419 244

INTERIM STANDALONE CASH FLOW STATEMENT

PLN'000	Note	Six months ending 30 June 2021	Six months ending 30 June 2020
Cash flows from operating activities			
Profit before tax		64 736	(3 638)
Adjustments for:		22 921	2 088
Amortization and depreciation		2	6
Impairment of investment in subsidiaries		24 197	-
Finance income and cost		(2 198)	1 764
Costs of the employee option scheme		636	318
Other adjustments		284	-
Changes in working capital		(774)	(1 087)
Change in trade and other receivables	12	(28)	(6)
Change in trade and other payables	12	(746)	(1 081)
Income tax paid		(11)	-
Income tax refunded		-	-
Net cash flows from operating activities		86 872	(2 637)
Cash flows from investing activities			
Purchase of intangible assets and property, plant and equipment		-	(7)
Repayment of loans granted		4 500	4 100
Repayment of interest on loans granted		840	1 295
Repayment of investment liability		(5 450)	(2 558)
Net cash flows from investing activities		(110)	2 830
Net cash flows from financing activities			
Payments due to share capital increase		2 126	1 238
Repayment of bank commissions		-	(830)
Interest paid		(582)	(940)
Repayment of bank loans		(36 378)	-
Dividends paid		(45 300)	-
Net cash flows from financing activities		(80 133)	(532)
Total net cash flows		6 629	(339)
Cash and cash equivalents at the beginning of the period		3 352	1 286
Cash and cash equivalents at the end of the period		9 981	947

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 2021 are consistent with those used in the standalone financial statements for the year ending 31 December 2020.

The financial statements for the year ending 31 December 2020 have been prepared in accordance with IFRS standards which are binding in the European Union in the financial year ending 31 December 2020.

Standalone statement of financial position as of 30 June 2021, standalone income statement and other comprehensive income, standalone cash flow statement and standalone statement of changes in equity for six months ending 30 June 2021 was not audited. Standalone financial statements as of 31 December 2020 and for twelve months ending 31 December 2020 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 2020.

The Company as a Parent Company prepared condensed interim consolidated financial statements which were approved by the Management Board on 23 August 2021. These financial statements should be read in conjunction with the consolidated financial statements.

2.1. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

In these financial statements, the following standards, which came into force on 1 January 2021, were applied for the first time:

- Amendment to IFRS 16 “Leases”: “Rent concessions related to Covid-19”. The change is effective for annual periods beginning on or after June 1, 2020.
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: “Interest rate benchmark reform _ Phase 2”. The amendments apply to annual periods beginning on or after 1 January 2021.
- Amendments to IFRS 4 “Insurance Contracts” - deferment of the application of IFRS 9 “Financial Instruments”. The amendments apply to annual periods beginning on or after 1 January 2021.

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 23 August 2021.

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 2020.

(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 2021 to 30 June 2021 the Company decreased its allowances for loans granted by PLN 12 thousand. At the same time, the Management Board of the Company identified premises for impairment of investments in subsidiaries, Domodi Sp. z o.o. and Homebook Sp. z o.o. Details of the tests performed are described in note 8. There were no indications of impairment of investments in other subsidiaries.

6. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

In the period from 1 January 2021 to 30 June 2021 the Company the Company's did not purchase any property, plant and equipment or intangible assets.

7. RELATED PARTY DISCLOSURES

. The following transactions were concluded with related entities.

(PLN'000)	Six months ending 30 June 2021	Six months ending 30 June 2020
Purchases:		
Subsidiaries	167	95
Total	167	95
Other income		
Subsidiaries	53	-
Total	53	-
Interest income, guarantees, dividends and reversals of impairment losses on loans granted:		
Subsidiaries	93 023	2 440
Total	93 023	2 440
Guarantee costs:		
Subsidiaries	148	503
Total	148	503

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

(w tys. zł)	As of 30 June 2021	As of 31 December 2020
Loans granted:		
Subsidiaries	62 476	64 793
Total	62 476	64 793
Liabilities:		
Subsidiaries	222	33
Total	222	33

The table below presents the remuneration payable or paid to the Members of the Management and Supervisory Board.

(PLN'000)	Six months ending 30 June 2021	Six months ending 30 June 2020
Short-term employee benefits (salaries and mark-ups)	1 738	712
Stock-based incentive scheme	636	159
Total	2 374	871

8. OTHER FINANCIAL ASSETS

Shares

As of 30 June 2021 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.	210 016	-	210 016	100%	100%
Domodi Sp. z o.o.	57 440	(33 876)	23 564	49%	49%
Homebook Sp. z o.o.	62 930	(37 113)	25 817	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 S.A.	7 240	-	7 240	13%	13%
Digitics S.A.	5 000	-	5 000	20%	20%
OPEN FM Sp. z o.o.	5	-	5	100%	100%
As of 30 June 2021	443 890	(70 989)	372 899		

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.	207 022	-	207 022	100%	100%
Domodi Sp. z o.o.	120 331	(46 792)	73 539	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 S.A.	7 527	-	7 527	13%	13%
Digitics S.A.	5 000	-	5 000	20%	20%
WPZ Sp. z o.o.	2 477	-	2 477	100%	100%
OPEN FM Sp. z o.o.	5	-	5	100%	100%
As of 31 December 2020	443 621	(46 792)	396 829		

The Management Board analyzed the existence of premises for 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, there are no premises for impairment of these shares in the opinion of the Management Board.

Impairment of Domodi Sp. z o.o. and Homebook Sp. z o.o.

As of 1 January 2021, the net value of Domodi shares amounted to PLN 73.5 million: PLN 120.4 million of purchase price, less the write-down created in 2019 and 2020 in the amount of PLN 46,8 million.

On 31 May 2021 Domodi Sp. z o.o. was divided into Domodi Sp. z o.o. and newly formed Homebook Sp. z o.o. Following the division, the current value of the investment disclosed in the separate financial statements was allocated to the companies Domodi Sp. z o.o. and Homebook Sp. z o.o.:

- The value of shares in Homebook Sp. z o.o. amounted to PLN 62.9 million, less PLN 24.5 million of write-offs created.
- The value of shares in Domodi Sp. z o.o. amounted to PLN 57.4 million, less PLN 22.3 million of write-offs created.

The Management Board of Wirtualna Polska Holding, in the process of preparing the separate financial statements, verified the valuation of financial assets based on long-term financial forecasts, the possible residual value of assets and a review of other assumptions adopted in the asset valuation models.

The conducted analysis showed the necessity to adjust the valuation of shares in Domodi Sp. z o.o. and Homebook Sp. z o.o.

The recoverable amount of shares held by WPH in Domodi and Homebook, estimated as of 30 June 2021 in accordance with the financial forecasts of the companies held by the Management Board, amounted to PLN 48 million and PLN 52.7 million, respectively. This resulted in the need to recognize additional write-offs of PLN 16.3 million and PLN 7.9 million, respectively in Domodi and Homebook. The write-off is recognized only in standalone financial statement of Wirtualna Polska Holding SA.

The write-off is of non-cash and does not affect the current financial situation of the Company and the Capital Group. The recognition of an impairment loss in the standalone financial statements of WPH did not affect the consolidated financial statements of the Capital Group. The estimated value in use exceeds the value of the net assets of Domodi and Homebook disclosed in the consolidated financial statements.

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.

The cash flow projections have been prepared on the basis of the current estimates for the second half of 2021, past results and the Management Board's forecasts for the development of the market in the following years of a detailed forecast 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 rate of cash flow growth in the residual period, exceeding the period of the detailed forecast, at the NBP inflation target of 2.5% was adopted. The pre-tax discount rate was estimated on the basis of macroeconomic and market data.

The forecasts for the Domodi Group (domodi.pl and allani.pl) assume that the share in the fashion market in the Internet channel will be maintained, which translates into an increase in revenues at the level of the dynamics of the e-commerce market. The currently implemented strategy assumes a gradual improvement in margins, taking into account, however, strong competitive pressure.

In the case of the Homebook company, significant sales increases are forecast, related to both favorable market trends and the expansion of the range of services offered, which should translate into double-digit percent average annual revenue growth in the following years, in line with the expectations regarding the ongoing digitization in the "home and garden" trade category. However, due to the verification of the assumptions of the adopted strategy, the sales dynamics was adjusted to adopt a more conservative scenario of the company's development.

Loans granted

In the two quarters of 2021, the subsidiary Wirtualna Polska Media SA repaid PLN 4,500 thousand of the capital part of loan and PLN 813 thousand of interests. Totalmoney.pl Sp. z o.o. repaid the accrued interest on the loan in the amount of PLN 13 thousand.

In the analysed period, the write-off for potential credit risk on loans granted decreased by PLN 27 thousand.

9. SHARE CAPITAL

Detailed information about the structure and changes in Company's equity and dividend declared is presented in Note 22 to the condensed consolidated interim financial statements.

10. LOANS GRANTED

(PLN'000)	As of 30 June 2021	As of 31 December 2020
Long-term		
Bank loans	20 528	53 358
	20 528	53 358
Short-term		
Bank loans	2 368	5 899
Total	2 368	5 899

On 25 February 2020, the Company and Wirtualna Polska Media SA as borrowers, entered into a 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 Credit Facilities Agreement.

On 28 June 2021, the Company made an early repayment of PLN 34 million of the loan. Until 30 June 2021, the total value of the repaid capital was PLN 36.4 million.

As at 30 June 2021, 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.

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

11. FINANCE INCOME AND COST

Following tables present financial income and cost for the period of 6 months ending 30 June 2021.

(PLN'000)	Six months ending 30 June 2021	Six months ending 30 June 2020
Interest income on loans granted	840	1 287
Interest income on cash at banks	-	9
Income from guarantees	2 183	1 145
Other	12	11
Total	3 035	2 452

(PLN'000)	Six months ending 30 June 2021	Six months ending 30 June 2020
Interest and commissions	689	2 245
Reversal of the discount from contingent liabilities due to the acquisition of a subsidiary	-	399
Impairment losses on financial assets	-	1 069
Interest and guarantees costs	148	503
Total	837	4 216

12. EXPLANATIONS TO THE CASH FLOW STATEMENT

(PLN'000)	Six months ending 30 June 2021	Six months ending 30 June 2020
Change in receivables and short-term assets arises from the following items:	(28)	(6)
Change in trade receivables and other receivables per balance sheet	(2 211)	(1 151)
Guarantees granted	2 183	1 145
Change in short-term liabilities arises from the following items:	(746)	(1 081)
Change in trade liabilities, accruals, operating provisions and other long-term liabilities per balance sheet	(3 201)	(919)
Adjustment for a change in investment liabilities	2 602	227
Change in liabilities in respect of financing activities	(148)	(388)
Other	1	(1)

13. IMPACT OF COVID-19 EPIDEMIC ON COMPANY OPERATIONS

Since 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, 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 8 to the condensed interim financial statements.

14. EVENTS AFTER THE BALANCE SHEET DATE

Besides the events described in note 33 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

	Six months ending 30 June 2021	Six months ending 30 June 2020	Six months ending 30 June 2021	Six months ending 30 June 2020
	PLN'000		EUR'000	
Sales	-	-	-	-
Loss on operating activity	87 022	(1 874)	19 137	(422)
Profit before tax	64 736	(3 638)	14 236	(819)
Net profit	64 736	(3 638)	14 236	(819)

Statement of financial position

	As of 30 June 2021	As of 31 December 2020	As of 30 June 2021	As of 31 December 2020
	PLN'000		EUR'000	
Non-current assets	445 410	464 989	98 525	100 760
Current assets	433 038	461 457	95 788	99 995
Long-term liabilities	12 372	3 532	2 737	765
Short-term liabilities	27 497	63 087	6 082	13 671
Equity	11 202	17 945	2 478	3 889
Share capital	406 711	383 957	89 964	83 201
Non-current assets	1 461	1 457	323	316

Statement of cash flows

	Six months ending 30 June 2021	Six months ending 30 June 2020	Six months ending 30 June 2021	Six months ending 30 June 2020
	PLN'000		EUR'000	
Net cash flows from operating activities	86 872	(2 637)	19 105	(594)
Net cash flows from investing activities	(110)	2 830	(24)	637
Net cash flows from financing activities	(80 133)	(532)	(17 622)	(120)
Total net cash flows	6 629	(339)	1 458	(76)
				78

Conversion into euro was performed based on the following principles:

- amounts presented in zloty as of 30 June 2021 were converted into euro at the exchange rate of 4.5208 (the NBP exchange rate as of 30 June 2021).
- amounts presented in zloty as of 31 December 2020 were converted into euro at the exchange rate of 4.6148 (the NBP exchange rate as of 31 December 2020).
- amounts presented in zloty for the period of six months ending 30 June 2021 were converted into euro at the exchange rate of 4.5472 (the arithmetic mean of the NBP exchange rates as of the last day of each month of the two quarters of 2021).
- 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 two quarters of 2020).