Consolidated financial statements of Wirtualna Polska Capital Group

for the year ending 31 December 2020

CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

PLN'000	Note	Twelve months ending 31 December 2020	Twelve months ending 31 December 2019
Sales	10	632 286	708 700
Cost of goods sold		(53 104)	(32 050)
Result on sales		**579 182**	**676 650**
Amortization and depreciation		(85 283)	(84 438)
Materials and energy used		(5 344)	(6 341)
Costs of the employee option scheme	31	(2 361)	(2 376)
Other external services		(156 946)	(238 088)
Other salary and employee benefit expenses		(198 259)	(200 358)
Other operating expenses	15	(16 825)	(16 844)
Other operating income/gains	14	7 547	1 740
Operating profit		**121 711**	**129 945**
Finance income	16	1 336	2 883
Finance costs	17	(32 850)	(19 677)
Revaluation of commitments to purchase non-controlling interests and other liabilities on business combinations	18	4 125	(12 221)
Share in profits of investments accounted for using the equity method		(2 923)	(2 077)
Profit before tax		**91 399**	**98 853**
Income tax	19	(9 700)	(27 721)
Profit from continuing operations		**81 699**	**71 132**
Profit from discontinued operations			
Net profit		**81 699**	**71 132**
Other comprehensive income/(losses) re-classifiable to profit and loss:	32	**(86)**	**165**
The effective part of gains and losses on the cash flow hedges		(86)	165
Other comprehensive income/(losses) non re-classifiable to profit and loss		**60**	**(73)**
Income/(losses) on revaluation of defined benefit plans		60	(73)
Comprehensive income		**81 673**	**71 224**
Net profit attributable to:			
Equity holders of the Parent Company		78 520	68 998
Non-controlling interests		3 179	2 134
Comprehensive income attributable to:			
Equity holders of the Parent Company		78 494	69 090
Non-controlling interests		3 179	2 134

EARNINGS PER SHARE

PLN	Note	Twelve months ending 31 December 2020	Twelve months ending 31 December 2019
Net profit per share (in PLN)			
Basic, including	20	2,81	2,45
from continued operations		2,81	2,45
from discontinued operations		-	-
Diluted, including:	20	2,78	2,43
from continued operations		2,78	2,43
from discontinued operations		-	-

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

PLN'000	Note	As of 31 December 2020	As of 31 December 2019
Non-current assets			
Property, plant and equipment	21,22	106 898	106 477
Goodwill	23,24	364 254	364 254
Intangible assets	23	394 900	402 188
Non-current programming assets	26	8 512	5 805
Investments accounted for using the equity method	28	-	2 923
Long-term receivables		201	208
Other financial assets	27	10 005	26 727
Deferred tax assets	19	2 563	555
Total non-current assets		**887 333**	**909 137**
Current assets			
Current programming assets	26	540	1 270
Trade and other receivables	29	156 382	155 577
Current tax assets		4 722	3 584
Inventories		6 801	1 572
Cash and cash equivalents	41	188 255	73 929
Current assets other than assets classified as held for sale		**356 500**	**235 932**
Fixed assets held for sale		-	-
Total current assets		**356 500**	**235 932**
TOTAL ASSETS		**1 243 833**	**1 145 069**
Equity			
Equity attributable to equity holders of the Parent Company			
Share capital	30	1 457	1 451
Supplementary capital		324 485	321 969
Other reserves		5 590	(997)
Retained earnings		255 126	178 458
Equity attributable to equity holders of the Parent Company		**586 658**	**500 881**
Non-controlling interests	33	**11 036**	**12 246**
			-
Equity		**597 694**	**513 127**
Long-term liabilities			
Bank loans and other loans	35	320 762	311 208
Leasing liabilities due to the right of use the assets	35	58 705	46 845
Other long-term liabilities	36	24 022	44 376
Long-term provisions, incl.:		580	482
Provisions of employee benefits		580	482
Deferred tax liabilities	34	31 469	23 676
Total long-term liabilities		**435 538**	**426 587**
Short-term liabilities			
Bank loans and other loans	35	34 604	35 547
Leasing liabilities due to the right of use the assets	35	14 613	14 709
Trade and other payables	37	154 590	148 188
Short-term provisions, incl.:		5 915	4 980
Provisions of employee benefits		4 850	3 874
Other provisions		1 065	1 106
Current tax liabilities		879	1 931
Current liabilities other than liabilities included in disposal groups classified as held for sale		**210 601**	**205 355**
Liabilities included in disposal groups classified as held for sale		-	
Total current liabilities		**210 601**	**205 355**
Total liabilities		**646 139**	**631 942**
TOTAL EQUITY AND LIABILITIES		**1 243 833**	**1 145 069**

Holding SA

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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		-	-	-	78 520	78 520	3 179	81 699
Other comprehensive income	32	-	-	(26)	-	(26)	-	(26)
Total comprehensive income		**-**	**-**	**(26)**	**78 520**	**78 494**	**3 179**	**81 673**
Option scheme	31	6	2 516	2 107		4 629		4 629
Acquisition of non-controlling interests				4 506	(1 852)	2 654	(2 654)	-
Dividend payment for owners of the parent company		-	-	-		-	-	-
Dividends payment for non-controlling shareholders	33	-	-	-	-	-	(1 735)	(1 735)
Acquisition of a subsidiary						-		-
Adjustment of subsidiary purchase price allocation						-		-
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 2019		**1 449**	**320 895**	**(3 719)**	**138 455**	**457 080**	**10 680**	**467 760**
Net profit		-	-	-	68 998	68 998	2 134	71 132
Other comprehensive income		-	-	92	-	92	-	92
Total comprehensive income		**-**	**-**	**92**	**68 998**	**69 090**	**2 134**	**71 224**
Option scheme		2	1 074	2 630	-	3 706	-	3 706
Acquisition of non-controlling interests								
Dividend payment for owners of the parent company		-	-	-	(28 995)	(28 995)	-	(28 995)
Dividends payment for non-controlling shareholders		-	-	-		-	-	-
Acquisition of a subsidiary		-	-	-	-	-	-	-
Adjustment of subsidiary purchase price allocation		-	-	-	-	-	(568)	(568)
Changes in equity		**2**	**1 074**	**2 722**	**40 003**	**43 801**	**1 566**	**45 367**
Equity as of 31 December 2019		**1 451**	**321 969**	**(997)**	**178 458**	**500 881**	**12 246**	**513 127**

The accompanying notes are an integral part of these consolidated financial statements

CONSOLIDATED CASH FLOW STATEMENT

PLN'000	Note	Twelve months ending 31 December 2020	Twelve months ending 31 December 2019
Cash flows from operating activities			
Profit before tax		**91 399**	**98 853**
Adjustments for:		**125 716**	**96 329**
Amortization and depreciation		85 283	84 438
Payments for programming rights		(7 007)	(4 702)
Losses on the sale /liquidation/revaluation of property, plant and equipment and intangible assets		2 958	1 645
Finance costs		32 850	19 677
Share in the profit/loss of investments accounted for using the equity method		2 923	2 077
Financial income on revaluation of other financial assets and investment liabilities		-	(2 372)
Financial income on loan refinancing		(630)	
Revaluation of contingent liabilities arising from business combinations and commitments to purchase non-controlling interests		(4 125)	12 221
Costs of the employee option scheme		2 361	2 376
Other adjustments		(265)	(59)
Changes in working capital			
Change in trade and other receivables	43	6 784	(22 597)
Change in inventory		(5 029)	(595)
Change in trade and other payables	43	8 505	4 665
Change in provisions	43	1 108	(445)
Cash flows used in operations		**217 115**	**195 182**
Income tax paid		(6 687)	(9 235)
Income tax refunded		596	3 039
Net cash flows from operating activities		**211 024**	**188 986**
Cash flows from investing activities			
Sale of intangible assets and property, plant and equipment		755	271
Dividends received		-	56
Purchase of intangible assets and property, plant and equipment		(61 214)	(58 479)
Repayment of liabilities arising from business combinations		(5 630)	(23 140)
Acquisition of subsidiary (less cash acquired)			(14 874)
Loans granted		(3 800)	-
Repayment of loans granted and investment receivables		4 065	-
Acquisition of shares in investments accounted for using the equity method			(5 000)
Acquisition of other financial assets			(7 742)
Other			(239)
Net cash flows from investing activities		**(65 824)**	**(109 147)**
Net cash flows from financing activities			
Payments due to share capital increase		2 268	1 330
Bank loans and other loans received		(13 328)	104
Repayment of finance leases		(14 114)	(9 728)
Exercising of the option to acquire non-controlling interest		(13 467)	-
Repayment of bank commissions		(7 766)	(2 398)
Interest paid	35	(10 144)	(13 850)
Repayment of loans received	35	-	(19 014)
Dividends paid to the shareholders of the parent company			(28 995)
Dividends to non-controlling shareholders		(1 735)	-
Net cash flows from financing activities		**(31 630)**	**(72 551)**
Total net cash flows		**113 570**	**7 288**
Impact of exchange differences on cash and cash equivalents		756	(22)
Change in cash and cash equivalents		**114 326**	**7 266**
Cash and cash equivalents at the beginning of the period		**73 929**	**66 663**
Cash and cash equivalents at the end of the period		**188 255**	**73 929**

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 subsidiaries. Wirtualna Polska Holding SA is the ultimate parent company.

As of 31 December 2019 Wirtualna Polska Holding Capital Group composed of the Parent Company and 12 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 Group operates mainly on the Internet.

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

Both in the current and the previous financial year, the Company and the Group did not change their names.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. The policies were applied in all the periods presented on a consistent basis, unless otherwise stated.

BASIS OF PREPARATION

The consolidated financial statements of the Wirtualna Polska Holding Group have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRS), in order to fulfil the requirements of art. 55 sec.1 of the accounting act dated 29 September 1994 ("Accounting act" – Journals of Laws from 2019, item 351 with later amendments).

These financial statements 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 financial statements have been prepared on the historical cost basis.

The consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern for at least 12 months from the date of preparing these consolidated financial statements.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS

In these consolidated financial statements, the following standards, which came into force on 1 January 200, were applied for the first time:

IFRS 3 "Business Combinations"

As a result of the amendment to IFRS 3, the definition of "a business" was modified. The currently introduced definition has been narrowed down and is likely to result in more acquisitions being classified as acquisitions of assets.

Amendments to IFRS 9, IAS 39 and IFRS 7 related to the IBOR reform

Amendments to IFRS 9, IAS 39 and IFRS 7, published in 2019, modify some of the detailed requirements for hedge accounting, mainly so that the expected reform of the reference rates (IBOR reform) would generally not result in the end of hedge accounting.

IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"

The Council has published a new definition of the term "materiality". Amendments to IAS 1 and IAS 8 clarify the definition of materiality and increase consistency between the standards, but it is not expected that they will have a significant impact on the preparation of financial statements.

Amendments to the Conceptual Framework in IFRS

In 2019, amendments to the IFRS Framework were published, which are effective as of January 1, 2020. The Revised Framework is used by the Board and the Interpretation Committee in developing new standards. Nevertheless, preparers of financial statements may use the Conceptual Framework to develop accounting policies for transactions that are not regulated under current IFRS.

In these consolidated financial statements, the Group decided for no early adoption of any published standards, interpretations or amendments not yet in force.

CONSOLIDATION

SUBSIDIARIES

Subsidiaries are all entities over which the Group exercises control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Consolidation is discontinued from the date control ceases.

The Group accounts for business combinations under the purchase method. The consideration made for acquisition of a subsidiary is the fair value of the assets given to and liabilities incurred towards former owners of the acquiree and equity instruments issued by the Group. The consideration made comprises the fair value of assets or liabilities resulting from contingent consideration arrangements. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Potential contingent consideration to be transferred by the Group is carried at fair value at the acquisition date. Subsequent fair value changes of the contingent consideration, which has been classified as a financial asset or liability, are recognised in accordance with IFRS 9 in equity or in profit or loss. Contingent consideration which classifies as equity is not subject to revaluation and its subsequent payment is accounted for in equity. Identifiable assets and liabilities of an acquiree are measured at fair value at the date of acquiring control. The Group carries non-controlling interests either at fair value or at the proportionate share in fair value of identifiable net assets; the choice is made separately for each acquisition.

The surplus of the sum of the consideration made, the value of all non-controlling interests in the acquiree and the fair value of the previously held equity interests in the acquire as of the date of acquisition, over the fair value of the identifiable net assets acquired is recorded as goodwill. If the entire consideration made, identified non-controlling interests and previously held interests is less than the fair value of the net assets of a subsidiary acquired under a bargain purchase, the difference is recognised directly in profit or loss.

Transaction costs are charged to profit or loss when incurred.

Intragroup transactions and settlements and unrealised gains on transactions concluded between group companies are eliminated. Unrealised losses are also eliminated. Where necessary, the amounts reported by the subsidiaries are adjusted so that they comply with the Group's accounting policies.

NON-CONTROLLING INTERESTS AND TRANSACTIONS WITH NON-CONTROLLING SHAREHOLDERS

Non-controlling interests comprise shares in companies covered by consolidation not owned by the Group. The Group measures all non-controlling interests in an acquiree at the proportionate share (corresponding to the non-controlling interest) in net identifiable assets of the acquiree or at fair value. Non-controlling interests identified in net assets of the consolidated subsidiaries are recorded separately from the ownership interest of the Parent Company in these net assets. Non-controlling interests in net assets include:

(i) the value of non-controlling interests at the initial business combination date, calculated in line with IFRS 3; and

(ii) changes in equity attributable to non-controlling interests starting from the date of the business combination.

Gains and losses and each item of other comprehensive income are attributed to the shareholders of the Parent Company and to non-controlling interests. Total comprehensive income is attributed to the Parent Company's shareholders and to non-controlling interests even if as a result non-controlling interests are negative in value.

Transactions with non-controlling shareholders which do not result in loss of control are shown as equity transactions, i.e. as transactions with owners acting under capital ownership rights. The difference between the fair value of the consideration and the purchased or sold share in the carrying value of the subsidiary's net assets is shown in equity.

ASSOCIATES

Associates are entities on which the Group exerts significant influence but which it does not control, which usually accompanies holding 20% to 50% of the general number of votes in the decision-making body of the entity. Investments in associates are carried under the equity accounting method and initially stated at cost. The Group's share of its associate's post-acquisition profit or loss is recognised in profit or loss. Its share in other comprehensive income is recognised in other comprehensive income, and its share of post-acquisition movements in other capital items is recognised in other reserves. The cumulative post-acquisition movements in these capital items are adjusted against the carrying amount of the investment.

The measurement under the equity accounting method is discontinued on reclassifying an investment as "non-current assets held for sale" in accordance with IFRS 5.

OPERATING SEGMENTS REPORTING

Starting from 2016, after obtaining the final decision of the National Broadcasting Council and launch of work on the television programme in Multiplex 8, the Management Board re-segmented its activities and analyses Group's activity regarding revenue streams and the EBITDA operating result, dividing it 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. Despite the fact that the TV segment did not meet the criteria of IFRS 8 for its separate disclosure, due to the significant difference in its nature, the Management Board decided to present the information about this individual segment starting from 2016.

MEASUREMENT OF ITEMS DENOMINATED IN FOREIGN CURRENCIES

FUNCTIONAL AND PRESENTATION CURRENCIES

The items contained in the financial statements are valued in the currency of the basic economic environment in which the Group's companies conduct operations ("the functional currency"). The financial statements are presented in the Polish zloty (PLN), which is the functional currency of the Parent Company and Group's companies and presentation currency of the Group.

TRANSACTIONS AND BALANCES

Transactions denominated in foreign currencies are converted into the functional currency at the exchange rate as at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment items are measured at cost (cost of purchase or manufacture), less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent outlays are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their initial cost less their residual values over their estimated useful lives, as follows:

	Period:
Buildings, premises and improvements in not-owned fixed assets	1-10 years;
Servers and other devices	3-10 years;
Plant and machinery	2-10 years;
Other property, plant and equipment items	1-10 years;

The useful life estimates and the depreciation method are verified at the end of each financial year.

In the case of the right of use an asset recognized under financial leasing agreements, the depreciation period does not exceed the period for which the contract was concluded.

Finance costs subject to capitalisation are also an element of assets under construction.

Gains and losses on disposal of property, plant and equipment items are determined by comparing sales prices with carrying amounts and recognised in profit or loss in "Other operating income" or "Other operating expenses" respectively.

INTANGIBLE ASSETS

GOODWILL

Goodwill arises in connection with acquisition of businesses. Goodwill is reduced by impairment losses recorded after initial recognition in line with the accounting policy.

COPYRIGHTS

Purchased copyrights relating to the development of the websites operated by the Group are carried at the amounts corresponding to the costs incurred on their purchase. These costs are amortised over the estimated useful lives of 2–10 years. The useful life estimates and amortisation method are verified at the end of each financial year.

COMPUTER SOFTWARE

Purchased computer software (licenses) is recorded at the amount corresponding to the costs incurred on purchase of specific software and its preparation for use. These costs are amortised over the estimated useful lives of 2-5 years. The useful life estimates and amortisation method are verified at the end of each financial year.

TRADEMARKS AND CLIENT RELATIONS AND INTERNET DOMAINS

Identifiable intangible assets obtained under an acquisition transaction are carried at fair value determined on acquisition. Except for a situation in which their indefinite useful life is justified, the initial cost is reduced by amortisation charges. Assets with indefinite useful lives are tested annually for impairment; all intangible assets are tested for impairment when there are indications of impairment.

The useful lives for the individual groups of intangible assets are as follows:

	Period:
Trademarks	2-20 years or indefinite period;
Client relations	2-13 years;
Website services and other intangible assets	4-25 years.

The useful life estimates and amortisation method are verified at the end of each financial year.

OWNERSHIP RIGHTS – INTERNALLY GENERATED DEVELOPMENT PROJECTS

The costs of development projects directly related to designing and testing of identifiable and unique computer software and website services controlled by the Group are recorded as intangible assets when they meet the following criteria:

- technical possibility of completing the software so that it is fit for use;
- management has the intention to complete the software and use or sell it;
- the ability to use or sell the software;
- it is possible to show how the software will generate probable future economic benefits;
- the availability of adequate technical, financial and other means to complete the development and to use or sell the software; and
- the ability to reliably measure the expenditure attributable to the software during its development.

Costs which can be directly attributed and are capitalised comprise the costs of employment related to development of software and website services.

Other expenditure on development which does not meet these criteria is recognised as a cost when incurred. The development expenditure previously recorded as a cost is not capitalised in subsequent periods.

The capitalised costs related to development of software and website services are amortised over their estimated useful lives of 2-5 years.

PROGRAMMING ASSETS

Programming assets include acquired licences for the broadcasting of movies, TV series, television programmes and capitalised production costs with an expected emission period longer than one year.

Programming assets are recognised at the purchase price at the moment when the material is delivered to the Company, it has been verified and is available for its first running. Advance payments for acquired programming assets, prior to the licence start date, are recognised as prepayments for programming assets. Contractual costs are allocated to individual programs within a particular contract. Expenditure such as translation costs or technical costs associated with the materials delivered by the licensor are included in the purchase price of a given programming asset. Contracts for the purchase of programming inventory which are concluded and valid, but which do not meet the criteria for their recognition as assets are not recognised in the balance sheet, but disclosed as future contractual commitments at the amount of liabilities resulting from such contracts and outstanding as of the balance sheet date.

Programming inventory is classified as current or non-current, depending on the licence period. Programming rights with a licence period shorter than 1 year from the balance sheet date are classified as current.

Programming assets are amortised using the method reflecting the manner of consuming the economic benefits embodied in the licenses acquired within their estimated useful lives limited by the term of the respective license agreements. Amortisation starts at the first broadcast and is calculated depending on the number of available showings of the program. If the number of showings is unlimited, the programming rights are amortised on a straight-line basis over the licence period. Amortisation cost is recognised in the income statement in the "Amortisation and depreciation of acquired programming rights" line.

Programming assets are null and void upon the disposal or termination of the licence period. Gains or losses on annulation of an intangible assets are determined at the amount of the difference between net proceeds from the sale of the asset, if any, and the carrying amount of the asset. These are shown in the profit or loss of the period under "Other operating income or expenses".

Expenditure on acquisition of programming rights is presented as operating activities in the cash flow statement.

Programming assets are reviewed for impairment at least annually and whenever there is any indication that the carrying amount may not be recoverable. Impairment write downs are recognised in the amount the balance sheet value exceeds the recoverable value. Impairment losses are recognised on each license in case of withdrawal from broadcasting an item in the expected future and expected future losses anticipated upon disposal of the rights. Impairment write-downs on programming assets are recognised as the cost of the period in which the impairment occurred. Impairment of programming assets is reversed if the reason for the original impairment ceases to exist. The reversals are recorded as cost reductions.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Goodwill and assets with an indefinite useful life are not subject to amortisation but are tested annually for impairment, or more frequently if there are indications of impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purpose of impairment testing, goodwill is allocated to cash-generating units which according to expectations will benefit from the synergies of a business combination. Each CGU or CGU group to which goodwill was allocated represents the lowest level in an entity on which goodwill is monitored for internal management purposes. For the purposes of assessing impairment, other assets are also grouped at the lowest level for which there are highly independent cash flow (cash-generating units).

Impairment occurs when the carrying amount of an asset or CGU exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs of sell and value in use. Impairment losses are allocated first to goodwill attributed to the CGU in respect of which impairment had been identified, and then the remaining amount is allocated to other assets based on relative carrying amounts.

Non-financial assets (other than goodwill) which were previously impaired are assessed at each balance sheet date for indications of a possibility of reversing the impairment write-downs recorded.

FINANCIAL ASSETS

The Group has financial assets belonging to the following categories:

- financial assets at amortized cost;
- financial assets at fair value through profit or loss;
- financial assets at fair value through other comprehensive income.

The classification depends on the financial asset management model adopted by the Group and the contractual terms of cash flows. The Group reclassifies investments in debt instruments only when the management model of those assets changes.

- **Financial assets at amortized cost**

A financial asset is classified as measured at amortized cost if the following two conditions are met:

- assets are maintained as part of a business model whose purpose is to maintain assets in order to obtain cash flows resulting from the contract;
- its contractual terms give rise to cash flows at specified times, only repayment of principal and interest on the principal outstanding ('SPPI').

The Group assesses whether the classification test according to IFRS 9, so-called SPPI test - i.e. checking if payments for receivables represent only repayment of principal and interest.
If the test is satisfied, the Group measures the asset at amortized cost. To the category of financial assets measured at amortized cost, the Group counts cash and cash equivalents, loans granted, trade receivables and other receivables.

- **Financial assets at fair value through other comprehensive income**

Financial assets from which the flows constitute only the repayment of principal and interest, and which are maintained in order to collect contractual and sales payments, are valued at fair value through other comprehensive income. Changes in the carrying amount are recognized in other comprehensive income, except for profits and losses due to impairment, interest income and foreign exchange differences that are recognized in profit or loss. In the case of cessation of the recognition of a financial asset, the total profit or loss previously recognized in other comprehensive income is transferred from equity to the financial result and recognized as other gains / losses.

- **Financial assets at fair value through profit or loss**

Assets that do not meet the measurement criteria at amortized cost or at fair value through other comprehensive income are measured at fair value through profit or loss.

IMPAIRMENT OF FINANCIAL ASSETS

The Group's policy regarding the impairment of financial assets is in line with the requirements of IFRS 9, which requires estimation of the expected loss, regardless of whether or not there were any reasons to create such a write-off. The standard provides for a 3-stage classification of financial assets in terms of their impairment:

(i) the first degree of risk, i.e. balances for which there has been no significant increase in credit risk since the initial recognition and for which the expected loss is determined based on the probability of default within 12 months;
(ii) second degree of risk - balances for which there has been a significant increase in credit risk since the initial recognition and for which an expected loss is determined based on the probability of default throughout the entire loan period;
(iii) the third degree of risk - the balance with the identified impairment.

With respect to trade receivables that do not contain a material funding factor, the standard requires a simplified approach and valuation of an allowance based on expected credit losses for the entire life of the instrument. The Group has no trade receivables that would have an important financing factor, therefore it classified its trade receivables only to the second risk group and receivables with an identified impairment to the third risk group.

The Group performed a portfolio analysis of receivables based on the existing credit classification of contractors and applied a simplified matrix of write-offs in individual age ranges based on expected loan losses over the entire lifetime of receivables for individual receivables portfolios. The analysis was made based on the indicators of expected non-performance of liabilities determined based on historical data.

OPTION RELATED COMMITMENTS TO PURCHASE NON-CONTROLLING INTEREST

The issued put options which give non-controlling shareholders the right to sell their shares to the Group constitute the Group's commitment to buy its own equity instruments. This commitment is initially carried at fair value constituting the present value of the buy-up amount.

The commitment is initially recorded in correspondence with equity attributable to equity holders of the Parent Company (as "other reserves") when the conditions for exercising the options do not transfer the risks and benefits related to those shares to the Group. When the conditions for exercising the option do transfer the risks and benefits related to the non-controlling interests to the Group, the commitment is no longer recorded in correspondence with other reserves.

After initial recognition, the commitment is measured at amortised cost; the interest expense is recognised in the finance costs. Changes to the amount of the commitment arising from changes in estimates of the amounts payable are also recorded in the finance costs in the period in which the estimate has been changed.

NON-CURRENT ASSETS (DISPOSAL GROUP) HELD FOR SALE

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount is to be recovered mainly through a sale transaction and the sale is considered highly probable. They are recorded at the lower of: their carrying amount and fair value less costs of sell.

TRADE RECEIVABLES

Trade receivables are amounts due from customers mainly for services provided in the course of normal business activities. Receivables repayable within one year (or in the course of normal business activities, if it is longer) are classified as current assets. Otherwise, they are shown as non-current assets. Trade receivables are initially carried at fair value. After initial recognition, receivables are stated at amortised cost using the effective interest rate method, taking account of impairment losses. In the case of short-term receivables, valuation at amortised cost corresponds to the amount due. The costs of recording receivables write-downs are charged to other operating expenses in the consolidated financial statements.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand and in the bank.

Cash equivalents are current investments with high liquidity, easily exchangeable for specific amounts of cash and exposed to insignificant risk of value fluctuations, with original maturity not exceeding three months.

SHARE CAPITAL

Share capital is stated at the amount specified in the Memorandum of Association and entered in the Court Register.

DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

LOANS AND BORROWINGS

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred. Loans and borrowings are subsequently shown at amortised cost. Any differences between the proceeds (net of transaction costs) and the redemption value are recognised in the income statement over the period of the relevant agreements using the effective interest method.

Fees for availability of loan are recorded as transaction costs to an extent to which it is probable that the loan shall be used in whole or in part in the future. In this case, the fees are deferred until the time the loan is actually used. Where it is not probable that a loan would be used in whole or in part, the fee is capitalised as an advance payment for liquidity-related services and amortised over the period of the loan to which it relates.

BORROWING COSTS

Borrowing costs (both related to general and specific borrowings), which can be directly attributed to purchase, construction or manufacture of qualifying assets, i.e. assets that require substantial preparation time for intended use or sale, are capitalised as part of the cost of purchase or manufacture until substantially all actions necessary to prepare the qualifying asset to the intended use or sale have been completed.

Income from temporary investment of funds borrowed specifically to finance the acquisition of a qualifying asset reduces the capitalised borrowing costs.

Other borrowing costs are recognised in the period in which they were incurred.

TRADE PAYABLES

Trade payables are obligations to pay for goods and services acquired in the course of normal business activities. Trade payables are classified as short-term liabilities if their settlement is expected within one year (or in the normal business cycle of the enterprise, if longer). Otherwise, they are shown as long-term.

Trade payables are initially recognised at fair value and subsequently they are stated at amortised cost using the effective interest rate method. In the case of short-term liabilities, valuation at amortised cost corresponds to the amount due.

CURRENT AND DEFERRED INCOME TAX

Corporate income tax for a reporting period comprises current and deferred tax. Current income tax is calculated on the basis of taxable income (tax base) for a given financial year and the binding tax rate, based on the binding tax regulations.

Deferred income tax liabilities and assets are recorded on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax is not recorded if it arose on initial recognition of goodwill or initial recognition of an asset or a liability as part of a transaction other than a business combination, which does not affect profit or loss or taxable income (tax loss).

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised.

Deferred income tax is determined using tax rates (and laws) that were enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax is recognised in profit or loss, except for situations when it relates to items recorded in other comprehensive income or directly in equity. Deferred tax is then also recorded in other comprehensive income or in equity.

Deferred tax assets and liabilities can be balanced off when the entity has an enforceable title to balance off its current income tax receivables and liabilities and when the deferred tax assets and liabilities relate to income tax imposed on the same tax-payer by the same tax authorities.

In a situation where there is a negative temporary difference between the book value and tax value of an investment in a subsidiary, for which the Group does not plan to make a sale in the foreseeable future, the deferred tax asset for this temporary difference is not recognized in the financial statement.

INCENTIVE SCHEME – SHARE BASED PAYMENTS

The Group runs equity settled and cash settled share-based incentive schemes.

Equity settled share-based incentive schemes

The Group obtains services from its employees in return for the Company's equity instruments (options). The fair value of the employee services obtained in return for granting options is recognised as a cost. The aggregate amount to be recorded in costs is determined with reference to the fair values of the granted options:

- taking account of all market conditions (e.g. the entity's share price);
- without taking into account the effect of all the conditions related to years of service and non-market vesting conditions (e.g. profitability of sales, sales growth targets and the indicated mandatory period of an employee's employment in a given entity); and
- taking into account the effect of all non-vesting conditions (for example, a requirement for the employees to hold the instruments obtained).

Non-market conditions have been included in the assumptions related to the expected number of options which will be vested. The aggregate cost is recorded over the entire vesting period, which is the period during which all the vesting conditions must be fulfilled.

Additionally, in certain circumstances the employees may render services before the date of the share options being granted to them. In such case, the fair value as of the date of granting the share options is estimated in order to record the costs over the period from the employees starting to render their services until the date of the options being actually granted to them. At the end of each reporting period, the entity reviews the adopted estimates of the expected number of options vested as a result of satisfying non-market vesting conditions. The entity presents the effect of a potential adjustment of the initial estimates in the income statement, with an appropriate adjustment in equity. The entity issues new shares the moment the options have been exercised. Funds obtained after deducting all costs that can be directly attributed to the transaction increase share capital (the par value) and share premium at the moment the options have been exercised.

Social insurance contributions payable in connection with granting the share options are considered an integral part of the benefit granted, and the costs are treated as a cash-settled transaction.

Cash settled share-based incentive schemes

Under cash settled share-based payments, the entity measures the services obtained and the liability incurred at fair value of the liability. Until the time the liability is settled, at each reporting date and at the settlement date, the entity measures the liability at fair value over the vesting period for the employees. The cost of the scheme is charged to profit or loss for the period.

PROVISIONS

Provisions are recognised when the Group has an obligation (legal or constructive) following from past events and when it is certain or highly probable that meeting the obligation will lead to the necessity of an outflow of funds embodying economic benefits and the amount of the liability can be reliably assessed. Provisions are measured at the present value of the expenditure which according to expectations will be necessary to fulfil the obligation.

REVENUE RECOGNITION

The Group recognizes revenue from sales when it transfers control over the promised goods or services to the client and in the amount of the transaction price to which it is expected to be entitled, taking into account adjustments resulting from variable remuneration elements such as rebates and the right to return the goods. Depending on the fulfilment of certain criteria, revenues are recognized over time in a way that illustrates the degree of fulfilment of the contract, or recognized at a point in time, when the control over the goods or services is transferred to the customer.

When another entity is involved in the delivery of goods and services to the client, the entity determines whether the company has a commitment to provide goods or services (in this case the entity acts as the principal) or it orders another entity to provide those goods or services (in this case the entity is an agent). An entity is an agent if it does not control the good or service before it is handed over to the customer. If the entity acts as an agent, it recognizes revenue in the amount of the fee or commission to which it is entitled in exchange for ensuring that the goods are delivered by another entity.

- **Revenue from online advertisements**

Revenue from advertising survives online from sales of advertisements is recognized in the month of performing the service – e.g. displaying an online and television advertisement (straight line settlement) or redirecting to the customer's website (depending on the actual number of redirects), in the case of advertisement in the CPS model (cost per sale), the occurrence of the event conditioning the right to remuneration (including agreement signing, purchasing, etc.). Revenues are recognized over the period of time in which the service is provided, i.e. during the advertising period. The degree of fulfilment of the obligation is measured in proportion to the duration of the service provided.

- **Revenue from agency sales of tourist survives**

In accordance with the Group's policy, the moment of fulfilling the obligation to perform the service for the client (understood as a tour operator) is the moment when the reservation of a given tourist product is confirmed and the prepayment paid. Revenues from intermediation in the sale of tourist services are recognized at this point in time, while payment of remuneration is usually payable upon the payment of the full price for the tourist event, which results in the creation of an contract asset.

- **Revenue from the sale of architectural designs online**

Pursuant to the Group's policy, the moment of fulfilling the obligation to perform the service for the client is the moment when substantially all the risk and benefits are transferred to the client, i.e. if the Group has transferred the goods to the client, the client has accepted the goods and a reasonable degree of collection of the relevant receivables is ensured.

- **Revenue from TV advertisements**

Revenue from advertising survives online from sales of advertisements is recognised in the month of performing the service Revenues from sale of TV advertisements are recognized over the period of time in which the service is provided, i.e. during the advertising period. The degree of fulfilment of the obligation is measured in proportion to the duration of the service provided.

- **Revenue from online car sales**

Pursuant to the Group's policy, the moment of fulfilling the obligation to perform the service for the client is the moment when substantially all the risk and benefits are transferred to the client, i.e. if the Group has transferred the goods to the client, the client has accepted the goods and a reasonable degree of collection of the relevant receivables is ensured.

The Group sells the cars in both the agency model (revenue recognized up to the margin realized on sales) and the principal model (the revenue recognized in full amount of proceeds from sales).

- **Income and costs from barter transactions**

The Group recognizes income from barter transactions comprising the exchange of advertising services only when the services are different in nature, i.e. they are advertising services on different carriers or they are emitted in different media, and the amount of income can be reliably established. Income from barter transactions is recognised at the fair value of the services provided, adjusted for any cash flow. The fair value of services provided via barter transactions is determined with reference to non-barter transactions which comprise services similar to those provided under the barter arrangement, occur frequently, represent a significant part of the transaction, where the amount of consideration is established in cash and the transactions do not relate to the same counterparty with which the barter transactions are concluded.

If the services were received before the Group has performed its service the respective liability is recorded. Similarly, if the advertising service was performed before receiving the services from the counterparty, the respective receivable is recorded.

OTHER INCOME

Subsidies

Subsidies are recognized at fair value if there is a reasonable certainty that the subsidy will be received and the Group will fulfill all the related conditions. Subsidies relating to costs are settled over time and recognized in the financial result for the period necessary to match them with the costs they are to compensate.

Subsidies for fixed assets and development projects are recognized in liabilities as deferred income and recognized in the financial result using the straight-line method over the expected useful life of the assets they relate to.

CONTRACT ASSETS AND LIABILITIES

The contract asset is recognised if the entity transferred good or services to the client, and the remuneration for the goods or services transferred is conditioned by other element then on the passage of time. If the remuneration for a service or good is transferred before the entity obligation is fulfilled, the entity recognizes contract liability.

Contract assets and liabilities are offset against each other at the level of the given contract and presented in net value.

The relation between the date of fulfilling the obligation to perform the service and the date of payment and the impact on the contract assets and liabilities :

- **Sale of online advertisements** –the sale is made with a payment term from 14 to 60 days. Trade receivable is recognized at the same moment in which revenue is recognized, as the receipt of remuneration depends only on the passage of time. Memorials for annual rebates are recognized as liabilities arising from contracts with customers;
- **Agency sales of tourist services** - the moment of fulfilling the obligation to perform the service for the client (understood as a tour operator) is the moment when the reservation of a given tourist product is confirmed and the prepayment paid. Revenues from intermediation in the sale of tourist services are recognized at this point in time, while payment of remuneration is usually payable upon the payment of the full price for the tourist event, which results in the creation of an contract asset.
- **Sale of TV advertisements** - the sale is made with a payment term of approx. 30 days. Trade receivable is recognized at the same moment in which revenue is recognized, as the receipt of remuneration depends only on the passage of time. No contract assets or liabilities are recognized;
- **Sales of subscription services and other pre-paid services** - sales are made with an immediate payment deadline, while the obligation to perform the service is spread over time, so revenue is recognized over the period in which the service is provided, i.e. during the subscription period. The degree of fulfilment of the obligation to perform the service is measured in proportion to the duration of the service being provided. As a result, until the moment of total fulfilment of the obligation, the Group recognizes a contract liability.

- Sale of goods - the moment of fulfillment of the obligation for the customer is considered the moment when substantially all the risks and benefits have been transferred to the customer, i.e. if the Group has handed over the goods to the customer, the customer has accepted the goods and the collection of relevant receivables is reasonably guaranteed. A trade receivable is recognized at the same time as revenue is recognized as the only factor influencing the payment is time.

LEASES – THE GROUP AS A LESSEE

Since 1 January 2019, the Group, as a lessee, has recognized all identified contracts in accordance with one model, in which the statement of financial position includes an asset arising from the right to use the leased asset in correspondence with the liability arising from leasing contracts.

The Group classifies a contract as a leasing contract if it provides the right to control the use of the identified asset. To qualify as a lease, three conditions must be met:

- the contract transfers to the lessee the right to use the identified asset;
- the lessee obtains economic benefits from the use of this asset;
- the lessee obtains the right to manage the way the asset is used for the duration of the contract.

As of 1 January 2019, the Group identified two main categories of lease contracts:

- real estate: showrooms, offices, technical areas;
- other rents: cars and technical equipment

The lease liability includes future discounted lease payments for identified contracts. Accounting for these items in the statement of financial position depends on:

- the duration of contracts accepted for specific types of contracts: this period includes the irrevocable lease period, periods resulting from the option to extend the lease, if it can be assumed with sufficient certainty that the lessee will use these options and periods resulting from the option to terminate the lease, if it can be given with sufficient certainty assume that the lessee will not exercise these options. While determining the leasing period, the legal and customary regulations in force in the Polish legal environment as well as the specifics of the contracts in the Group were taken into account;
- structures of fixed and variable payments in the contract;
- defining the marginal interest rate when the leasing interest rate cannot be easily determined.

The discount rates adopted by the Group include the currency of the contracts.

At the commencement date, the Group measures the asset due to the right of use at cost. The cost of the asset due to the right of use includes:

- the amount of the initial measurement of the lease liability as described above
- all leasing payments paid on or before the start date, less any leasing incentives received
- any initial direct costs incurred by the lessee, and
- an estimate of the costs to be borne by the lessee in connection with the dismantling and removal of the underlying asset, renovating the place where it was, or renovating the underlying asset to the condition required by the terms of the lease, unless those costs are incurred in order to produce inventory.

Property, plant and equipment used under finance leases are depreciated over the shorter of the two periods: useful life of the asset or lease term.

The Group applies two exemptions provided for in the leasing standard and the following types of contracts are charged to costs:

- contracts whose irrevocable lease term is less than 12 months;
- contracts for which the underlying asset is less than USD 5,000.

As of 1 January 2019, the Group applied the "modified retrospective method" without transforming comparative data.

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 29 March 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 2019.

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

DEFERRED TAX ASSET

- **Deferred tax asset on contributing to the business**

In 2011, the Parent Company contributed its business with a fair value of PLN 311,000 thousand to the subsidiary Wirtualna Polska Media SA (formerly Grupa Wirtualna Polska S.A.). As a result of this transaction, a temporary difference arose in the consolidated financial statements between the tax and carrying value of the contributed business's assets of PLN 265,195 thousand. A deferred tax asset was recorded on this difference which as of 31 December 2020 amounted to PLN 3,633 thousand (PLN 7,958 thousand as of 31 December 2019).

- **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 31 December 2020 amounted to PLN 11,513 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 25 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 December 31, 2020, Wirtualna Polska Media recognized a deferred tax asset in the full amount of loss from the sale of shares in WP Shopping.

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 2026,

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; see note 37).

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 recognized as at 31 December 2020 by 1.6%. Increasing the discount rate by 1 pp. causes a decrease in the liability recognized as at 31 December 2020 by 2.1%.

The commitment was initially estimated at PLN 11,571 thousand. As of 31 December 2020 the value of these commitments amounted to PLN 16,613 thousand and as of 31 December 2019 amounted to PLN 37,838 thousand.

On 22 December 2020, an agreement was concluded changing the method of settling the options. A detailed description of changes and the impact on the value of the liability is presented in Note 37 to the consolidated financial statements for 2020.

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. Details regarding assets purchased in 2019 and their valuation are presented in note 23.

IMPAIRMENT TESTS

Goodwill and intangible assets were subject to an impairment test as of 31 December 2019. Details of the test are discussed in Note 23 the Group's consolidated financial statements for 2020.

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 (note 29).

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.

ESTIMATE OF LIABILITIES DUE TO CONTINGENT CONSIDERATION RELATED TO BUSINESS COMBINATIONS

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

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

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

5. CHANGE IN PRESENTATION OF COMPARATIVE DATA

In the financial statements for the year ended 31 December 2020, the Management Board changed the presentation in the statement of comprehensive income, statement of financial position, statement of changes in equity as well as in the cash flow statement.

The change results from the obligatory implementation of obligatory preparation of annual reports in the uniform European reporting format (ESEF). Pursuant to the ESEF regulation, when the annual financial report contains consolidated financial statements prepared in accordance with the International Financial Reporting Standards, issuers are required to mark up these reports using the IFRS taxonomy using the Inline XBRL specification.

In the opinion of the Management Board, the changed presentation fairly and clearly presents the property and financial situation of the Group.

6. INFORMATION ON SEASONALITY OF GROUP'S OPERATIONS

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

7. INFORMATION ON SEGMENT REPORTING

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

Twelve months ending 31 December 2020 (PLN'000)	Online	TV	Total
Sales	**605 735**	**26 551**	**632 286**
including cash sales	589 468	26 551	616 019
EBITDA	**200 670**	**1 880**	**202 550**
Adjusted EBITDA	**215 042**	**1 880**	**216 922**

Twelve months ending 31 December 2019 (PLN'000)	Online	TV	Total
Sales	**688 379**	**20 321**	**708 700**
including cash sales	665 150	20 321	685 471
EBITDA	**213 807**	**(4 580)**	**209 227**
Adjusted EBITDA	**223 282**	**(4 339)**	**218 943**

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.

8. THE GROUP'S STRUCTURE

As of 31 December 2020 the Capital Group represented: the parent company Wirtualna Polska Holding SA and 12 subsidiaries. The consolidated financial statements of the Group comprise the Company and the following subsidiaries:

No.	Name of subsidiary	Location	% of shares	
			31 December 2020	31 December 2019
1	Wirtualna Polska Media S.A.	Poland, Warsaw	100%	100%
2	Totalmoney.pl Sp. z o.o.	Poland, Wrocław	100%	100%
3	Businessclick Sp. z o.o.	Poland, Warsaw	100%	100%
4	Finansowysupermarket.pl Sp. z o.o. (1)	Poland, Warsaw	-	100%
5	Domodi Sp. z o.o.	Poland, Wrocław	100%	100%
6	Wakacje.pl S.A.	Poland, Gdańsk	100%	100%
7	Nocowanie.pl Sp. z o.o.	Poland, Lublin	85%	75%
8	Netwizor Sp. z o.o.	Poland, Warsaw	100%	100%
9	eHoliday.pl Sp. z o.o. (4)	Poland, Warsaw	-	75%
10	WPZ Sp. z o.o.	Poland, Warsaw	100%	100%
11	Extradom.pl Sp. z o.o.	Poland, Wrocław	100%	100%
12	Parklot Sp. z o.o.	Poland, Warsaw	100%	100%
13	Superauto24.com Sp. z o.o.	Poland, Chorzów	51%	51%
14	Travel Network Solutions Sp. z o. o. (3)	Poland, Warsaw	-	100%
15	Open FM Sp. z o. o.	Poland, Warsaw	100%	100%
16	Autocentrum.pl S.A. (2)	Poland, Kraków	-	100%

(1) On 2 January 2020 Totalmoney.pl Sp. z o.o. and Finansowysupermarket.pl Sp. z o.o. merged.
(2) On 1 February 2020 Wirtualna Polska Media SA and Autocentrum.pl SA merged.
(3) On 1 July 2020 Travel Network Solutions Sp. z o.o. and Wakacje.pl SA merged.
(4) On 1 October 2020 eHoliday.pl Sp. z o.o. and Nocowanie.pl Sp. z o.o. 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.

Details on the activities of individual companies are described in the management report

Changes in the Group's structure

During 2020, the Group did not finalize any acquisition processes.

Mergers in 2020

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

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

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

On 1 October 2020, Nocowanie.pl Sp. z o.o. and eHoliday.pl Sp. z o.o. merged by transferring all assets of eHoliday.pl Sp. z o.o. to Nocowanie.pl Sp. z o.o.

Changes in the Group's structure after the balance sheet date

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

9. OMPACT OF COVID-19 ON OPERATIONS AND FINANCIAL RESULTS OF THE GROUP

Impact of Covid-19 on operations and financial results of the capital group

Impact of Covid-19 on operations

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. Once the state of epidemic was proclaimed, the Group established a crisis management team, composed of key managers, whose goal is to respond to the changing situation on an ongoing basis as well as coordinate the implementation of all necessary changes in operational processes in response to emerging information.

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

Since mid-March, most of the Group's employees switched to home-office. Representatives of IT, administration and accounting departments are working in shifts to ensure proper workflow of documents and technical support. For security reasons, the TV studio team was split in two teams and worked on a biweekly schedule. All offices have been equipped with the necessary hygiene and disinfection products.

Along with the reduction of restrictions imposed by the state, in the following months there has been a gradual voluntary return to the offices. In case of part of companies, stationary work has been fully restored. Employees who returned to the offices had access to the necessary hygiene and disinfection measures, masks and protective gloves. The necessary distance between work stations has also been ensured. However, team meetings with more people were still held remotely. With the second and third wave of the pandemic, the recommendation to work remotely and to limit the number of people simultaneously in the office was reintroduced. If the epidemiological situation in Poland improves, further limitation of remote work and an increase in the number of employees staying in the office at the same time will be considered.

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

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

Publishing and advertising activities

The impact of COVID-19 pandemic on the results of the publishing and advertising activities became most noticable 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. However, the specificity of the current situation (lockdown, in particular the closure of shopping centers) resulted in a strong trend of users moving to the online world, which in turn meant that both the third and fourth quarter of 2020 were characterized by strong positive dynamics of revenues in the publishing and advertising. Good results in the second half of the year made it possible to make up for the losses from the second quarter and significantly improve the results of this part of the WPH Group for the whole year 2020. As a result, despite the recorded decline in Poland's GDP in 2020, sales revenues in publishing and media activities increased compared to the previous year.

During 2020, the Management Board systematically analyzed variants of the possible development of the situation, especially in the context of the next wave of the epidemic, at the same time carrying out a number of initiatives to reduce the cost base, which, combined with positive revenue dynamics, translated into achieving a satisfactory level of EBITDA for publishing and advertising in the financial year 2020.

During the lock-down period (mainly in March and April), the Group observed a significant increase in users' interest in our portals and services, which seems natural due to the increased need for access to the latest information (mainly with regards to the epidemiological situation) and a greater amount of time that can be allocated to the use of our services. Being aware of our special responsibility, detailed guidelines have been prepared for the editors to ensure the information provided to the society is highly reliable and does not fuel the sense of fear and uncertainty (e.g. social campaign" Take care, don't panic").

International travel (Wakacje.pl SA)

The foreign tourism industry is part of the WPH Group most affected by COVID-10 epidemic. Activity in international tourism halted completely during the period between March and June of 2020. Numerous restrictions imposed in Poland and abroad, in particular relating to border closures and travel bans, resulted in both a lack of ongoing revenue generation as well as the necessity to recognise refunds on all services sold, but which could not take place in the dates planned.

The international touristic activity was partially resumed in July 2020, however, as expected, the revenues generated were by several dozen percent lower than those in a comparable period of the previous year, which was in line with trends observed across the market. The significant increase in the number of COVID cases in the fourth quarter of 2020 re-froze the tourist market again, resulting in drop in sales by several dozen percent. In the opinion of the Management Board, assuming that there will be no extraordinary increase in the number of cases, which could lead to further travel restrictions, and the vaccination program will proceed at a satisfactory pace, the interest of Poles to travel abroad should increase significantly. This should be expected not earlier than at the turn of the second and third quarter of 2021.

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.

The company 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.

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.

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

In the period from 2 April till 3 May 2020 all accommodation facilities were closed (except for quarantine rental), which resulted in a significant decrease in the level of revenue of Nocowanie.pl. Since this legal restrictions were lifted, the situation seemed to be getting back to normal as we observed increased interest of users in the offers presented at Nocowanie.pl. The re-closure of accommodation facilities from 7 November 2020 for tourist traffic and from 28 December 2020 also for business trips, as well as the decision to condense the winter break in 2021, translated into lower than planned revenues of the Company.

From 12 February 2021 restrictions on the accommodation industry were temporarily partially lifted (while maintaining the sanitary regime and closed restaurants), however, there is still a lot of uncertainty among customers as to the further situation, in particular the possibility of closing the accommodation base again.

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

The available research on the tourism market in Poland in 2020 indicate that the interest in domestic tourism in Poland exceeds its previous levels. The Group decided to use this trend and execute an advertising campaign increasing the Nocowanie.pl brand awareness among potential clients, which include owners of guesthouses and other lodging facilities in the country which should strengthen the company's strategic position in the long term.

Moreover, in order to meet the expectations of tourists, Nocowanie.pl has applied innovative solutions thanks to which accommodation facilities accepting payment with a Polish Travel Voucher have been clearly distinguished in the portal.

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

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

In the initial phase, the general level of uncertainty in society resulted in a decrease in purchasing intentions and number of transactions compared to the period before the pandemic. Over time, there was a noticeable improvement in consumer sentiment and a growing interest in online shopping. This trend was particularly visible during the closure of large-format stores, but it weakened when the restrictions were lifted, especially in the fashion industry. In the third quarter of 2020, the share of online sales in the fashion industry was again at the pre-pandemic level. In the fourth quarter, with the second wave of the epidemic, the consumers returned to online clothing purchases. However, this effect is mitigated by the reduction in demand from users (due to the continuing uncertainty of the situation and volatility of moods), which ultimately results in a decline in market transactionality .

At the same time, the restrictions placed by the government changed the activities of offline stores, enforcing transition to online sales, resulting in increased competition on the market and increased the cost of acquiring a user for Domodi.

With regard to the home furnishing industry, which is a less mature online industry, we observe a slower pace of return of customers to offline, as sentiment towards online sales remains high.

In order to take advantage of the identified change in Poles' shopping habits, the Group decided to accelerate the implementation of some new functionalities in Domodi websites. The group is responding to the current consumer demand by expanding the home clothing offer and introducing the aggregation of the mask assortment from the beginning of the pandemic. During the pandemic, the Group also developed a new development strategy for the fashion area, resulting, however, from the need to transform the business model and not directly from the fact of the pandemic.

These activities, combined with the introduced cost base limitations, were not, however, sufficient to achieve results in 2020, i.e. revenues and EBITDA at the level analogous to the previous year.

Financial lead generation (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 somewhere in June and cooperation with the banks returned to pre-pandemic state. However, lower lead conversion rates related to tighter credit policies and changes in banks' offerings is still being observed.

At present, the demand for financial products remains stable, and the number of leads generated on own websites remains at a satisfactory level. The sales conversion of financial institutions has been noticeably increasing in the recent months. However, despite the improvement in the third and fourth quarter, the supply of the product by financial institutions is still insufficient in relation to the demand.

Due to all these factors, revenue and EBITDA generated in 2020 by this part of business is significantly lower than in 2019.

Extradom

In the first stage, immediately after the pandemic occurred, we noted a temporary strong decline in interest in the offer of architectural house designs, which, however, returned to a satisfactory level in the last days of March. In the following months, an increase in consumer interest is noticeable, which in our opinion should positively affect the results of Extradom. The COVID-19 pandemic with the experience of limited travelling possibilities and spread of remote work may result in increased interest in building a house as an alternative to buying an apartment.

Superauto.pl

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. The most negative impact of the coronavirus pandemic on the results of Superauto.pl was observed in March and April. In the following months, both the demand and production capacity in factories were restored. Social distancing caused by the COVID-19 pandemic fueled changes in consumer habits and redirected their interest to searching for and purchasing a car online. Superauto.pl, due to many years of experience in online car sales and financing, has become a beneficiary of these changes, exceeding (despite the pandemic) the assumed goals for growth rate in 2020.

The results of Superauto.pl in each quarter of 2020 are higher than in the corresponding quarter of 2019.

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

The negative impact of COVID-19 on the revenue generated by the Group companies, forced the management to introduce a number of initiatives aimed at reducing the cost base accordingly. Cost optimization in the companies most affected by the crisis included, along with obvious non-employee cuts costs in the first place, also a reduction in employment as well as reduction of working time or salaries. Some companies also decided to use the available forms of public support from the government (anti-crisis shield). In twelve months of 2020 the Group received a government support of ca. PLN 4,5 million as part of the anti-crisis shield.

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.

Ultimately, revenues in 2020 decreased by 10.1% compared to 2019.

Group normalised EBITDA for 2020 was by 1% lower than in comparable period 2019, despite its 16% increase in the fourth quarter alone.

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

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

Impact of COVID-19 on the Group's liquidity

As at the date of these financial statements, the Group maintains a high level of liquidity and generates satisfactory cash flows. As at 31 December 2020, the Group had approximately PLN 188 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 pandemic had a temporary impact on the stock indexes. In the second quarter, the share price of the parent company of the Capital Group slightly decreased, however as at the end of the fourth quarter it reached a level by 33% higher than as at 31 December 2019.

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

10. SALES

PLN'000	Twelve months ending 31 December 2020	Twelve months ending 31 December 2019
Sales in Online segment, including:	**605 735**	**688 379**
Sales of services settled in cash	526 211	622 231
Sales of goods settled in cash	63 257	42 919
Sales of services settled in barter	16 267	23 229
Sales in TV segment, including:	**26 551**	**20 321**
Sales of services settled in cash	26 551	20 321
Sales of services settled in barter	-	-
Total	**632 286**	**708 700**

PLN'000	Twelve months ending 31 December 2020	Twelve months ending 31 December 2019
Domestic sales	466 447	562 683
Export sales	165 839	146 017
European Union	146 673	131 244
Outside European Union	19 165	14 773
Total	**632 286**	**708 700**

The following table present the contract assets and liabilities by categories.

PLN'000	As of 31 December 2020	As of 31 December 2019
Contract assets, including:	**1 170**	**11 142**
Accrued provision income on sale of touristic services	1 170	11 142
Contract and refund liabilities, including:	**44 482**	**39 748**
Refund liability	36 181	29 940
Pre-paid subscriptions and positioning points	4 936	7 590
Other	3 365	2 218

All obligations to perform the service will be fulfilled within 1 year from the balance sheet date.

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	Twelve months ending 31 December 2020	Twelve months ending 31 December 2019
Profit before tax	**91 399**	**98 853**
Share in profits of investments accounted for using the equity method and dividends from associates	2 923	2 077
Finance costs	32 850	19 677
Finance income	(1 336)	(2 883)
Revaluation of commitments to purchase non-controlling interests and other liabilities on business combinations	(4 125)	12 221
Operating profit	**121 711**	**129 945**
Amortization and depreciation, w/o d&a of acquired programming rights	80 839	79 282
EBITDA	**202 550**	**209 227**
Adjustments, including:		
Restructuring and transaction costs - external services	5 393	4 243
Restructuring and transaction costs - salaries	1 725	789
Restructuring and transaction costs - other operating costs and revenues	472	1 431
Costs of the employee option scheme	2 361	2 376
Net result of barter transactions settlements	161	579
Revaluation and liquidation of non-financial assets	2 464	111
Adjustment of VAT rate applied in Extradom Sp. z o.o.	1 796	-
Other	-	(33)
Adjusted EBITDA	**216 922**	**218 943**

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 and restructuring, 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	Twelve months ending 31 December 2020	Twelve months ending 31 December 2019
Profit before tax	**91 399**	**98 853**
Adjustments, including:	**22 714**	**24 283**
Restructuring and transaction costs - external services	5 393	4 243
Restructuring and transaction costs - salaries	1 725	789
Restructuring and transaction costs - other operating costs and revenues	472	1 431
Costs of the employee option scheme	2 361	2 376
Net result of barter transactions settlements	161	579
Revaluation and liquidation of non-financial assets	2 464	111
Revaluation of commitments to purchase non-controlling interests and other liabilities on business combinations	(4 125)	12 221
Accelerated depreciation	639	2 566
Revaluation of financial assets	11 828	
Adjustment of VAT tax rate used in previous periods	1 796	-

Other	-	(33)
Adjusted profit before tax	**114 113**	**123 136**

13. BARTER TRANSACTIONS

In the opinion of the Group's Management Board, the result on barter transactions does not form a basis for evaluating the results realised during the period. Due to the equivalence of mutual benefits arising from barter transactions, such transactions are offset over a longer period, although temporarily a positive or a negative result might be recognised. Some barter transactions are executed in different reporting periods but the result on the individual contracts over their entire period is equal to zero.

PLN'000	Twelve months ending 31 December 2020	Twelve months ending 31 December 2019
Sale of advertising services	16 267	23 229
External services	(16 343)	(23 449)
Other operating expenses	(85)	(359)
Net result of barter transactions settlements	**(161)**	**(579)**

14. OTHER OPERATING INCOME/GAINS

The following table presents other operating income/gains:

PLN'000	Twelve months ending 31 December 2020	Twelve months ending 31 December 2019
Revenue from grants	5 270	841
Liabilities expired	695	96
Repayment of receivables previously written off	84	163
Other	1 498	640
Total	**7 547**	**1 740**

15. OTHER OPERATING EXPENSES

The following table presents the other operating expenses incurred by the Group in the years 2020 and 2019:

PLN'000	Twelve months ending 31 December 2020	Twelve months ending 31 December 2019
Representation and other costs by type, including:	3 553	6 215
Revaluation of receivables	2 444	2 420
Taxes and charges	3 420	3 460
Revaluation of provisions	730	573
Revaluation and liquidation of non-financial assets	3 172	1 645
Other	3 506	2 531
Total	**16 825**	**16 844**

16. FINANCE INCOME

The following table presents the financial income incurred by the Group in the years 2020 and 2019:

PLN'000	Twelve months ending 31 December 2020	Twelve months ending 31 December 2019
Interest income	607	415
Currency exchange differences	62	30
Other	-	2 381
Financial income on loan refinancing	630	-
Dividends	-	56
Other	37	1
Total	**1 336**	**2 883**

17. FINANCE EXPENSES

The following table presents the financial expenses incurred by the Group in the years 2020 and 2019:

PLN'000	Twelve months ending 31 December 2020	Twelve months ending 31 December 2019
Interests and commissions	14 384	17 137
Reversal of discount on investment liabilities	2 471	2 269
Currency exchange differences	4 167	-
Revaluation of financial assets	11 828	-
Other	-	271
Total	**32 850**	**19 677**

18. REVALUATION OF COMMITMENTS TO PURCHASE NON-CONTROLLING INTERESTS AND OTHER LIABILITIES ON BUSINESS COMBINATONS

The table below presents the costs and revenues incurred by the Group in 2020 and 2019:

PLN'000	Twelve months ending 31 December 2020	Twelve months ending 31 December 2019
Revaluation of liabilities with respect to the put option for non-controlling interests	9 066	(14 692)
Revaluation of earn-out liability of Superauto24.com Sp. z o.o.	(4 941)	834
Revaluation of earn-out liabilities - My Travel Sp. z o.o.	-	1 637
	4 125	**(12 221)**

19. CURRENT AND DEFERRED INCOME TAX THE FOLLOWING TABLE PRESENTS THE CURRENT AND DEFERRED TAX FOR 2020 AND 2019:

PLN'000	Twelve months ending 31 December 2020	Twelve months ending 31 December 2019
Current income tax	**3 901**	**7 834**
For the financial year	3 901	7 834
Deferred tax	**5 799**	**19 887**
Temporary differences arising and reversed	5 799	19 887
Total income tax	**9 700**	**27 721**

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	Twelve months ending 31 December 2020	Twelve months ending 31 December 2019
Profit before tax	**91 399**	**98 853**
Corporate income tax at the statutory rate of 19%	**17 366**	**18 782**
Tax effects of the following items:		
Revenues and costs non-taxable permanent differences	1 135	3 236
Revaluation of commitments to purchase non-controlling interests and other liabilities on business combinations	(784)	2 322
Reversal of discount and revaluation of commitments to purchase non-controlling interests and other liabilities on business combinations	249	346
Unrecognized tax assets	3 856	2 569
Capitalized portion of tax loss	(12 259)	-
Other	137	466
Total income tax	**9 700**	**27 721**

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 31 December 2020 there were no premises to record a provision against identifiable and measurable tax risk.

As a result of the General Anti-Avoidance Rule (GAAR), effective July 15, 2016, which aims to prevent the creation and use of artificial legal structures created to avoid taxation in Poland, the Parent Entity's Management has carried out a comprehensive analysis of the tax situation of the Group's entities, identified and evaluated transactions and operations that could potentially be covered by GAAR and considered their impact on deferred tax, tax value of assets, and tax risk. In the opinion of the Management Board, the analysis did not indicate the need to adjust the current and deferred income tax items. Nevertheless, in the opinion of the Management Board, in case of GAAR

there is an inherent uncertainty as to the interpretation of the tax law adopted by the Company that may affect the ability to realize deferred tax assets in future periods and the payment of additional tax for past periods.

20. 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 31).

PLN'000	Twelve months ending 31 December 2020	Twelve months ending 31 December 2019
Net profit attributable to equity holders of the Parent Company	**81 699**	**71 132**
Weighted average number of shares shown for the purpose of calculating basic earnings per share (no. of units)	29 078 410	28 989 659
Effect of diluting the number of ordinary shares	336 441	326 752
Weighted average number of ordinary shares shown for the purpose of calculating diluted earnings per share (no. of units)	29 414 851	29 316 411
Basic (In PLN)	2,81	2,45
Diluted (in PLN)	*2,78*	*2,43*

21. PROPERTY, PLANT AND EQUIPMENT

Description	Buildings, structures and leasehold improvements	Servers, machines and other devices	Vehicles	Other property, plant and equipment items	Fixed assets under construction	Total
Gross carrying amount as of 1 January 2020	**80 627**	**101 368**	**2 762**	**6 579**	**5 761**	**197 097**
Additions due to:	***23 745***	***8 298***	***419***	***3 783***	***(3 107)***	***33 138***
- purchases and transfers	23 690	8 298	419	3 783	(3 107)	33 083
- revaluation	55					55
Disposals due to:	***(9 295)***	***(14 265)***	***(562)***	***(1 006)***	***(31)***	***(24 693)***
- sublease	(3 305)					(2 839)
- liquidation	(5 990)	(14 265)	(562)	(1 006)	(31)	(21 854)
Gross carrying amount as of 31 December 2020	**95 077**	**95 401**	**2 619**	**9 356**	**2 623**	**205 542**
Accumulated depreciation as of 1 January 2020	**19 211**	**66 078**	**788**	**4 395**	**-**	**90 472**
Additions due to:	***14 195***	***12 445***	***585***	***1 920***	***-***	***29 145***
- depreciation	14 195	12 445	585	1 920		29 145
Disposals due to:	***(6 254)***	***(13 934)***	***(429)***	***(970)***	***-***	***(21 21)***
- sublease	(466)					
- liquidation	(5 788)	(13 934)	(429)	(970)		(21 121)
Accumulated depreciation as of 31 December 2020	**27 152**	**64 589**	**944**	**5 345**	**-**	**98 496**
Impairment loss as of 1 January 2019	**-**	**148**	**-**	**-**	**-**	**148**
Impairment loss as of 31 December 2020	**-**	**148**	**-**	**-**	**-**	**148**
Net carrying amount as of 31 December 2020	**67 925**	**30 664**	**1 675**	**4 011**	**2 623**	**106 898**

Description	Buildings, structures and leasehold improvements	Servers, machines and other devices	Vehicles	Other property, plant and equipment items	Fixed assets under construction	Total
Gross carrying amount as of 1 January 2019	**15 275**	**88 995**	**2 297**	**5 946**	**9 083**	**121 596**
Additions due to:	***65 582***	***13 932***	***926***	***1 050***	***(3 322)***	***78 168***
- purchases and transfers	44 779	13 932	922	1 050	(3 322)	57 361
- change of accounting policy	20 803	-	-	-	-	20 803
- business combinations (Note 24)	-	-	4	-	-	4
Disposals due to:	***(230)***	***(1 559)***	***(461)***	***(417)***	-	***(2 667)***
- business combinations (Note 24)	-	-	(148)	(124)	-	(272)
- liquidation	(230)	(1 559)	(313)	(293)	-	(2 395)
Gross carrying amount as of 31 December 2019	**80 627**	**101 368**	**2 762**	**6 579**	**5 761**	**197 097**
Accumulated depreciation as of 1 January 2019	**5 981**	**53 808**	**407**	**2 941**	**-**	**63 137**
Additions due to:	***13 443***	***13 765***	***559***	***1 688***	-	***29 455***
- depreciation	13 443	13 765	559	1 688	-	29 455
Disposals due to:	***(213)***	***(1 495)***	***(178)***	***(234)***	-	***(2 120)***
- liquidation	(213)	(1 495)	(178)	(234)	-	(2 120)
Accumulated depreciation as of 31 December 2019	**19 211**	**66 078**	**788**	**4 395**	**-**	**90 472**
Impairment loss as of 1 January 2019	**-**	**207**	**-**	**-**	**-**	**207**
Disposals due to:	-	***(59)***	-	-	-	***(59)***
- liquidation	-	(59)	-	-	-	(59)
Impairment loss as of 31 December 2019	**-**	**148**	**-**	**-**	**-**	**148**
Net carrying amount as of 31 December 2019	**61 416**	**35 142**	**1 974**	**2 184**	**5 761**	**106 477**

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

As of 31 December 2020 bank loans are secured with property, plant and equipment to the carrying amount of PLN 43,894 thousand.

The tables above contain data on fixed assets in finance lease.

22. RIGHT TO USE OF ASSETS

Description	Buildings, structures and leasehold improvements	Servers, machines and other devices	Vehicles	Total
Gross carrying amount as of 1 January 2020	**64 361**	**2 881**	**2 772**	**70 014**
Additions due to:	***20 534***	-	***419***	***20 953***
- new leasing contracts	20 534	-	419	20 953
Disposals due to:	***(9 093)***	-	***(380)***	***(9 473)***
- sublease	(3 305)	-	-	(3 305)
- liquidation	(5 788)	-	(380)	(6 168)
Gross carrying amount as of 31 December 2020	**75 802**	**2 881**	**2 811**	**81 494**
Accumulated depreciation as of 1 January 2020	**10 302**	**1 646**	**934**	**12 882**
Additions due to:	***12 365***	***716***	***532***	***13 613***
- depreciation	12 365	716	532	13 613
Disposals due to:	***(6 254)***	-	***(266)***	***(6 054)***
- sublease	(466)			
- liquidation	(5 788)	-	(266)	(6 054)
Accumulated depreciation as of 31 December 2020	**16 413**	**2 362**	**1 200**	**19 975**
Impairment loss as of 1 January 2020	-	-	-	-
Impairment loss as of 31 December 2020	-	-	-	-
Net carrying amount as of 31 December 2020	**59 389**	**519**	**1 611**	**61 519**

Description	Buildings, structures and leasehold improvements	Servers, machines and other devices	Vehicles	Total
Gross carrying amount as of 1 January 2019	**-**	**2 881**	**2 192**	**5 073**
Additions due to:	***64 361***	***-***	***977***	***65 338***
- new leasing contracts	43 558	-	849	44 407
- change of accounting policy	20 803	-	-	20 803
- business combinations	-	-	128	128
Disposals due to:	***-***	***-***	***(397)***	***(397)***
- adjustment of the purchase price settlement	-	-	(165)	(165)
- liquidation	-	-	(232)	(232)
Gross carrying amount as of 31 December 2019	**64 361**	**2 881**	**2 772**	**70 014**
Accumulated depreciation as of 1 January 2019	**-**	**903**	**705**	**1 608**
Additions due to:	***10 302***	***743***	***380***	***11 425***
- depreciation	10 302	743	380	11 425
- business combinations	-	-	-	-
Disposals due to:	***-***	***-***	***(151)***	***(151)***
- adjustment of the purchase price settlement	-	-	(17)	(17)
- liquidation	-	-	(134)	(134)
Accumulated depreciation as of 31 December 2019	**10 302**	**1 646**	**934**	**12 882**
Impairment loss as of 1 January 2019	**-**	**-**	**-**	**-**
Impairment loss as of 31 December 2019	**-**	**-**	**-**	**-**
Net carrying amount as of 31 December 2019	**54 059**	**1 235**	**1 838**	**57 132**

23. INTANGIBLE ASSETS

PLN'000	Goodwill	Trademarks	Homepage and WP mail	Other intangible assets		Total
				Client relations	Copyrights and other intangible assets	
Gross carrying amount as of 1 January 2020	364 434	193 197	152 300	62 791	167 128	939 850
Additions due to:	-	-	-	-	46 878	46 878
- purchases					46 878	46 878
Disposals due to:	-	(2 610)	-	-	(12 291)	(14 901)
- liquidation		(2 610)			(12 291)	(14 901)
Gross carrying amount as of 31 December 2020	364 434	190 587	152 300	62 791	201 715	971 827
Accumulated depreciation as of 1 January 2020	-	21 093	37 823	37 634	76 666	173 216
Additions due to:	-	7 858	6 484	7 069	30 268	51 679
- depreciation		7 858	6 484	7 069	30 268	51 679
Disposals due to:	-	(1 653)	-	-	(10 761)	(12 414)
- liquidation		(1 653)			(10 761)	(12 414)
Accumulated depreciation as of 31 December 2020	-	27 298	44 307	44 703	96 173	212 481
Impairment loss as of 1 January 2020	180	-	-	-	12	192
Impairment loss as of 31 December 2020	180	-	-	-	12	192
Net carrying amount as of 31 December 2020	364 254	163 289	107 993	18 088	105 530	759 154

PLN'ooo	Goodwill	Trademarks	Homepage and WP mail	Other intangible assets: Client relations	Other intangible assets: Copyrights and other intangible assets	Total
Gross carrying amount as of 1 January 2019	**352 270**	**191 505**	**152 300**	**60 906**	**132 336**	**889 317**
Additions due to:	**12 164**	**1 692**	**-**	**1 885**	**41 881**	**57 622**
- purchases	-	-	-	-	41 816	41 816
- business combinations	12 164	1 692	-	1 885	65	15 806
Disposals due to:	**-**	**-**	**-**	**-**	**(7 089)**	**(7 089)**
- liquidation	-	-	-	-	(7 089)	(7 089)
Gross carrying amount as of 31 December 2019	**364 434**	**193 197**	**152 300**	**62 791**	**167 128**	**939 850**
Accumulated depreciation as of 1 January 2019	**-**	**12 961**	**31 339**	**27 479**	**58 592**	**130 371**
Additions due to:	**-**	**8 132**	**6 484**	**10 155**	**25 056**	**49 827**
- depreciation	-	8 132	6 484	10 155	25 056	49 827
Disposals due to:	**-**	**-**	**-**	**-**	**(6 982)**	**(6 982)**
- liquidation	-	-	-		(6 982)	(6 982)
Accumulated depreciation as of 31 December 2019	**-**	**21 093**	**37 823**	**37 634**	**76 666**	**173 216**
Impairment loss as of 1 January 2019	**180**	**-**	**-**	**-**	**12**	**192**
Impairment loss as of 31 December 2019	**180**	**-**	**-**	**-**	**12**	**192**
Net carrying amount as of 31 December 2019	**364 254**	**172 104**	**114 477**	**25 157**	**90 450**	**766 442**

The Group capitalizes salary expense as part of development projects. The capitalized salary expense amounted to PLN 25,589 thousand in 2020 and PLN 29,271 thousand in 2019. The main projects capitalized in 2020 were the development of the WP Pilot platform, WP Mailing Platform, new broadcasting and billing system for Totalmoney's campaigns as well as dedicated system for the clients of Wakacje.pl.

As of 31 December 2020 and 31 December 2019, bank loans are secured with intangible assets to the carrying amount of PLN 354,099 thousand in 2020 and PLN 375,929 thousand in 2019.

Goodwill

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

Cash generating unit	As of 31 December 2020	As of 31 December 2019
Publishing and Advertising activities	100 334	100 334
Financial lead generation	8 820	8 820
Lead Generation fashion/interior	30 396	30 396
International travel	92 965	92 965
Domestic travel	45 328	45 328
Extradom	64 465	64 465
Superauto24	22 126	22 126
Goodwill (gross)	**364 434**	**364 434**
Goodwill revaluation write-off:		
Publishing and Advertising activities	(180)	(180)
Goodwill (net)	**364 254**	**364 254**

The cash generating unit of t 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 analysed for impairment of intangible assets as part of the following cash generating units (according to the table above):

- Publishing and Advertising activities;
- Domestic travel;
- International travel
- Extradom;
- Lead Generation fashion/interior;
- Superauto24;
- Financial Lead Generation.

Impairment test were conducted as at 31 December 2020.

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

Cash flow projections have been prepared based on the 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 impairment tests conducted with the following assumptions and taking into account probable changes in these assumptions did not show a need to record impairment allowances in respect of the tested assets.

The key assumptions for the detailed forecast period are described below.

Publishing and Advertising activities

After analyzing the situation on the internet advertising market and taking into account the above-average results achieved in previous years, it is expected that the positive trend of revenue and EBITDA growth will be maintained along with maintaining the profitability margins.

International tourism

Due to the COVID-19 pandemic and its impact on the travel industry, forecasts after 2020 focus on estimating the path to return to pre-pandemic results. Given the ongoing vaccination process as well as the moderate restrictions in countries with a large tourism industry, being the holiday destinations of Poles, the Management expects gradual improvement in results in 2021 and the return to pre-pandemic income and EBITDA levels in 2022. In the subsequent years the impairment test assumed a conservative level of average annual revenue growth and maintaining the EBITDA margin.

- **Domestic tourism**

As in case of international tourism, the main assumption for the detailed forecast period is how long will the pandemic have impact on the business. The Management forecasts a decline in revenues and EBITDA in 2021 due to the protracted lockdown in the country, as well as the reaction of the business to the a situation of increased local demand for accommodation services. The return to pre-pandemic revenue levels is expected to take place in 2022,which is in line with the expectations regarding the lifting of restrictions . The expected increase in the demand for the domestic travel in the following years allows assuming the average annual revenue increase exceeding 10% and a return to the EBITDA margin of 2019.

- **Extradom**

The forecasts for Extradom assume a significant increase in sales in 2021 related to both the observed market changes and the expansion of the services provided. The COVID-19 pandemic and the related restrictions may affect Poles' preferences regarding the choice between buying an apartment and building a house, in favor of the latter. For the purposes of the test in subsequent years of the forecast, a conservative level of average annual revenue growth was assumed, while maintaining the EBITDA margin at the level noted in 2021.

- **Fashion Lead Generation / Interior**

The forecasts for the Domodi Group assume a moderate increase in revenues in the field of fashion and a significant increase in the business operating in the design and interior decoration industry. In the period of the detailed forecast, the increase in revenues from services generated by the fashion segment should exceed 10%. In case of the Homebook platform, significant sales increases are forecast, 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 coming years.

- **Superauto24**

After analyzing the situation on the new car sales market and taking into account the above-average results achieved in the recent period, the positive trend of growth in revenues and EBITDA is expected to be maintained.

- **Lead Generation Finance**

Despite the negative impact of the COVID-19 pandemic on the results of 2020, the situation is currently improving, thus the assumption that the results in 2021 should return to level from before the pandemic. The following years are characterized by a stable increase in revenues with a constant EBITDA margin.

	Period of forecast	Annual growth rate in the residual period	Discount rate
Publishing and Advertising activities	5 years	2,5%	10.3%
Financial lead generation	5 years	2,5%	10.3%
Lead Generation fashion/interior	5 years	2,5%	10.3%
International travel	5 years	2,5%	10.3%
Domestic travel	5 years	2,5%	10.3%
Extradom	5 years	2,5%	10.3%
Superauto24	5 years	2,5%	10.3%

24. ACQUISITION AND BUSINESS COMBINATIONS IN 2020

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

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

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

On 1 October 2020, Nocowanie.pl Sp. z o.o. and eHoliday.pl Sp. z o.o. merged by transferring all assets of eHoliday.pl Sp. z o.o. to Nocowanie.pl Sp. z o.o.

- **Acquisitions finalized after the balance sheet date**

There were no acquisitions after the balance sheet date.

25. ACQUISITION AND BUSINESS COMBINATIONS IN 2019

Acquisitions of subsidiaries

Travel Network Solutions sp. z o. o.

On 26 February 2019 Wakacje.pl SA acquired 2,300 shares in the share capital of Travel Network Solutions Sp. z o.o., representing 100% of the share capital and entitling to 100% votes at the Travel Network Solutions general meeting.

The final, non-adjusting purchase price of 100% shares was PLN 6,750 thousand and was financed from the Group's own funds.

Travel Network Solutions is the owner of the franchise chain Wakacyjny Świat, with 103 sale offices. After this transaction, Wakacje.pl group will comprise over 350 sale offices operating under the following brands: Wakacje.pl, My Travel and Wakacyjny Świat, which constitutes 70% of the domestic market. Some of the Wakacyjny Świat sale offices are located in towns where Wakacje.pl and My Travel are not present.

Goodwill on the acquisition of PLN 5,611 thousand is attributable, among others to economies of scale expected as a result of the combination of the Group’s operations with entity acquired. No portion of goodwill recorded will be deductible for income tax purposes. The fair value of trade and other receivables amounted to PLN 412 thousand (including PLN 361 thousand of trade receivables). As of the date of the control takeover, receivables in the amount of PLN 11 thousand were considered as uncollectible. Costs related to the purchase transaction in the amount of PLN 106 thousand were recognized in the consolidated statement of profit or loss and other comprehensive income for 2019 as "External services”.

Autocentrum.pl S.A.

On 30 October 2019, the subsidiary Wirtualna Polska Madia SA purchased 5,000,000 shares in the share capital of Autocentrum.pl SA, constituting 100% of the share capital and entitling to 100% votes at the shareholders' meeting of Autocentrum.pl.

The final, non-adjusting purchase price for 100% shares was PLN 9,350 thousand and was financed from the Group's own funds.

Autocentrum.pl is one of the leaders in video content production and aggregation of product data related to the automotive industry.

Goodwill on the acquisition of PLN 5,842 thousand is attributable, among others to economies of scale expected as a result of the combination of the Group’s operations with entity acquired. No part of the reported goodwill will be deductible for income tax purposes. The fair value of trade and other receivables is PLN 551 thousand (including PLN 549 thousand of trade receivables). As at the date of taking over control, no receivables were considered uncollectible.

Costs related to the transaction in the amount of PLN 226 thousand were included in the consolidated statement of financial result and other comprehensive income as external services, of which PLN 116 thousand was recognized in 2018, and 110 thousand in 2019.

The next table lists the remuneration paid and the fair values of acquired assets and liabilities as at the date of the acquisition of the entity.

PLN'000	Travel Network Solutions Sp. z o.o.	Autocentrum.pl S.A.
Cash and cash equivalents - payment for the shares	6 750	9 350
Total	**6 750**	**9 350**
Non-controlling interests measured at the value of share in net assets	-	-
Recognized values of identifiable acquired assets and liabilities		
Cash and cash equivalents	35	1 191
Property, plant and equipment	1	3
Trademark	719	973
Client relations	504	1 381
Copyrights and other intangible assets	65	-
Trade and other receivables	412	551
Trade and other payables	(349)	(144)
Deferred tax	(247)	(447)
Total identifiable net assets	**1 140**	**3 508**
Goodwill	**5 610**	**5 842**

As of 31 December 2020, all the below settlements are final.

26. PROGRAMMING ASSETS

Programming assets include acquired licences for the transmission of movies, TV series, television programmes and capitalised production costs with the expected emission period longer than one year.

Programming assets is classified as current or non-current, depending on the licence period. Programming rights with a remaining licence period shorter than 1 year are classified as current.

(w tys. zł)	As of 31 December 2020	As of 31 December 2019
Acquired programming rights	9 052	7 075
Total	**9 052**	**7 075**
including:		
current programming assets	540	1 270
non-current programming assets	8 512	5 805

(w tys. zł)	Twelve months ending 31 December 2020	Twelve months ending 31 December 2019
Net book value as of 1 January	7 075	
Additions:	6 914	
- purchase of programming assets	6 914	
Amortization and depreciation od acquired programming rights	(4 444)	
Impairment allowance recognized and liquidations	(493)	
Net book value as of 31 December	**9 052**	

27. OTHER FINANCIAL ASSETS

- **Teroplan s.a.**

On 18 March 2019, Wirtualna Polska Holding S.A. acquired 13.11% of shares in the share capital of Teroplan S.A., the owner of the e-podróżnik.pl website.

The final purchase price of 13.11% of shares was PLN 7,753 thousand and was financed from the Group's own funds.

The e-podróżnik.pl website offers the opportunity to purchase tickets from over 400 domestic and international carriers for bus and rail connections. The website facilitates everyday travel by providing the largest timetable in Poland, covering over 1,200 carriers. Every month, over 3 million passengers use e-podróżnik.pl. Teroplan S.A. is a company that introduces many technological innovations for the passenger transport industry. It implements, among others a system that automates route and price planning processes and vehicle management processes. The project is part of the latest global trends in the application of artificial intelligence technology in management processes and the use of information contained in big data collections.

The Group recognizes shares acquired in Teroplan S.A. as investments in financial instruments measured at fair value through profit or loss.

The Group measured the value of its shares in Teroplan S.A. The fair value of shares held as of 31 December 2020 was PLN 7,517 thousand (PLN 8,133 thousand as of 2020).

- **Lease liability**

During the year, the Group concluded an agreement to sublet some of the office space it occupies. The value of receivables as at 31 December 2020 is PLN 2,775 thousand,, of which PLN 2.488 thousand is of a long-term.

28. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

- **Digitics S.A.**

On 6 March 2019, Wirtualna Polska Holding S.A. concluded with INNC Limited, Michał Laskowski and Digitics S.A. in the organization a conditional investment agreement, the conditions of which were met on April 16, 2019, on the basis of which, following the fulfillment of the conditions precedent specified in the agreement, WPH acquired the right to take up 20% of shares in the share capital of Digitics SA, entitling to 20% of votes at the General Meeting of

Shareholders in exchange for a cash contribution of PLN 2.5 million. At the same time, the agreement provided for the acquisition by WPH of 20,000 subscription warrants entitling to subscription for 20,000 shares in Digitics S.A. by the end of 2019 in exchange for an additional PLN 2.5 million. Acquisition of issued new shares will allow WPH to maintain a 20% share in the share capital of Digitics S.A. The above additional payment was made in June 2019.

In addition, the investment agreement provides for a conditional option mechanism enabling WPH to purchase the remaining shares of Digitics S.A. The condition triggering the option mechanism is that Digitics S.A. exceeds the standard value of LTM EBITDA specified in the contract for four consecutive months. If this condition is met, the Trade and Investment Promotion Section will have the right and obligation to purchase:

- shares in such a number which, together with the shares in the company's share capital held by WPH to date, entitle WPH to exercise 51% of votes at the company's general meeting, according to the valuation being the product of the multiplier resulting from the investment agreement and the company's LTM EBITDA in the month of exceeding the contractual value;
- shares in such a number that, together with the shares in the share capital of the company held by WP to date, entitle WP to exercise up to 75% of votes at the company's general meeting, according to the valuation being the product of the multiplier resulting from the investment agreement and the company's EBITDA for the first full financial year following the year in which the contracted value of EBITDA was exceeded;
- shares in such a number which, together with the shares in the company's share capital held by WP so far, entitle WP to exercise up to 100% of votes at the company's general meeting at a valuation which is the product of the multiplier resulting from the investment agreement and the Company's EBITDA for the second full financial year following the year in which the contracted value of EBITDA was exceeded.

In a situation where the Company does not achieve the forecasted positive EBITDA level, the maximum purchase value will not exceed PLN 5 million. Due to the initial stage of development of this project and the high probability that the contractual EBITDA level will not be met, the Group does not see any grounds to recognize in the balance sheet the liability arising from the put options held for the remaining shares of Digitics S.A.

The investment agreement grants personal rights to WPH ensuring that it can exert significant influence on the company's operations. Accordingly, the Group has classified Digitics S.A. as an associate and is consolidating it using the equity method. Digitics S.A. deals with financial services.

PLN'000	As of 31 December 2020	As of 31 December 2019
Associates		
Digitics Group:	-	*2 923*
Total investments accounted for using the equity method	-	***2 923***

In 2020, the remaining value of the investment was reduced by PLN 2,923 thousand. for the loss generated by the company in that period and attributable to the shares held by the Group.

PLN'000	Twelve months ending 31 December 2020	Twelve months ending 31 December 2019
Amount as of 1 January 2020	**2 923**	**5 000**
Disposals in the reporting period due to:	***2 923***	***2 077***
- share in associate's losses	2 923	2 077
Amount as of 31 December 2020	-	**2 923**

The following tables summarize the financial information about Digitics SA:

PLN'000	As of 31 December 2020	As of 31 December 2019
Digitics Group:		
Current assets (short-term)	13 995	5 861
Non-current assets (long-term)	184	222
Short-term liabilities	(36 043)	(4 332)
Long-term liabilities	(107)	-
Net assets	**(21 971)**	**1 751**

PLN'000	Twelve months ending 31 December 2020	Twelve months ending 31 December 2019
Digitics Group:		
Income	17 352	932
Amortization and depreciation	(360)	(55)
Finance income	62	-
Finance costs	(1 008)	(43)
Income tax	-	-
Net profit	**(23 722)**	**(10 387)**
The Group's share in losses	**(4 744)**	**(2 077)**

29. TRADE AND OTHER RECEIVABLE

PLN'000	As of 31 December 2020	As of 31 December 2019
Trade receivables	140 593	133 857
Impairment allowances	4 747	3 995
Trade receivables net	**135 846**	**129 862**
Barter receivables gross	1 819	2 536
Impairment allowances	14	47
Barter receivables net	**1 805**	**2 489**
Contract assets	1 170	11 142
State receivables	3 314	3 851
Settlements with employees	13	58
Financial receivables	288	-
Investment receivables	7 383	-
Accruals	2 206	2 632
Other	3 557	5 543
Total	**155 582**	**155 577**

Trade receivables do not bear any interest and are usually payable within 30 days.

The Group's current and future receivables subsequent to trade contracts secure the Group's bank debt. To secure the loan, the Borrower and the Additional Guarantors are obliged to make a conditional assignment of receivables from trade contracts of a total value exceeding PLN 10 million. The Group is also obliged to have at least 60% of the Group's trade receivables assigned to the banks at any time.

The following table shows the classification of assets valued at amortized cost to 3 impairment degree categories:

PLN'000	As of 31 December 2020			As of 31 December 2019		
	Grade 1	Grade 2	Grade 3	Grade 1	Grade 2	Grade 3
Gross book values	188 255	137 192	5 220	73 929	131 215	5 178
Trade receivables	-	137 192	5 220	-	131 215	5 178
Cash	188 255	-	-	73 929	-	-
Allowance (IFRS 9)	-	190	4 571	-	418	3 624
Trade receivables	-	190	4 571	-	418	3 624
Cash	-	-	-	-	-	-
Net book value (IFRS 9)	**188 255**	**137 002**	**649**	**73 929**	**130 797**	**1 554**

Reconciliation of impairment allowance on trade receivables in the current reporting year is presented in the next table.

PLN'000	ECL throughout the entire life without impairment		ECL throughout the entire life with impairment	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Allowance for receivables as of 1 January 2020	**418**	**362**	**3 624**	**1 145**
Utilization of impairment allowances			-1 725	-714
Allowance recognized in profit and loss	-228	56	2 672	3 193
Allowance as of 31 December 2020	**190**	**418**	**4 571**	**3 624**

Reconciliation of impairment allowance on trade receivables in the current reporting year is presented in the next table..

PLN'000	Current and expired up to 90 days	Expired above 90 days
Gross receivables as of 1 January 2020	131 215	5 178
Failure ratio	0,32%	69,99%
Expected credit loss as of 1 January 2020	418	3 624
PLN'000	Current and expired up to 90 days	Expired above 90 days
Gross receivables as of 31 December 2020	137 192	5 220
Failure ratio	0,14%	87,57%
Expected credit loss as of 31 December 2020	190	4 571

Short-term investment receivables:

Put option receivable on eSky.pl S.A. shares

On 9 June 2017 Wirtualna Polska Media SA concluded a conditional share purchase agreement regarding acquisition of 625,000 ordinary series B bearer shares in a company eSky.pl S.A. The acquired shares represent 6.31% of the share capital of the company and entitle to 6.31% of votes on the General Meeting of the Company. On 19 June 2017, the suspending condition specified in the agreement has been fulfilled, the transaction has been finalized

The agreement contains provisions relating to the level of guaranteed return on investment (IRR) for the Wirtualna Polska Media SA in the form of irrevocable bids for the acquired shares submitted to the Wirtualna Polska Media SA by the sellers, which may be executed by the Group in the periods indicated in the agreement or upon the fulfilment of the specified (the put option). The put option payment is secured by a registered pledge established on pledged shares. In addition, the agreement includes provisions for the conduct of a possible transaction involving the sale of a controlling interest in the Company's shares in the future and the terms of the Wirtualna Polska Media SA participation in such a process and sets a doubled return on investment (IRR) for Wirtualna Polska Media SA if such transaction has not taken place within a certain period of time (as an execution of the put option).

On 26 March 2020, in line with the procedure outlined in the investment agreement dated 9 June 2017, the Group issued a statement about the execution of the put option on its shares in eSky.pl SA.

As a result of exercising the put option, a sales contract was concluded between WPM and the sellers. However, Wirtualna Polska Media is obliged to transfer the title to all shares covered by the put option only after receiving the payment of the entire put option price.

Due to the execution of the put option the Group presented its revalued shares and option as investment receivables in the financial statements as at 31 December 2020.

Since the entities obliged failed to settle the due put option price, on December 1, 2020 Wirtualna Polska Media S.A. ("WPM") filed a claim in the injunction proceedings against them for the total amount of PLN 17.2 million. Taking into account the pending court proceedings and risk of a protracted litigation procedure (related i.a. to the pandemic) as well as following the principle of prudent valuation, the Management Board of the Company decided to recognise a provision in the amount of PLN 9.8 million. Nevertheless, WPM plans to use all available legal methods to collect the full amount of due receivable. WPM's claim for the payment of the put option price is indisputable, and it is secured by registered pledge agreements established in favour of WPM on approx. 6% of eSky.pl S.A. shares. In addition, after obtaining the relevant court decisions, WPM may also pursue the satisfaction of claims from other assets belonging to the obligated, as well as from natural persons who have assumed joint and several liability for the obligations of individual obligors.

30. EQUITY

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 structure of share capital was as follows:

Shareholder	Number of shares	% of share capital	Number of votes	% of votes
Jacek Świderski 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%**

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

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

Shareholder	Number of shares	% of share capital	Number of votes	% of votes
Jacek Świderski through subsidiaries including among others:	3 777 164	13,02%	7 540 401	18,71%
Orfe SA	3 763 237	12,97%	7 526 474	18,68%
Michał Brański through subsidiaries including among others:	3 777 164	13,02%	7 540 400	18,71%
10X SA	3 763 236	12,97%	7 526 472	18,68%
Krzysztof Sierota through subsidiaries including among others:	3 777 164	13,02%	7 540 400	18,71%
Albemuth Inwestycje SA	3 763 236	12,97%	7 526 472	18,68%
Founders together *	**11 331 492**	**39,06%**	**22 621 201**	**56,13%**
AVIVA OFE	2 190 044	7,55%	2 190 044	5,43%
Others	15 490 290	53,39%	15 490 290	38,44%
Total	**29 011 826**	**100,00%**	**40 301 535**	**100,00%**

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

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

Significant changes of shareholders

In 2020 there were no significant changes in shareholders.

Share capital increase

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

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

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

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

On 13 November 2020, KDPW registered and admitted to trading 9,259 series D ordinary bearer shares and 6,255 series F ordinary bearer shares. After registration, admission to trading and issuing of the abovementioned shares, the Company's share capital amounts to PLN 1,456,524.90 and is divided into 29,130,498 shares with a nominal value of PLN 0.05, entitling to 40,420,207 votes at the General Meeting.

Changes in the share capital after the balance sheet date

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.

Shareholder	Number of shares	% of share capital	Number of votes	% of votes
Jacek Świderski through subsidiaries including among others:	3 777 164	12,94%	7 540 401	18,63%
Orfe S.A.	3 763 237	12,89%	7 526 474	18,59%
Michał Brański through subsidiaries including among others:	3 777 164	12,94%	7 540 400	18,63%
10X S.A.	3 763 236	12,89%	7 526 472	18,59%
Krzysztof Sierota through subsidiaries including among others:	3 777 164	12,94%	7 540 400	18,63%
Albemuth Inwestycje S.A.	3 763 236	12,89%	7 526 472	18,59%
Founders together	**11 331 492**	**38,82%**	**22 621 201**	**55,88%**
Aviva OFE	2 731 000	9,36%	2 731 000	6,75%
Other	15 126 467	51,82%	15 126 467	37,37%
Total	**29 188 959**	**100,00%**	**40 478 668**	**100,00%**

Dividend policy and profit distribution

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

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

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

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

The following table shows dividend allocation and payment of the parent company:

PLN'000	Twelve months ending 31 December 2020	Twelve months ending 31 December 2019
Dividends declared and paid for the current and previous years	-	28 995
Dividend per 1 share	-	1,00

31. INCENTIVE SCHEMES – SHARE-BASED PAYMENTS

First Incentive Schemes

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 right to acquire shares in the Company is also entitled to entities, which managers, in accordance with the provisions of the contract management options, transferred the rights and obligations from option management agreement with the consent of the Company's agreement.

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 2019, 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 31 December 2020 in respect of the scheme amounted to PLN 701 thousand and the total cost recognized in the previous periods amounted to PLN 6,218 thousand.

	Share options (no. of units)
As of 1 January 2020	**196 190**
Awarded	-
Non executed	(1 025)
Executed	(60 252)
As of 31 December 2020	**134 913**
Including the number of options vested as of the balance sheet date	43 023

The exercise price of the options outstanding as of 31 December 2020 amounted to PLN 12.17, and the period remaining to the end of the contractual life of the option is between 1 and 5 years.

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 2019, 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 cost recognized in profit or loss for the period ended December 31, 2020 under this program was PLN 1,660 thousand while the cost of the year recognized in previous periods was PLN 3,953 thousand. The program has been classified as a share-based payment program settled in the Company's equity instruments.

	Share options (no. of units)
As of 1 January 2020	**443 210**
Awarded	
Non executed	(61 112)
Executed	(47 933)
As of 31 December 2020	**334 165**
Including the number of options vested as of the balance sheet date	146 175

The exercise price of the options outstanding as of 31 December 2020 amounted to PLN 32, and the period remaining to the end of the contractual life of the option is between 3 and 5 years.

32. DISCLOSURE OF COMPONENTS OF OTHER COMPREHENSIVE INCOME

	Twelve months ending 31 December 2020	Twelve months ending 31 December 2019
The effective part of gains and losses on the cash flow hedges:	**(86)**	**165**
- Gains arising during the year	-	165
- Losses arising during the year	(86)	-
Actuarial gains and losses on employee benefits provisions:	**74**	**(90)**
- Actuarial gains from defined benefit pension plans	74	-
- Actuarial losses from defined benefit pension plans	-	(90)
Income tax related to other comprehensive income/(losses)	**14**	**(17)**
Total comprehensive income	**(26)**	**92**

The following table shows the tax effect of the other comprehensive income:

	As of 31 December 2020		
	Before tax	Tax	After tax
The effective part of gains and losses on the cash flow hedges:	(86)	-	(86)
Actuarial gains (losses) from defined benefit pension plans	74	14	60
Total comprehensive income	**(12)**	**14**	**(26)**

	As of 31 December 2019		
	Before tax	Tax	After tax
The effective part of gains and losses on the cash flow hedges:	165	-	165
Actuarial gains (losses) from defined benefit pension plans	(90)	(17)	(73)
Total comprehensive income	**75**	**(17)**	**92**

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

The loan agreement concluded by the Group with mBank S.A., PKO BP and ING Bank Śląski on 12 December 2017 forced the Group to close earlier existing hedging instruments. However, as the hedging item (the loan) still exists, the valuation of these terminated hedging transactions is invariably shown in other comprehensive income and is settled with the repayment of interest on the loan.

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

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

33. SUBSIDIARIES WITH A NON-CONTROLLING INTEREST

Presented below is a summary of the financial information of the subsidiaries for which the value of non-controlling interests is significant from the Group's perspective. The amounts presented contain adjustments resulting from fair value measurement and do not contain adjustments eliminating transactions between companies listed below and other Group companies. As of 31 December 2020, the net asset value attributable to non-controlling interests amounted to PLN 11,036 thousand (as of 31 December 2019 it amounted to PLN 12,246 thousand).

PLN'000 Selected information from the statement of financial position	As of 31 December 2020 Nocowanie.pl Sp. z o.o.	 Superauto24.pl Sp. z o.o.
Current assets	4 765	16 451
Short-term assets	(7 294)	(7 535)
Long-term assets	(3 446)	(1 031)
Deferred tax	(181)	(1 532)
Non-current assets	15 261	13 382
Net assets	**9 105**	**19 735**
Accumulated non-controlling assets	**1 366**	**9 670**

PLN'000 Selected information from the statement of financial position	 Nocowanie.pl Sp. z o.o.	As of 31 December 2019 eHoliday.pl Sp. z o.o.	 Superauto24.pl Sp. z o.o.
Current assets	2 029	3 523	7 703
Short-term assets	(6 559)	(3 362)	(3 376)
Long-term assets	(163)	-	(1 630)
Deferred tax	129	(251)	(1 868)
Non-current assets	20 183	5 176	13 595
Net assets	**15 619**	**5 086**	**14 424**
Accumulated non-controlling assets	**3 905**	**1 272**	**7 068**

PLN'000 Selected information from the income statement and other comprehensive income	Twelve months ending 31 December 2020 Nocowanie.pl Sp. z o.o.	 Superauto24.pl Sp. z o.o.
Sales	21 229	22 009
Profit/(loss) before tax	3 149	5 790
Net profit/ (loss) from continuing operations	2 625	5 316
Other comprehensive income		-
Comprehensive income	**2 625**	**5 316**
Comprehensive income attributable to non-controlling interests	574	2 605
Adjustment of the purchase price settlement	(2 654)	-
Dividends paid to non-controlling interests	(1 731)	

PLN'000 Selected information from the cash flow statement	Twelve months ending 31 December 2020 Nocowanie.pl Sp. z o.o.		Superauto24.pl Sp. z o.o.
Net cash and cash equivalents on operating activities from the date of acquisition or prior reporting date	5 586	-	(947)
Net cash and cash equivalents on investing activities from the date of acquisition or prior reporting date	(4 123)		(1 770)
Net cash and cash equivalents on financing activities from the date of acquisition or prior reporting date	(1 966)		(286)
Net cash and cash equivalents as of the date of acquisition or prior reporting date	4 171		4 161
Net cash and cash equivalents as of 31 December 2018 or the date of acquisition of 100% shares	3 668		1 158
Net change in cash and cash equivalents	**(503)**	**-**	**(3 003)**

34. DEFERRED TAX ASSET AND LIABILITY

Deferred tax in connection with tax losses deductible in the following years is recorded as an asset when the realisation of the tax benefits is probable by reducing future taxable income by the amount of these losses. The amount of the tax losses on which deferred tax was not recognised as of 31 December 2020 amounted to PLN 28,422. As of 31 December 2020, tax losses of PLN 21,051 thousand and PLN 14,785 thousand expire in 2024 and 2025 respectively (as of 31 December 2019 tax losses of PLN 12,539 thousand and PLN 7,047 thousand were to expire accordingly in 2022 and 2023).

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

PLN'000	1 January 2020	Financial result	Other comprehensive income	31 December 2020
Deferred tax assets:				
Change in tax values of assets as a result of internal reorganization of the Group	7 958	(4 325)	-	3 633
Unitilized tax losses	19 378	(7 865)	-	11 513
Write-downs of assets	1 994	(969)	-	1 025
Differences in tax and carrying amounts of liabilities and receivables	22 980	(1 175)	14	21 819
Other differences	1 243	401	-	1 644
Deferred tax asset	**53 553**	**(13 933)**	**14**	**39 634**
Deferred tax liability:				
Differences in carrying and tax amount of property, plant and equipment	74 245	(6 253)	-	67 992
Other	2 429	(1 881)	-	548
Deferred tax liability	**76 674**	**(8 134)**	**-**	**68 540**
Deferred tax assets/liability net	**(23 121)**	**(5 799)**	**14**	**(28 906)**

PLN'000	31 December 2020	31 December 2019
Offsetting of deferred tax liability	(37 071)	(52 998)
Deferred tax assets after offsetting	**2 563**	**555**
Deferred tax liabilities after offsetting	**31 469**	**23 676**

It is expected that deferred tax asset in the amount of PLN 37,657 thousand and deferred tax liability in the amount of PLN 6,801 thousand will be realized in less than 12 months.

35. LOANS AND LEASES

PLN'000	As of 31 December 2020	As of 31 December 2019
Long-term		
Bank loans	320 762	311 208
A liability for the right of use buildings	57 848	45 401
Finance lease	857	1 444
	379 467	**358 053**
Short-term		
Bank loans	34 604	35 547
A liability for the right of use buildings	13 519	13 231
Finance lease	1 094	1 478
	49 217	**50 256**
Total	**428 684**	**408 309**

Bank loans

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

- financing of acquisitions and investment expenses up to the total amount of PLN 602 million (Capex Loan Tranche);
- refinancing current indebtedness under the credit facility agreements executed on 12 December 2017 with consortium of banks comprising mBank SA, 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 is scheduled as follows:

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

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

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

Until 31 December 2020, the Group used a total of PLN 13,467 thousand of the new CAPEX tranche.

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.

As at 31 December 2020, the Group presented the loan, divided into long- and short-term parts based on the repayment schedule in force under the loan agreement. The short-term part was calculated as the sum of payments for the next twelve months, based on the loan payment schedule.

The Group had the following undrawn credit lines:

PLN'000	As of 31 December 2020	As of 31 December 2019
Expiring within one year	-	212 421
Expiring after one year	618 533	20 000
Total	**618 533**	**232 421**

Liabilities related to the right to use assets

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.

The main change in long-term liabilities in 2020 was the recognition of the new lease contracts of the office space by Totalmoney.pl Sp. z o.o. in Wroclaw, Nocowanie.pl Sp. z o.o. in Lublin and Wakacje.pl in Gdańsk with a total value of PLN 20,425 thousand. Additionally, as most of the office space lease agreements in the Group is settled in EUR, the liability was revalued by PLN 3,165 thousand. At the same time, the Group repaid the capital instalments in the total value of PLN 12,724 thousand.

PLN'000	As of 31 December 2020	As of 31 December 2019
Gross finance lease liability (minimum lease payments)		
up to 1 year	15 435	15 498
from 1 to 5 years	53 351	42 085
over 5 years	7 208	6 651
Total	**75 994**	**64 234**
(-) future payments in respect of finance leases	(2 676)	(2 680)
Present value of finance lease liabilities	**73 318**	**61 554**
up to 1 year	14 614	14 709
from 1 to 5 years	51 535	40 233
over 5 years	7 170	6 612

The following table presents changes in the value of loans and leases during the year 2020:

Description	Bank loans	Other borrowings	Finance leases	Total
Amount as of 1 January 2020	**346 755**	**-**	**61 554**	**408 309**
Additions due to:	***368 896***	**-**	***25 155***	***395 809***
- use of new bank loan tranche	13 328	-	-	13 328
- refinancing	346 028	-	-	346 028
- interest accrued	9 540	-	1 035	10 575
- new finance lease contracts	-	-	20 953	20 953
- revaluation of liabilities in foreign currencies	-	-	4 925	4 925
Disposals due to:	***(360 285)***	**-**	***(15 149)***	***(375 434)***
- repayment of loan	-	-	(14 114)	(14 114)
- refinancing	(346 028)	-	-	(346 028)
- repayment of interest	(9 109)	-	(1 035)	(10 144)
- payment of bank commissions settled effectively	(5 148)	-	-	(5 148)
Amount as of 31 December 2020	**355 366**	**-**	**73 318**	**428 684**

The following table presents changes in the value of loans and leases during the year 2019:

Description	Bank loans	Other borrowings	Finance leases	Total
Amount as of 1 January 2019	**364 043**	**1 662**	**3 454**	**369 159**
Additions due to:	***13 287***	***32***	***68 568***	***81 887***
- change in credit card balance	104	-	-	104
- interest accrued	13 183	32	595	13 810
- new finance lease contracts	-	-	44 409	44 409
- change of accounting policies	-	-	23 564	23 564
Disposals due to:	***(30 575)***	***(1 694)***	***(10 468)***	***(42 737)***
- repayment loan principal	(17 352)	(1 662)	(9 728)	(28 742)
- repayment of interest	(13 223)	(32)	(595)	(13 850)
Amount as of 31 December 2019	**346 755**	**-**	**61 554**	**408 309**

36. PROVISIONS

PLN'000	As of 31 December 2020	As of 31 December 2019
Provision for employee benefits	**5 430**	**4 356**
provision for pension benefits	580	482
holiday pay provision	4 850	3 874
Other provisions, including:	**1 065**	**1 106**
Provisions for litigation	1 065	1 106
Other	-	-
Total	**6 495**	**5 462**

PLN'000	As of 31 December 2020	As of 31 December 2019
At the beginning of the period	**4 356**	**3 828**
Recorded during the year	1 074	528
At the end of the period	**5 430**	**4 356**
Other provisions		
At the beginning of the period	**1 105**	**1 988**
Recorded during the year	660	903
Utilized	(770)	(1 456)
Released	70	(330)
At the end of the period	**1 065**	**1 105**

37. TRADE AND OTHER PAYABLES

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

PLN'000	As of 31 December 2020	As of 31 December 2019
Long-term		
Contingent liabilities related to business combinations	-	3 997
Liabilities related to business combinations	9 742	11 905
Liabilities with respect to the put option for non-controlling interests	7 704	20 505
Liabilities in respect of purchase of property, plant and equipment and intangible assets	6 576	7 771
Other	-	198
	24 022	**44 376**
Short-term		
Trade payables	46 006	51 097
Contingent liabilities related to business combinations	7 100	72
Liabilities related to business combinations	2 318	2 546
Liabilities with respect to the put option for non-controlling interests	9 039	17 333
Contract and refund liablities	44 482	39 749
State liabilities	12 248	8 844
Barter liabilities	2 414	2 986
Wages and salaries payables	13 497	10 021
Liabilities in respect of purchase of property, plant and equipment and intangible assets	6 839	7 639
Other	10 645	7 901
	154 588	**148 188**

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

On 28 May 2020 Wirtualna Polska Media SA entered into an agreement with the minority shareholder in Nocowanie.pl Sp. z o.o. based on which the Group announced the execution of the first tranche, as a result of which it purchased 4,012 shares in Nocowanie.pl Sp. z o.o. which constitute 10% of the share capital of the company and carry the right to 10% of votes at shareholders' meeting.

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

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

Following the purchase of part of non-controlling shares the Group transferred to retained earnings PLN 2,654 thousand, originally recognized as non-controlling interests. Furthermore, the Group also reclassified to retained earnings PLN 4,506 thousand - a portion of supplementary capital relating to the initial recognition of this put option. This second reclassification did not impact the total value of equity attributable to shareholders of the Parent Company.

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

In the third quarter of 2020, due to COVID -19 impact on the Nocowanie.pl business, the Management of the Group revised its financial results forecasts for 2020 -21, which are the basis for the valuation of the options to purchase the remaining non-controlling interest and, consequently, decreased the value of the liability by PLN 5,074 thousand.

On 22 December 2020 the subsidiary Wirtualna Polska Media SA entered into an agreement with the minority shareholder in Nocowanie.pl Sp. z o.o. regarding the rules governing the settlement of the option to sell and purchase non-controlling interest in the company. The amended agreement includes the right to sell non-controlling interests in two tranches:

- 8,75% of shares after fiscal year 2020;
- 6,25% of shares in one of the ten 14-day call option windows occurring every six months from 1 August 2021 to 14 February 2026. At the same time, the agreement provides for the right to sell the shares by the minority shareholder in one of the ten 14-day put option windows occurring every six months from 15 August 2021 to 28 February 2026.

The value of the liability related to the modified option on the remaining 15% of shares was estimated at PLN 16,613 thousand. The difference in the discounted value of liabilities of PLN 162 thousand was reflected in Group's financial result as additional financial income in the fourth quarter of 2020.

As a result of the signed annexes and changes to the projected results, recognized in 2020 the revenue of PLN 9,066 thousand from the revaluation of the liability to buy out non-controlling interests.

- **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 three quarters of 2020 and the estimation for the fourth quarter, the Group revalued its liability to minority shareholders and increased it by PLN 4,941 thousand. The revaluation was recognised in the costs of the third quarter of 2020 and presented as "Revaluation of the liability to buy out non-controlling interests and other obligations resulting from business combinations".

On 21 October 2020, the Group concluded an annex to the above mentioned investment agreement, changing the rules for the additional remuneration and modifying the provisions of the contract regarding the right of the Group to purchase the remaining shares in Superauto24.com. The amended agreement set new thresholds for earn-out, however the maximum value of future payments would not exceed PLN 10.1 million. The Group agreed to pay an advance of PLN 3 million on the earn-out and the payment was made on 12 November 2020.

The modified provisions of the contract regarding the right of the Group (call option)to purchase the remaining shares in Superauto24.com are following:

- 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.

- **Liability due to the acquisition of companies or enterprises**

Extradom.pl Sp. z o.o.

Wirtualna Polska Holding SA and the entity selling the shares in Extradom.pl Sp. z o.o. determined that part of the selling price in the amount of PLN 15,525 thousand will be retained by WPH in order to hedge standard risks in this type of transactions. This amount will be repaid annually for the next 6 years and will be increased by interest payable in arrears in installments and calculated on the amount of the unpaid part of the retained amount due to the seller and will be reduced by any amounts deducted by WPH in accordance with the share sale agreement. As at 31 December 2020, the liability for the acquisition of Extradom amounts to PLN 12,188 thousand

38. CONTINGENT REMUNERATION

Contingent liabilities arising from acquisitions of subsidiaries result from the arrangements made with the former owners of Superauto24.com Sp. z o.o.

As of 31 December 2020, the estimated non-discounted amount of all future payments that the Group may be obliged to make based under the arrangements adopted amounted to PLN 7,100 thousand. The fair value of contingent consideration of PLN 7,100 thousand was in all cases estimated using the income method. Valuations of both obligations are at level 3 of the fair value hierarchy, as indicated in the note 40. Further information is disclosed in note 37.

39. 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 which amount is significant for Group.

In the analyzed period, the provision for court proceedings decreased by PLN 41 thousand and as of 31 December 2020 amounted to PLN 1,065 thousand.

40. 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 31 December 2020.

PLN'000	Level 1	Level 2	Level 3	Total
Assets and liabilities measured at fair value				
Assets measured at fair value through profit or loss	-	7 517	-	**7 517**
Contingent liabilities related to business combinations	-	-	(7 100)	**(7 100)**

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 year ending 31 December 2020:

PLN'000	Contingent liabilities related to business combinations	
	As of 31 December 2020	As of 31 December 2019
At the beginning of the period	**4 069**	**10 245**
Revaluation earn-out liability - Superauto24.com Sp. z o.o.	4 941	(834)
Advance payment on account of earn-out Superauto24.com Sp. z o.o.	(3 000)	
Revaluation earn-out liability - My Travel Sp. z o.o.	-	(1 637)
Earn-out repayment - My Travel Sp. z o.o.	-	(4 266)
Earn-out repayment - Netwizor Sp. z o.o	-	(334)
Earn-out repayment - Allani Sp. z o.o	(72)	-
Gains and losses recognized in the financial result	1 162	895
At the end of the period	**7 100**	**4 069**

The table below presents the fair and carrying values of loans.

PLN'000	Carrying amount	Fair value
Loans	355 366	361 413
Finance lease	1 951	1 951
A liability for the right of use buildings	71 367	71 367
Total	**428 684**	**434 731**

41. 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.

The currency risk results mainly from the sale of advertising services to foreign clients, investment purchases and, above all, from office space lease agreements, which are largely denominated in EUR. As a result, the Group's currency risk is significantly affected by the balance sheet valuation of liabilities arising from the right to use buildings.

The Group does not hedge the currency risk by concluding long-term transactions securing the currency risk. In 2020, the Group did not have any currency options or any other instruments hedging the currency risk.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group utilizes derivative financial instruments to hedge against some risks. Since 2014, The Group has swap instruments to economically hedge against interest rate risk arising from loan agreements concluded. In connection with the new loan agreement signed on December 12, 2017, the Group terminated IRS transactions and as at 31 December 2020, it was not a party to any active hedging transactions

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

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 180 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.

The Group manages a well-diversified portfolio of customers and suppliers. In both 2020 and 2019 there was one customer whose turnover exceeded 10% of the Group's consolidated revenue and amounted to 16% in 2020 (12% in 2019). This customer is in a stable financial situation and there were no payment delays during the long-term cooperation. Therefore, the Management Board sees no risk of excessive concentration of income.

- **Cash in the bank**

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

PLN'000	As of 31 December 2020	As of 31 December 2019
Banks with high rating	188 255	73 929
Total cash at banks	**188 255**	**73 929**

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

Write-offs for impairment of cash and cash equivalents were determined individually for each balance related to a given financial institution. External bank ratings and publicly available information on default rates for a given rating set by Moody's Investors Service agencies were used to assess credit risk. The analysis showed that these assets have a low credit risk as at the reporting date. The Group benefited from the simplification allowed by the standard and the impairment loss was determined based on 12-month loan losses. Calculation of the write-off showed a negligible amount of the impairment loss.
The Group has no cash deposits with maturities longer than three months.

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.

In 2020, the Group did not use any interest rate risk hedging instruments. The Group estimates that a change of interest rate by 1 p.p. would result in additional PLN 3 million of financial interest costs per annum.

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.

PLN'000	up to 3 months	from 3 to 12 months	from 1 to 5 years	> 5 years	Total
As of 31 December 2020					
Interest-bearing bank loans	8 676	25 928	138 471	220 792	**393 867**
Finance leases	3 582	10 739	50 051	6 760	**71 132**
Trade payables and other financial liabilities	129 159	9 500	16 786	-	**155 445**
As of 31 December 2019					
Interest-bearing bank loans	7 650	27 862	173 401	223 404	**432 317**
Interest-bearing other borrowing	-	-	-	-	**-**
Finance leases	4 468	10 872	41 796	6 643	**63 779**
Trade payables and other financial liabilities	137 913	9 851	47 573	-	**195 337**

Capital management

The principal objective of the capital management within the Group is to maintain a sound credit rating and safe capital ratios to support the Group's operating activity and to increase shareholder value.

The Group manages the capital structure and introduces changes to it based on changes in economic circumstances. In order to maintain or adjust the capital structure, the Group may change the payment of a dividend to the shareholders, return capital to shareholders or issue new shares.

The Group controls its capital balances using the leverage ratio, which is calculated as the ratio of net debt to total equity plus net debt. The Group's net debt includes interest-bearing loans and borrowings, less cash and cash equivalents. The capital management ratios presented below are on a level consistent with the Management Board's expectations.

PLN'000	As of 31 December 2020	As of 31 December 2019
Interest-bearing loans	355 366	346 755
Less cash and cash equivalents	(188 255)	(73 929)
Net debt	**167 111**	**272 826**
Equity	597 694	513 127
Equity and net debt	764 805	785 953
Leverage ratio I	**22%**	**35%**
Adjusted EBITDA for the last 12 months	216 922	218 943
Leverage ratio II (Net debt/Adjusted EBITDA)	**0,77**	**1,25**

42. RELATED PARTY DISCLOSURES

As of 31 December 2020 no individual entity can control the Group independently. Nevertheless, in view of the share of the overall number of votes at the General Meeting, the Founders (i.e. Jacek Świderski, Michał Brański and Krzysztof Sierota) and Companies controlled by them (acting in concert on the basis of a cooperation agreement regarding the joint exercise of ownership rights based on holding shares in the Company after the Admission Date) are able to exercise a decisive influence over the decisions regarding the most important corporate issues such as the appointment and dismissal of the President of the Management Board, the appointment and dismissal of the members of the Supervisory

Board, the amendment of the Articles of Association, the issuance of new shares in the Company, a decrease of the share capital of the Company, the issuance of convertible bonds, dividend payments and other actions which, pursuant to the Commercial Companies Code, require an ordinary or a qualified majority of votes at the General Meeting.

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

The following transactions were concluded with related entities:

PLN'000	Twelve months ending 31 December 2020	Twelve months ending 31 December 2019
Purchases		
Subsidiary of a member of the Management Board of the Parent Company	339	138
Total	**339**	**138**
Sales		
Advertising services rendered to a subsidiary of a member of the Management Board	85	441
Total	**85**	**441**
Interest income		
Associate	201	-
Total	**201**	**-**

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

PLN'000	As of 31 December 2020	As of 31 December 2019
Liabilities		
Subsidiary of a member of the Management or Supervisory Board of the Parent Company	-	80
Total	**-**	**80**
Receivables		
Subsidiary of a member of the Supervisory Board of the Parent Company	-	23
Total	**-**	**23**
Loans granted:		
Associate	-	-
Total	**-**	**-**

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

PLN'000	Twelve months ending 31 December 2020	Twelve months ending 31 December 2019
Short-term employee benefits (salaries and mark-ups)	7 387	6 932
Stock-based incentive scheme	636	636
Total	**8 023**	**7 568**

43. EXPLANATIONS TO THE CASHFLOW STATEMENT

PLN'000	Twelve months ending 31 December 2020	Twelve months ending 31 December 2019
Change in receivables and other short-term assets arises from the following items:	**6 784**	**(22 597)**
Change in receivables and other short-term assets per balance sheet	(805)	(21 390)
Change in long-term receivables per balance sheet	7	293
Change in assets relating to financial activities	7 671	-
Receivables and other assets of companies as of the date of obtaining control	-	351
Change in accounting policies	-	(140)
Change in income tax receivables	-	(1 641)
Other	(89)	(70)
Change in short-term liabilities arises from the following items:	**8 505**	**4 665**
Change in short-term liabilities per balance sheet	6 402	(3 227)
Adjustment for a change in investment liabilities	2 294	6 431
Liabilities taken over as a result of obtaining control	-	(1 228)
Change in long-term deferred income	(198)	(279)
Change in liabilities in respect of financial activities	6	67
Change in accounting policies	-	2 901
Other	1	-
Purchase of shares in a subsidiary	**-**	**(14 874)**
Nominal purchase price	-	(16 100)
Cash and cash equivalents in subsidiaries as of the date of the acquisition's settlement	-	1 226

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.

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

- **Guarantees granted to non-Group entities**

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

- **Inter-company guarantees**

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

45. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Until the approval of the consolidated financial statements, no significant events occurred after the balance sheet date.

46. INFORMATION ABOUT THE ENTITY AUTHORISED TO PERFORM AN AUDIT OF THE FINANCIAL STATEMENTS

On 2 August 2019 the Company concluded an agreement on the audit of financial statements of the Company for 2019-2020 financial years and the audit of the consolidated financial statements of Capital Group for 2019-2020 financial years with PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. with its registered office in Warsaw, Polna 11 Street.

The following table includes the list of services provided for the WPH Capital Group by the entity authorised to audit financial statements or the company from its group, as well as remuneration for these services (in PLN thousand) for the period of 12 months ended 31 December 2020 and 31 December 2019.

PLN'000	Twelve months ending 31 December 2020	Twelve months ending 31 December 2019
Audit of the annual financial statements	454	397
Tax advisory	-	-
Other services	47	2
Review of interim financial statements	79	79
Total	**580**	**478**

47. SELECTED CONSOLIDATED FINANCIAL DATA CONVERTED INTO EUR

Consolidated income statement and other comprehensive income

	Twelve months ending 31 December 2020	Twelve months ending 31 December 2019	Twelve months ending 31 December 2020	Twelve months ending 31 December 2019
	PLN'000		EUR'000	
Online Segment				
Sales	605 735	688 379	135 384	160 021
Cash sales	589 468	665 150	131 748	154 621
Adjusted EBITDA (IFRS 16)	215 042	223 282	48 063	51 904
EBITDA (IFRS 16)	200 670	213 807	44 850	49 702

	Twelve months ending 31 December 2020	Twelve months ending 31 December 2019	Twelve months ending 31 December 2020	Twelve months ending 31 December 2019
	PLN'000		EUR'000	
TV segment				
Sales	26 551	20 321	5 934	4 724
Cash sales	26 551	20 321	5 934	4 724
Adjusted EBITDA (IFRS 16)	1 880	(4 339)	420	(1 009)
EBITDA (IFRS 16)	1 880	(4 580)	420	(1 065)

	Twelve months ending 31 December 2020	Twelve months ending 31 December 2019	Twelve months ending 31 December 2020	Twelve months ending 31 December 2019
	PLN'000		EUR'000	
Segments total				
Sales	632 286	708 700	141 318	164 745
Cash sales	616 019	685 471	137 682	159 345
Adjusted EBITDA (IFRS 16)	216 922	218 943	48 483	50 896
EBITDA (IFRS 16)	202 550	209 227	45 271	48 637
Amortization and depreciation	(80 839)	(79 282)	(18 068)	(18 430)
Operating profit	121 711	129 945	27 203	30 207
Result on financial activities	(30 312)	(31 092)	(6 775)	(7 228)
Profit before tax	91 399	98 853	20 428	22 979
Net profit	81 699	71 132	18 260	16 535

Consolidated statement of financial position

	As of 31 December 2020	As of 31 December 2019	As of 31 December 2020	As of 31 December 2019
	PLN'000		EUR'000	
TOTAL ASSETS	1 243 833	1 145 069	269 531	268 890
Non-current assets	887 333	909 137	192 280	213 488
Current assets	356 500	235 932	77 251	55 403
Long-term liabilities	435 538	426 587	94 379	100 173
Short-term liabilities	210 601	205 355	45 636	48 222
Equity	597 694	513 127	129 517	120 495
Share capital	1 457	1 451	316	341
Non-controlling interests	11 036	12 246	2 391	2 876

Consolidated cash flow statement

	Twelve months ending 31 December 2020	Twelve months ending 31 December 2019	Twelve months ending 31 December 2020	Twelve months ending 31 December 2019
	PLN'000		EUR'000	
Net cash flows from operating activities	211 024	188 986	47 165	43 932
Net cash flows from investing activities	(65 824)	(109 147)	(14 712)	(25 372)
Net cash flows from financing activities	(31 630)	(72 551)	(7 069)	(16 865)
Total net cash flows	**113 570**	**7 288**	**25 383**	**1 694**

Conversion into euro was performed based on the following principles:

- 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 as of 31 December 2019 were converted into euro at the exchange rate of 4.2585(the NBP exchange rate as of 31 December 2019),
- amounts presented in zloty for the period of twelve months ending 31 December 2020 were converted into euro at the exchange rate of 4.4742 (the arithmetic mean of the NBP exchange rates as of the last day of each month of the year 2020),
- amounts presented in zloty for the period of twelve months ending 31 December 2019 were converted into euro at the exchange rate of 4.3018 (the arithmetic mean of the NBP exchange rates as of the last day of each month of the year 2019).

48. ADDITIONAL INFORMATION ON THE RESULTS OF THE FOURTH QUARTER OF 2020 (UNAUDITED)

PLN'000	Three months ending 31 December 2020	Three months ending 31 December 2019
Sales	**218 461**	**189 659**
Cost of goods sold	(31 384)	(6 839)
Result on sales	**187 077**	**182 820**
Amortization and depreciation	(20 490)	(21 751)
Materials and energy used	(1 273)	(2 220)
Costs of the employee option scheme	(446)	(614)
Other external services	(46 881)	(58 501)
Other salary and employee benefit expenses	(56 918)	(51 567)
Other operating expenses	(9 159)	(5 596)
Other operating income/gains	2 848	795
Operating profit	**54 758**	**43 366**
Finance income	179	528
Finance costs	(16 122)	(4 778)
Revaluation of commitments to purchase non-controlling interests and other liabilities on business combinations	(162)	(2 249)
Share in profits of investments accounted for using the equity method	-	(880)
Profit before tax	**38 653**	**35 987**
Income tax	1 399	(9 128)
Profit from continuing operations	**40 052**	**26 859**
Profit from discontinued operations	-	-
Other comprehensive income/(losses) re-classifiable to profit and loss:	**(1)**	**1**
The effective part of gains and losses on the cash flow hedges	(1)	1
Other comprehensive income/(losses) non re-classifiable to profit and loss	**60**	**(73)**
Income/(losses) on revaluation of defined benefit plans	60	(73)
Comprehensive income	**40 051**	**26 860**
Net profit attributable to:		
Equity holders of the Parent Company	39 400	26 496
Non-controlling interests	652	363
Comprehensive income attributable to:		
Equity holders of the Parent Company	39 459	26 424
Non-controlling interests	652	363

49. 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.