Standalone annual financial statement of Wirtualna Polska Holding S.A.

for the year ending 31 December 2020

STANDALONE STATEMENT OF FINANCIAL POSITION

PLN'000	Note	As of 31 December 2020	As of 31 December 2019
Non-current assets			
Fixed assets		4	-
Intangible assets		-	5
Investments, including subsidiaries and associates	8	396 828	429 073
Loans granted	8	64 625	68 714
Deferred tax asset		-	-
		461 457	**497 792**
Current assets			
Trade receivables and other assets		180	187
Cash and cash equivalents		3 352	1 286
		3 532	**1 473**
TOTAL ASSETS		**464 989**	**499 265**
Equity			
Share capital	9	1 457	1 451
Supplementary capital		324 485	321 969
Other reserves		12 539	10 432
Retained earnings		45 476	86 445
		383 957	**420 297**
Long-term liabilities			
Bank loans and leases	10	53 358	54 497
Other long-term liabilities		9 729	15 902
Deferred tax liabilities		-	-
		63 087	**70 399**
Short-term liabilities			
Bank loans and leases	10	5 899	4 307
Trade and other payables		12 035	4 262
Current income tax liabilities		11	-
		17 945	**8 569**
TOTAL EQUITY AND LIABILITES		**464 989**	**499 265**

STANDALONE STATEMENT OF CHANGES IN EQUITY

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

PLN'000	Share capital	Supplementary capital	Other reserves	Retained earnings	Equityy
Equity as of 1 January 2019	**1 449**	**320 895**	**7 801**	**106 561**	**436 706**
Net profit	-	-	-	8 879	8 879
Total comprehensive income	**-**	**-**	**-**	**8 879**	**8 879**
Share capital increase	2	1 074	-	-	**1 076**
Incentive scheme - share-based payments	-	-	2 631	-	**2 631**
Dividend paid	-	-	-	(28 995)	**(28 995)**
Equity as of 31 December 2019	**1 451**	**321 969**	**10 432**	**86 445**	**420 297**

As of 31 December 2020, the equity of PLN 45,637 thousand may be used for the dividend payment.

STANDALONE CASH FLOW STATEMENT

PLN'000		Twelve months ending 31 December 2020	Twelve months ending 31 December 2019
Cash flows from operating activities			
Profit before tax		**(40 957)**	**9 004**
Adjustments for:		**38 846**	**14 426**
Amortization and depreciation		8	14
Revaluation of investment liabilities		4 941	(834)
Finance income and costs		33 354	13 439
Costs of employee option scheme		618	(391)
Other adjustments		(709)	1 575
		636	636
Changes in working capital		(2)	(13)
Change in trade and other receivables	12		
Change in trade and other payables	12	**880**	**(1 119)**
		7	181
Income tax paid		873	(1 300)
Income tax return			
		-	(117)
Net cash flows from operating activities		-	1 260
Cash flows from investing activities		**(1 231)**	**23 454**
Purchase of intangible assets and property, plant and equipment			
Repayment of guarantees granted			
Loans granted		(7)	-
Repayment of loans granted		3 322	1 366
Repayment of interest on loans granted		4 100	17 200
Purchase of shares		2 190	3 115
Repayment of investment liability		-	(12 758)
Net cash flows from investing activities		(5 558)	(1 616)
		-	-
Net cash flows from financing activities		**4 047**	**7 307**
Payments due to share capital increase			
Loans received			
Repayment of guarantees received		2 268	1 332
Repayment of bank commissions		(652)	(1 361)
Interest paid		(830)	(1 518)
Interest received on cash at banks		(1 536)	(2 196)
Loans repaid		-	9
Dividends paid to the shareholders of the Parent Company		-	(28 995)
Net cash flows from financing activities		**(750)**	**(32 729)**
Total net cash flows		**2 066**	**(1 968)**
Cash and cash equivalents at the beginning of the period		**1 286**	**3 254**
Cash and cash equivalents at the end of the period		**3 352**	**1 286**

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

2. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES

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

2.1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union and were in force as at 31 December 2020.

The financial statements have been prepared on a historical cost basis.

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

In order to fully understand the financial position and results of the Company as the Parent Company of the Capital Group, these financial statements should be read in conjunction with annual consolidated financial statements of the Capital Group Wirtualna Polska Holding S.A. for the year ending 31 December 2020, published on 30 March 2020.

2.2. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

A number of new accounting standards and interpretations have been published that are not mandatory for reporting periods ending on 31 December 2020 and have not been previously adopted by the Company. In the opinion of the Company, these standards will not have a significant impact on the entity in the current or future reporting periods or on foreseeable future transactions.

2.3. SEGMENT REPORTING

The Company's operating segments are presented consistently with the internal reporting submitted to the Management Board, which is the main body responsible for making operational decisions. As of the date of preparing these financial statements, holding management activity is the only operating segment.

2.4. MEASUREMENT OF ITEMS DENOMINATED IN FOREIGN CURRENCIES

(a) Functional and presentation currencies

The items contained in the financial statements are valued in the currency of the basic economic environment in which the Company conducts its operations ("the functional currency"). The financial statements are presented in the Polish zloty (PLN), which is the functional currency of the Company.

(b) Transactions and balances

Transactions denominated in foreign currencies are translated 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 recognized in profit or loss.

2.5. 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.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their initial cost less their residual values.

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

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

2.6. INTANGIBLE ASSETS

Purchased intangible assets are carried at the amounts corresponding to the costs incurred on their purchase. These costs are amortized over the estimated useful lives of 5 years.

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

2.7. IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment occurs when the carrying amount of an asset or cash generating unit exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use.

2.8. FINANCIAL ASSETS

Classification of financial instruments

In accordance with the new standard, at the moment of initial recognition, the Company classifies financial assets to one out of three 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's management model adopted by the Company and the contractual terms of cash flows. The Company reclassifies investments in debt instruments only when the management model of these assets changes.

Financial assets measured 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 them in order to obtain cash flows arising from the contract;
- at specified times the contractual terms of the financial asset create cash flows representing only the principal and interest repayment ('SPPI').

The Company checks if the classification test based on IFRS (so-called SPPI test) is passed - i.e. it checks whether cash flows from receivables represent only repayment of principal and interests.

If the test is passed, the Company measures the asset at amortized cost. The Company classifies cash and cash equivalents, loans granted, trade receivables and other receivables as assets measured at amortized cost.

Financial assets measured at fair value through other comprehensive income

Financial assets from which flows constitute only repayment of capital and interest, and which are maintained in order to collect contractual payments or for sale 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 case the financial asset is derecognized, 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 measured at fair value through profit or loss

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

Impairment of financial assets

IFRS 9 requires an estimate 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:

- the first level 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;
- second level of risk - balances for which there has been a significant increase in credit risk since the initial recognition and for which the expected loss is determined based on the probability of default throughout the entire loan term;
- third level of risk - balances with identified impairment.

With respect to trade receivables that do not contain a significant 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 Company has no trade receivables that would have an important financing factor, therefore classified its trade receivables only to the second risk group and receivables with identified impairment to the third risk group. The Company 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.

Investments in subsidiaries and affiliates

Investments in subsidiaries and associates are recognized at the purchase price in accordance with IAS 27 "Standalone Financial Statements. The purchase price is increased by transaction costs directly allocated to them and reduced by impairment losses.

2.9. NON-CURRENT ASSETS HELD FOR SALE

Non-current assets are classified as held for sale if their carrying amount will 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 to sell.

2.10. TRADE RECEIVABLES

Trade receivables are amounts due from customers mainly for services provided in the course of normal business activities. Receivables payable 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 amortized cost using the effective interest rate method, taking account of impairment losses. In the case of short-term receivables, valuation at amortized cost corresponds to the amount due.

2.11. LOANS GRANTED

Loans include financial assets arising when the cash is directly delivered to the counterparty, with fixed or determinable payments, excluding financial assets intended for sale in the short term. The Company includes into this category only loans granted to subsidiaries. The company classifies in this category only loans granted to subsidiaries. For each loan agreement, the Company verifies whether the classification test according to IFRS 9, so-called SPPI test – i.e. check if payments for receivables represent only repayment of principal and interest. If the test is met, the Company measures the given asset loan at amortized cost. Interest accrued is recognized in financial revenues in the period to which they relate. The amount of revaluation write-offs for loans at amortized cost is determined in accordance with the three-stage model of expected losses.

2.12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include mainly cash in hand and at 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.

2.13. SHARE CAPITAL

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

2.14. DIVIDEND DISTRIBUTION

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

2.15. LOANS AND BORROWINGS

Loans and borrowings are recognized initially at fair value, net of transaction costs incurred. Loans and borrowings are subsequently shown at amortized cost. Any differences between the proceeds (net of transaction costs) and the redemption value are recognized in the statement of profit and loss over the period of the relevant agreements using the effective interest rate 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 capitalized as an advance payment for liquidity-related services and amortized over the period of the loan to which it relates.

2.16. 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 recognized at fair value and subsequently they are stated at amortized cost using the effective interest rate method. In the case of short-term liabilities, valuation at amortized cost corresponds to the amount due.

2.17. 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 recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized.

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 realized or the deferred tax liability is settled.

Deferred tax is recognized 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 provisions relate to income tax imposed on the same tax-payer by the same tax authorities.

When there is a deductible temporary difference between the carrying and tax amount of the investment in subsidiaries, for which the Company does not plan to sell its shares in the foreseeable future, no deferred tax asset is recorded on this temporary difference in the financial statements.

2.18. INCENTIVE SCHEME – SHARE-BASED PAYMENTS

The Company runs equity settled and cash settled share-based incentive scheme.

Equity settled share-based incentive schemes

The Company 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 recognized as cost. The aggregate amount to be recorded in costs is determined with reference to fair values of the granted options:

- taking into account all market conditions (such as 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 statement of profit and loss, 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.

The costs of the scheme related to the Company are recognized in costs for the period, while the costs attributable to subsidiaries increase the value of the investments in these companies.

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.

2.19. PROVISIONS

Provisions are recognized when there is 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 fulfill the obligation.

2.20. REVENUE RECOGNITION

The Company 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.

Dividends

Dividends are recognized as operating income in the statement of income and other comprehensive income when the right to receive the payment has been established.

Guarantees

Income from granted loan repayment guarantees is recognized over the period in which the service is rendered (straight-line settlement). The degree of fulfilment of a performance obligation is measured proportionally to the duration of the service provided.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. 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.

(a) Deferred tax asset

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

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

In the opinion of the Management Board, the Company's tax costs will significantly exceed tax revenues in the coming periods. Therefore, the tax asset or liability would not be settled or realized. The Management decided not to create the deferred tax asset and reserve.

As at 31 December 2020 the total amount of tax loss for which no asset was recognised amounted to PLN 10,089 thousand.

(b) Impairment of investment in subsidiaries

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

Impairment losses are reversed if a subsequent increase in recoverable value can be related objectively to the event occurring after the impairment losses were recognized. The impairment recognised is described in the note 11.

(c) Impairment of financial assets -loans

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

4. PRESENTATION CHANGE OF COMPARATIVE FINANCIAL DATA

In the financial statements for the year ended 31 December 2020, the Management Board changed the method of presenting costs and revenues from revaluation of financial assets (i.e. shares and stocks held). In the opinion of the Management Board, since the Company’s sole operations are holding activities, the impairment of investments in subsidiaries and the valuation of shares and minority shares at fair value constitute part of its operating activities.

Therefore, the presentation of the comparative financial data in the statement of income and other comprehensive income was adjusted.

The impact of the change is presented in the table below:

PLN'000	Twelve months ending 31 December 2019 as per approved financial statements	Change	Twelve months ending 31 December 2019 ADJUSTED
Sales	-		-
Amortization and depreciation	(14)		(14)
Materials and energy used	(9)		(9)
Costs of the employee option scheme	(636)		(636)
External services	(2 332)		(2 332)
Salary and employee benefit expenses	(3 178)		(3 178)
Other operating expenses	(362)		(362)
Impairment of investment in subsidiaries	-	(13 439)	(13 439)
Other revenues/costs	-	391	391
Dividends received	29 324		29 324
Operating profit/ (loss)	**22 793**	**(13 048)**	**9 745**
Finance income	4 927	(391)	4 536
Finance costs	(19 550)	13 439	(6 111)
Revaluation of liability to buy non-controlling interests and other liabilities arising from business combinations	834		834
Profit before tax	**9 004**	**-**	**9 004**
Income tax	(125)		(125)
Net profit	**8 879**	**-**	**8 879**

5. OTHER OPERATING EXPENSES

PLN'000	Twelve months ending 31 December 2020	Twelve months ending 31 December 2019
Representation and other costs by type	47	164
Taxes and charges	215	198
Currency exchange differences	1	-
Total	**263**	**362**

6. FINANCE INCOME

PLN'000	Twelve months ending 31 December 2020	Twelve months ending 31 December 2019
Interest income on loans granted	2 191	3 116
Interest income on cash at banks	-	9
Income from guarantees	3 322	1 366
Other	11	45
Total	**5 524**	**4 536**

7. FINANCE COSTS

PLN'000	Twelve months ending 31 December 2020	Twelve months ending 31 December 2019
Interest and commissions	3 001	4 306
Currency exchange differences	-	9
Reversal of the discount from contingent liabilities due to the acquisition of a subsidiary	1 162	435
Guarantee costs	652	1 361
Total	**4 815**	**6 111**

8. CURRENT AND DEFERRED INCOME TAX

PLN'000	Twelve months ending 31 December 2020	Twelve months ending 31 December 2019
Current income tax	**(11)**	-
For the financial year	(11)	-
Deferred tax (note 15)	-	**(125)**
Temporary differences arising and reversed	-	(125)
Total income tax	**(11)**	**(125)**

The notional amount of corporate income tax on profit before tax of the Company 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	**(40 957)**	**9 004**
Income tax at the statutory rate of 19%	**(7 782)**	**1 711**
Tax effects of the following items:		
Costs of the employee option scheme	121	121
Dividends received	(475)	(5 572)
Non-deductible costs and income	25	78
Unrecognized asset from tax loss	8 122	3 660
Other	-	127
Total income tax	**11**	**125**

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 arising. Due to these factors the tax risk in Poland is considerably higher than that usually existing in countries with better developed tax systems. Tax settlements may be subject to inspections within 5 years from the end of the year in which tax was paid. As a result of inspections, the Company's tax settlements may be increased by additional tax liabilities. The Company is of the opinion that as of 31 December 2020 and 2019there 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.

9. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the year. The dilutive items include shares under the option scheme (Note 13). The option scheme had a dilutive impact in 2020 and 2019.

PLN'000	Twelve months ending 31 December 2020	Twelve months ending 31 December 2019
Net profit	**(40 968)**	**8 879**
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)	(1,41)	0,31
Diluted (in PLN)	*(1,39)*	*0,30*

10. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Changes in intangible assets are as follows:

PLN'000	Other intangible assets
Gross carrying amount as of 1 January 2020	69
Gross carrying amount as of 31 December 2020	**69**
Accumulated depreciation as of 1 January 2020	64
Additions due to:	5
- depreciation	5
Accumulated depreciation as of 31 December 2020	**69**
Net carrying amount as of 31 December 2020	**-**

PLN'000	Other intangible assets
Gross carrying amount as of 1 January 2019	69
Gross carrying amount as of 31 December 2019	**69**
Accumulated depreciation as of 1 January 2019	50
Additions due to:	14
- depreciation	14
Accumulated depreciation as of 31 December 2019	**64**
Net carrying amount as of 31 December 2019	**5**

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

The Company does not use contracts classified as finance leases.

11. LONG-TERM FINANCIAL ASSETS

The following table shows changes in the value of long-term investments during the financial year ending 31 December 2020.

PLN'000	Shares	Loans granted	Total long-term financial assets
As of 1 January 2020	**442 512**	**68 893**	**511 405**
Additions	**1 727**	**2 190**	**3 917**
Costs of the option scheme in the subsidiary	1 727	-	1 727
Interests accrued using effective interest rate	-	2 190	2 190
Decreases	**(618)**	**(6 290)**	**(6 908)**
Repayment of loan principal	-	(4 100)	(4 100)
Revaluation to fair value	(618)		(618)
Repayment of interests	-	(2 190)	(2 190)
As of 31 December 2020	**443 621**	**64 793**	**508 414**
Impairment allowance as of 1 January 2020	**13 439**	**179**	**13 618**
Increases	**33 354**	**-**	**33 354**
Allowances	33 354		33 354
Decreases	**-**	**(11)**	**(11)**
Release of allowance	-	(11)	(11)
Impairment allowance as of 31 December 2020	**46 793**	**168**	**46 961**
Net value as of 31 December 2020	**396 828**	**64 625**	**461 453**

The following table shows changes in the value of long-term investments during the financial year ending 31 December 2019.

PLN'000	Shares	Loans granted	Total long-term financial assets
As of 1 January 2019	**427 623**	**86 093**	**513 716**
Additions	**14 889**	**3 115**	**18 004**
Purchase of shares	12 758	-	**12 758**
Valuation to fair value	391	-	**391**
Costs of the option scheme in the subsidiary	1 740	-	**1 740**
Interests accrued using effective interest rate	-	3 115	**3 115**
Decreases	**-**	**(20 315)**	**(20 315)**
Repayment of loan principal	-	(17 200)	(17 200)
Repayment of interests	-	(3 115)	(3 115)
As of 31 December 2019	**442 512**	**68 893**	**511 405**
	-	**224**	**224**
Impairment allowance as of 1 January 2019	**13 439**	**-**	**13 439**
Increases	13 439		13 439
Allowances	**-**	**(45)**	**(45)**
Decreases	-	(45)	(45)
Release of allowance	**13 439**	**179**	**13 618**
Impairment allowance as of 31 December 2019	**429 073**	**68 714**	**497 787**

LOANS GRANTED

Wirtualna Polska Media S.A.

On 10 February 2014 the Company signed with its subsidiary 02 Sp. z o.o. (currently Wirtualna Polska Media S.A.) a loan agreement of PLN 200,000 thousand. As at 31 December 2019 the total limit of the loan was PLN 250,000 thousand. The loan could have been paid in one or several tranches.

In 2014 the subsidiary used PLN 178,500 thousand of the loan to finance the purchase of shares in Wirtualna Polska S.A.

In the following periods subsequent tranches in the total amount of PLN 75,895 thousand were used to finance the acquisition activity and partial repayment of the bank loan.

On 20 November 2015, the Company granted its subsidiary WP1 Sp. z o.o. loans in the amount of PLN 50 thousand. In 2016, the Company signed annexes to the loan agreement concluded with the subsidiary WP1 Sp. z o.o. increasing the available loan limit to the amount of PLN 20 million. During 2016 and 2017, WP1 Sp. z o.o. used subsequent tranches of the loan in the total amount of PLN 8,150 thousand and PLN 11,273 thousand, respectively. PLN. As a result of the merger of the subsidiaries Wirtualna Polska Media and WP1, the party to the loan agreement as at 31 December 2020 is Wirtualna Polska Media S.A.

Until the end of 2019, Wirtualna Polska Media repaid the loan principal of PLN 220,045 thousand and interest of PLN 37,650 thousand.

In 2020 Wirtualna Polska Media S.A. repaid the loan principal of PLN 4,100 thousand and interest of PLN 2,124 thousand.

The loan bears an interest rate of WIBOR for 3-month deposits plus the margin specified in the agreement. The loan can be repaid at any time, but no later than 31 December 2023. The interests are repaid quarterly.

Totalmoney.pl Sp. z o.o.

On 16 September 2015 the Company granted to its subsidiary Totalmoney.pl Sp. z o.o. the loan of PLN 10,869 thousand, which was used for the purchase of shares in companies Finansowysupermarket.pl Sp. z o.o. and WebBroker Sp. z o.o.

Until the end of 2019, Totalmoney.pl Sp. z o.o. repaid the loan principal of PLN 8,869 thousand and interest of PLN 1,488 thousand. In 2020 Totalmoney.pl Sp. z o.o. repaid the interest of PLN 67 thousand.

The loan bears an interest rate of WIBOR for 3-month deposits plus the margin specified in the agreement. The loan can be repaid at any time, but no later than 31 December 2023. The interests are repaid quarterly.

In connection with application IFRS 9 the Company recognized an allowance for impairment of loans. As of 31 December 2020, the impairment loss amounted to PLN 168 thousand PLN.

The following table presents an analysis of the credit risk.

Estimated rating	As of 31 December 2020	As of 1 January 2019
Baa3	64 793	68 893
Gross carrying amount	**64 793**	**68 893**
Impairment loss	168	179
Net carrying amount	**64 625**	**68 714**

SHARES

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

Name of the company	Value of shares at purchase price (PLN'000)	Revaluation adjustments	Carrying value of shares (PLN'000)	Percentage of shares held	Percentage of votes held
Wirtualna Polska Media S.A.	207 022	-	207 022	100%	100%
Domodi Sp. z o.o.	120 331	(46 792)	73 539	49%	49%
Extradom.pl Sp. z o.o.	75 759	-	75 759	100%	100%
Superauto24.com Sp. z o.o.	25 500	-	25 500	51%	51%
Teroplan S.A.	7 753	(227)	7 526	13%	13%
Digitics S.A.	5 000	-	5 000	20%	20%
WPZ Sp. z o.o.	2 477	-	2 477	100%	100%
OPEN FM Sp. z o.o.	5	-	5	100%	100%
As of 31 December 2020	**443 847**	**(47 019)**	**396 828**		

As of 31 December 2019 the structure of shares held by the Company is as follows:

Name of the company	Value of shares at purchase price (PLN'000)	Revaluation adjustments	Carrying value of shares (PLN'000)	Percentage of shares held	Percentage of votes held
Wirtualna Polska Media S.A.	206 173	-	206 173	100%	100%
Domodi Sp. z o.o.	120 277	(13 439)	106 838	49%	49%
Extradom.pl Sp. z o.o.	75 759	-	75 759	100%	100%
Superauto24.com Sp. z o.o.	25 500	-	25 500	51%	51%
Teroplan S.A.	7 753	391	8 144	13%	13%
Digitics S.A.	5 000	-	5 000	20%	20%
WPZ Sp. z o.o.	1 654	-	1 654	100%	100%
OPEN FM Sp. z o.o.	5	-	5	100%	100%
As of 31 December 2019	**442 121**	**(13 048)**	**429 073**		

The Management Board analysed the existence of premises for impairment of shares held in Digitics S.A. The company incurs significant financial losses, but considering its initial stage of development with activities focused on acquiring a customer base, there are no premises for impairment of these shares in the opinion of the Management Board.

The Management Board measured the financial assets i.e. the shares held in Teroplan S.A. at fair value. The share valuation method applied by the Company is based on multiples of listed comparable companies. Teroplan operates in the broadly understood tourism and transport industry, which is significantly affected by the COVID-19 epidemic, as a result the Company was forced to reduce the value of its shares by PLN 618 thousand.

Impairment of shares in Domodi Sp. z o.o.

In the process of preparing the standalone financial statements the Management tested the valuation of financial assets held by verifying the long-term financial forecasts, the obtainable residual value of the assets and other assumptions made in the asset valuation models.

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

The WP Capital Group acquired shares in Domodi both through Wirtualna Polska Holding S.A. as well as through its subsidiary Wirtualna Polska Media S.A.

As at the date of this report, the total value of shares acquired by the Group in Domodi was PLN 151.7m, less impairment allowance recognized in 2019 in the amount of PLN 13.4 m, including:

- 1,334 shares, representing 51% of the share capital, acquired in 2014 by Wirtualna Polska Media S.A. with a total value of PLN 31.5m
- 1,282 shares, representing 49% of the share capital, acquired in 2018 by Wirtualna Polska Holding S.A. through the exercise of the put option for non-controlling interests, with a total value of PLN 120.2m. Impairment allowance was recognized on those shares in 2019 in the amount of PLN 13.4 m.

The estimated recoverable amount of Domodi in accordance with the company's financial forecasts amounts to PLN 150.0m, which is by PLN 11.7m higher than the sum of investment in Domodi presented in the standalone financial statements of the Company and Wirtualna Polska Media S.A. The proportional allocation of the total recoverable amount to Wirtualna Polska Holding S.A. and Wirtualna Polska Media S.A. resulted in an impairment allowance for Domodi shares in WPH in the amount of PLN 33.4m. This allowance is recognized only in the standalone financial statements of WPH.

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

Cash flow projections have been prepared based on the budget for 2021, past results and expectations of the Management Board for the development of the market in 2022-2025, based on the available market sources. Due to the limited scope of long-term forecasts as to the development of the advertising market in Poland, it was assumed for the purposes of the tests that the cash flow growth rate in the residual period exceeding the five-year forecast period would be equal to the inflation target of the NBP of 2.5%. The pre-tax discount rate was estimated based on the macroeconomic and market data for the individual cash generating units.

The forecasts for the Domodi Group 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.

The allowance made in the individual financial statement of WPH will not affect the consolidated financial statement of the Capital Group. It is non-cash and has no impact on the current financial position of the Company and the Capital Group.

As of 31 December 2020, shares with a total book value of PLN 356,320 thousand, were subject to financial pledge securing the repayment of the loan taken by the Company and its subsidiary.

12. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

PLN'000	As of 31 December 2020	As of 31 December 2019
Receivables from related parties		24
State receivables	155	142
Prepayments	25	21
Total	**180**	**187**

As of 31 December 2020 and 31 December 2019 there are no receivables that are individually considered as non-collectible.

Throughout 2020 and as of 31 December 2020, the Company did not create any impairment allowance on receivables based on expected credit loss model.

13. SHARE CAPITAL

Share capital structure

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 subsidiares 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 subsidiares 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 subsidiares 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%
Total of Founders*	**11 331 492**	**38,90%**	**22 621 201**	**55,97%**
AVIVA OFE	2 731 000	9,38%	2 731 000	6,76%
Other	15 068 006	51,73%	15 068 006	37,28%
Total	**29 130 498**	**100,00%**	**40 420 207**	**100,00%**

* Founders in connection with the shareholders agreement concluded on 19 March 2015 by the Founders and their subsidiaries (Orfe S.A., 10X S.A. 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 subsidiares including:	3 777 164	13,02%	7 540 401	18,71%
Orfe S.A.	3 763 237	12,97%	7 526 474	18,68%
Michał Brański through subsidiares including:	3 777 164	13,02%	7 540 400	18,71%
10X S.A.	3 763 236	12,97%	7 526 472	18,68%
Krzysztof Sierota through subsidiares including:	3 777 164	13,02%	7 540 400	18,71%
Albemuth Inwestycje S.A.	3 763 236	12,97%	7 526 472	18,68%
Total of Founders*	**11 331 492**	**39,06%**	**22 621 201**	**56,13%**
AVIVA OFE	2 190 044	7,55%	2 190 044	5,43%
Other	15 490 290	53,39%	15 490 290	38,44%
Total	**29 011 826**	**100,00%**	**40 301 535**	**100,00%**

* Founders in connection with the shareholders agreement concluded on 19 March 2015 by the Founders and their subsidiaries (Orfe S.A., 10X S.A. 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.

After registration, admission to trading and issuing of the above mentioned shares, the share capital of the Company 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, including:

- 11.289.709 registered series A preference shares; preference for 11,289,709 series A shares applies to voting rights at the General Meeting in such a way that there are two votes per share;
- 1,100,000 ordinary series A bearer shares;
- 12,221.811 ordinary series B bearer shares;
- 301,518 ordinary series C bearer shares;
- 706,574220 ordinary series D bearer shares;
- 3,339,744 ordinary series E bearer shares;
- 171,142 ordinary series F bearer shares.

The total number of votes from all the Company's shares is: 40,420,207.

Changes in the share capital after the balance sheet date

On 11 March 2021, KDPW registered and admitted to trading 15,750 series D ordinary bearer shares and 42,711 series F ordinary bearer shares. After registration, admission to trading and issuing of the abovementioned shares, the Company's share capital amounts to PLN 1,459,447.20 and is divided into 29,188,959 shares with a nominal value of PLN 0.05, entitling to 40,478,668 votes at the General Meeting.

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 2017, 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 S.A. 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 S.A. in the financial year in which the payment of dividends is due.
The dividend policy shall be first applied for the distribution of consolidated net profit of the Group for the financial year ending 31 December 2016.
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

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

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

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

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

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

On 26 September 2016, the Extraordinary General Meeting of Shareholders of the Company No. 3 was adopted, pursuant to which subscription warrants issued after the date of adopting the above resolution are non-transferable, the issue of subscription warrants under the Managerial Options Program will be carried out in a private placement addressed to a maximum of 149 Eligible Persons, and the shares will be offered as a private placement addressed to a total of no more than 149 Eligible Persons who will be entitled to subscription warrants.

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

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

	Share options (no. of units)
As of 1 January 2020	**443 210**
Awarded	-
Non executed	(61 112)
Executed	(47 933)
As of 31 January 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 contractual life of the option is between 3 and 5 years.

15. DEFERRED TAX ASSET AND LIABILITY

Deferred income tax in connection with the occurrence of tax losses that can be settled in subsequent financial years is recognized in assets if the realization of the related tax benefits is probable due to the deduction of future taxable income by those losses. Due to the nature of the business (holding activity) and the realization of income only in the form of dividends from subsidiaries, it was recognized that in the following years the deferred tax asset and liability cannot be realized. As a result, deferred tax asset and liability were released.

Both as of 31 December 2020 and 31 December 2019, the Company has not recognised any deferred tax assets or liabilities. It is expected that the asset / liability would not be realized in the foreseeable future.

The amount of tax losses, for which deferred tax was not recognized, as at 31 December 2020, amounted to PLN 10,089 thousand.

As at 31 December 2020 the following value of tax losses expires:

Year	Expiring tax loss PLN'000
2022	665
2023	3 774
2024	4 380
2025	1 271

In case the Management Board decided to recognize the deferred tax, it would be presented in assets.

16. LOANS AND BORROWINGS RECEIVED

PLN'000	As of 31 December 2020	As of 31 December 2019
Long-term		
Bank loans	53 358	54 497
	53 358	**54 497**
Short-term		
Bank loans	5 899	4 307
	5 899	**4 307**

On 25 February 2020, the Company and Wirtualna Polska Media S.A. as borrowers and its subsidiaries TotalMoney.pl sp. z o.o., Wakacje.pl S.A. and Domodi sp. z o.o. - as the guarantors entered into a senior term, capex and overdraft facilities agreements with a bank consortium comprising: (i) mBank S.A. („Facility Agent”) (ii) Powszechna Kasa Oszczędności Bank Polski S.A., (iii) ING Bank Śląski S.A., (iv) Bank Polska Kasa Opieki S.A. (v) BNP Paribas Bank Polska S.A. 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 S.A. – as a lender and facilities agent, Powszechna Kasa Oszczędności Bank Polski S.A. and ING Bank Śląski S.A
- financing current activities through a revolving facility up to the total of 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 debt repayment is scheduled as follows:

- Tranche A in the amount of PLN23.8 million in twenty equal quarterly instalments payable from the 1st quarter of 2021;
- Tranche B in the total amount of PLN 35.7 million 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 are secured by:

- financial and registered pledges over the shares in WPM, TotalMoney.pl sp. z o.o., Domodi sp. z o.o., Wakacje.pl S.A.;
- registered pledges over set of assets and rights of the Company, WPM, TotalMoney.pl sp. z o.o., Wakacje.pl S.A.;
- ordinary and registered pledges over the rights to trademarks of the WPM, Domodi sp. z o.o. and Wakacje.pl S.A.;
- 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 S.A., 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 S.A.; and
- a subordination agreement concerning any existing or future receivables with respect to WPM concerning the receivables of the Lenders.

The debt was refinanced on 17 April 2020.

The debt from the loan agreement was presented in the balance sheet as of 31 December 2020 as long and short term. The short-term part was calculated as the sum of planned payments for 12 consecutive months according to the repayment schedule.

The table below presents the fair and carrying values of the loan:

PLN'000	Carrying amount	Fair value
Bank loans	59 257	59 380
Total	**59 257**	**59 380**

The fair value of loans concluded by the Company as of 31 December 2020 is PLN 59,380 thousand.

As of 31 December 2020 the Group had no undrawn credit lines.

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

PLN'000	Loans
Amount as of 1 January 2020	**58 804**
Additions due to:	***61 729***
- loans received	59 475
- interest accrued	1 615
- settlement of commissions effectively settled in relation to debt refinancing	639
Disposals due to:	***(61 275)***
- repayment of loans	*(59 475)*
- repayment of interest	(1 536)
- commissions paid and settled effectively	(264)
Amount as of 31 December 2020	**59 258**

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

PLN'000	Loans
Amount as of 1 January 2019	**58 622**
Additions due to:	***2 378***
- interest accrued	2 378
Disposals due to:	***(2 196)***
- repayment of interest	(2 196)
Amount as of 31 December 2019	**58 804**

17. TRADE AND OTHER LIABILITIES

PLN'000	As at 31 December 2020	As at 31 December 2019
Long-term		
Contingent liabilities	-	3 997
Liabilities related to business combinations (other than earn-out)	9 729	11 905
	9 729	**15 902**

PLN'000	As at 31 December 2020	As at 31 December 2019
Short-term		
Trade cash payables	419	521
Liabilities related to business combinations	9 558	2 546
Contingent liabilities	7 100	-
Liabilities related to business combinations (other than earn-out)	2 458	2 546
State liabilities	12	21
Wages and salaries payables	2 046	1 060
Liabilities related to financial activity	-	114
Total	**12 035**	**4 262**

Liabilities related to business combinations

Extradom Sp. z o.o.

Wirtualna Polska Holding S.A. and an entity selling shares in Extradom.pl Sp. z o.o. determined that a part of the selling price in the amount of PLN 15,525 thousand will be retained by WPH in order to hedge the 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 accrued on the unpaid amount due to the seller of the retained amount and will be reduced by any amounts withheld by WPH pursuant to the share sale agreement.

As of 31 December 2020 the long-term liability amounts to PLN 9,729 thousand and short-term liability amounts to PLN 2,548 thousand.

Contingent liabilities related to business combinations

Superauto24.com Sp. z o.o.

In accordance with the investment agreement concluded between the Company and the minority shareholders of Superauto24.com, minority shareholders are entitled to additional remuneration provided and depending on the degree of achievement by Superauto24.com of the financial target for the financial year 2020 specified in the agreement. In 2020, the Company revalued the obligation to pay this remuneration. As a result, the liability was increased by PLN 4,941 thousand. PLN. The effects of the change in the valuation were included in the costs of the third quarter of 2020 as "Revaluation of the liability to buy out non-controlling interests and other obligations resulting from business combinations".

In addition, on 21 October 2020, the Group amended the investment agreement with minority shareholders, changing the rules for the settlement of contingent remuneration and the purchase of the remaining shares in Superauto24.com from minority shareholders. The agreement changes the amount thresholds for earn-out, and the value of future payments will not exceed PLN 10.1 million. The company undertook to pay an advance on the earn-out amount in the fourth quarter of 2020 in the amount of PLN 3 million. This payment was made on 12 November 2020. At the same time, the parties changed the terms on which the remaining minority shares od of Superauto24.com may be acquired.

The Group will have the option to purchase the remaining shares in the share capital of Superauto24.com, on the following terms:

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

The purchase price will be calculated by multiplying of 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.

18. CONDITIONAL LIABILITIES AND ASSETS

Call options to purchase shares

The Company has call options to purchase shares in Digitics S.A. and Superauto24.com Sp. z o.o.

- **Superauto24.com Sp. z o.o.**

The details regarding the call option on non controling interest in Superauto24.com is described in the note 17 above. The purchase price will be calculated by multiplying of 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.

Digitics S.A.

Shareholders agreement between WPH and other shareholders in Digitics S.A. provides for a conditional call option mechanism enabling WPH to purchase the remaining shares of Digitics S.A. The call option could be exercised if the normalised EBITDA of Digitics exceeds level stated in the agreement for 4 consecutive months.

The valuation of the options held as at December 31, 2020 showed an negligible amounts.

- **Guarantee of loan of Wakacje.pl 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.

19. OBJECTIVES AND PRINCIPLES OF FINANCIAL RISK MANAGEMENT

The Company is exposed to credit risk and liquidity risk. Neither as of 31 December 2020 and 2019, were the Company's operations subject to significant currency risk due to an insignificant share of currency transactions in the Company's total transactions. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk is managed by the centralized Cash Flow Management Department of the Company which executes the policy approved by the Management Board. The Company's Cash Flow Management Department identifies and evaluates financial risks and safeguards the Company 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 Company is exposed arises mainly from trade receivables, loans granted and cash at bank:

- Trade receivables and loans granted

The Company concludes transactions with related parties only, therefore in Management Board's opinion the credit risk is immaterial.

- Cash at banks

The Company 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	3 352	1 286
Loans granted	64 625	68 714
Total cash at banks	**67 977**	**70 000**

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 company 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.

Cash flow and fair value risk resulting from interest rate fluctuations

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

The Company 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 Company 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 Company manages its cash flow risk relating to interest rate fluctuations - considering using swaps under which floating interest rates are swapped for fixed. The economic result of applying such swaps is that loans and advances with floating interest rates are transformed into instruments bearing fixed interest rates. The Company estimates that a change of interest rate by 1 p.p. would result in additional PLN 0,6 million of financial interest costs per annum.

Liquidity risk

The table below presents the Company's financial liabilities as of 31 December 2020 and as of 31 December 2019 by maturity, based on undiscounted contractual payments.

PLN'000	up to 3 months	3 to 12 months	1 to 5 years
as of 31 December 2020			
Interest-bearing bank loans	1 477	4 422	23 462
Trade payables, accruals, operating provisions and other financial liabilities	4 934	7 100	9 729
as of 31 December 2019			
Interest-bearing bank loans	546	3 761	63 738
Trade payables, accruals, operating provisions and other financial liabilities	4 262	-	16 905

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

20. CAPITAL MANAGEMENT

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

The Company 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 Company may change the payment of a dividend to the shareholders, return capital to shareholders or issue new shares.

Current operations are financed with the Company's own resources.

21. RELATED PARTY DISCLOSURES

Following transactions were made with related parties in 2020 and 2019:

PLN'000	Twelve months ending 31 December 2020	Twelve months ending 31 December 2019
Purchase		
Subsidiares	366	501
Total	**366**	**501**
Sales of service		
Subsidiares	-	44
Total	**-**	**44**
Interest income, guarantees, dividends and reversals of impairment losses on loans granted		
Subsidiares	8 012	33 851
Total	**8 012**	**33 851**
Interest and guarantees costs		
Subsidiares	652	1 360
Total	**652**	**1 360**

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

PLN'000	As of 31 December 2019	As of 31 December 2019
Receivables		
Subsidiares	-	24
Total	**-**	**24**
Loans granted		
Subsidiares	64 793	68 714
Total	**64 793**	**68 714**
Liabilities		
Subsidiares	33	177
Total	**33**	**177**

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

PLN'000	Twelve months ending 31 December 2020	Twelve months ending 31 December 2019
Short-term employee costs (salaries and related benefits)	2 827	3 178
Incentive scheme - share-based payments	636	636
Total	**3 463**	**3 814**

22. EXPLANATION TO THE CASH FLOW STATEMENT

PLN'000	Twelve months ending 31 December 2020	Twelve months ending 31 December 2019
Change in receivables arises from the following items:	**7**	**181**
Change in trade receivables and other receivables per balance sheet	7	1 324
Change in income tax receivables - adjustment	-	(1 143)
Change in short-term liabilities arises from the following items:	**874**	**(1 300)**
Change in trade liabilities, accruals, operating provisions and other long-term liabilities per balance sheet	7 773	(414)
Adjustment for a change in investment liabilities	(7 012)	(943)
Change in liabilities in respect of financing activities	114	56
Other	(1)	1

As of 31 December 2020 and 2019, cash and cash equivalents comprised solely cash at banks and in hand of the Company.

As of 31 December 2020 and 2019, Company's bank account was subject to the financial pledge established as the security for the repayment of the loan described in Note 15.

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

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

The following table includes the list of services provided for the Company by the entity authorized 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 ending 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	90	70
Review of interim financial statements	79	79
Other services	47	-
Total	**216**	**149**

24. SELECTED INDIVIDUAL FINANCIAL DATA, CONVERTED INTO EUR

	Twelve months ending 31 December 2020	Twelve months ending 31 December 2019	Twelve months ending 31 December 2020	Twelve months ending 31 December 2019
	wPLN'000		EUR'000	
Sales	-	-	-	-
Operating profit/ (loss)	(36 725)	9 745	(8 208)	2 265
Profit before tax	(40 957)	9 004	(9 154)	2 093
Net profit	(40 968)	8 879	(9 156)	2 064

	Twelve months ending 31 December 2020	Twelve months ending 31 December 2019	Twelve months ending 31 December 2020	Twelve months ending 31 December 2019
	wPLN'000		EUR'000	
Net cash flows from operating activities	(1 231)	23 454	(275)	5 452
Net cash flows from investing activities	4 047	7 307	905	1 699
Net cash flows from financing activities	(750)	(32 729)	(168)	(7 608)
Total net cash flows	2 066	(1 968)	462	(457)

	As of 31 December 2020	As of 31 December 2019	As of 31 December 2020	As of 31 December 2019
	wPLN'000		EUR'000	
Total assets	464 989	499 265	100 760	117 240
Non-current assets	461 457	497 792	99 995	116 894
Current assets	3 532	1 473	765	346
Long-term liabilities	63 087	70 399	13 671	16 531
Short-term liabilities	17 945	8 569	3 889	2 012
Equity	383 957	420 297	83 201	98 696
Share capital	1 457	1 451	316	341

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 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 2019),

25. EVENTS AFTER BALANCE SHEET DATE

Until the date of this report, no significant events occurred after the balance sheet date.

26. ADDITIONAL INFORMATION ON RESULTS OF THE FOURTH QUARTER OF 2020 (NOT AUDITED)

PLN'000	Three months ending 31 December 2020	Three months ending 31 December 2019
Sales	-	-
Amortization and depreciation	(2)	(4)
Materials and energy used	(6)	(6)
Costs of the employee option scheme	(159)	(159)
Other external services	(195)	(442)
Other salary and employee benefit expenses	(2 238)	(774)
Other operating expenses	(70)	(109)
Other operating income/gains	(618)	-
Operating loss	**(3 288)**	**(1 494)**
Finance income	1 541	1 467
Finance costs	(312)	(14 954)
Profit before tax	**(2 059)**	**(14 981)**
Income tax	(11)	(278)
Net profit	**(2 070)**	**(15 259)**

27. OTHER INFORMATION THE COMPANY CONSIDERS MATERIAL TO THE ASSESSMENT OF THE COMPANY'S HUMAN RESOURCES, ASSETS AND FINANCIAL POSITION, ITS RESULTS AND CHANGES AND INFORMATION WHICH IS MATERIAL TO THE ASSESSMENT OF THE COMPANYP'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 Company's ability to discharge its liabilities.

In the opinion of the Management Board of Wirtualna Polska Holding S.A. the presented information describes exhaustively the human resources, assets and financial position of the Company. 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.

Management Board representation regarding the Financial Statements and the Management Report for the year ending 31 December 2020 as well as the entity authorized to perform audit.

I. The representation regarding the financial statements and the management report for the year ending 31 December 2020

The Management Board of Wirtualna Polska Holding S.A. confirms that, to the best of their knowledge, the annual standalone financial statements together with comparative figures, have been prepared according to all applicable accounting standards and reflect a true and fair view of the state of affairs and the financial results of the Issuer for the period in question. Moreover, the Management Board of Wirtualna Polska Holding S.A. confirms that the combined report of the management board on the activities of the Company and its Capital Group shows a true view of the development and achievements and state of affairs of the Company, including an evaluation of dangers and risks.

II. The representation regarding the entity authorized to perform audit

The Management Board of Wirtualna Polska Holding S.A. confirms that the entity authorized to the audit of the financial statements, auditing annual standalone financial statements, has been elected according to applicable rules and that this entity as well as certified auditors engaged in the audit of this financial statements met objectives to present an objective and independent opinion about the audited annual consolidated financial statements in accordance with legal regulations and professional rules.

In addition, the Management Board declares that the applicable regulations related to the rotation of the audit firm and key statutory auditor and the mandatory grace periods are observed, and that the issuer has a policy regarding the selection of the audit company and a policy regarding the provision to the issuer by the audit company, an entity associated with an audit firm or a member of its network of additional non-audit services, including services conditionally exempted from the prohibition of the audit firm's provision.

Jacek Świderski
President of the Management Board

Elżbieta Bujniewicz-Belka
Member if the Management Board, CFO

Michał Brański
Member if the Management Board

Krzysztof Sierota
Member if the Management Board