

FINANCIAL REPORT

FOR THE PERIOD OF 3 AND 6 MONTHS ENDING
30 JUNE 2016

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REPORT OF THE MANAGEMENT BOARD ON THE ACTIVITIES OF WIRTUALNA POLSKA HOLDING SA CAPITAL GROUP

**FOR THE PERIOD OF 3 AND 6 MONTHS
ENDING 30 JUNE 2016**

MANAGEMENT TEAM OF WIRTUALNA POLSKA HOLDING SA CAPITAL GROUP



**JACEK
ŚWIDERSKI**
PRESIDENT OF THE MANAGEMENT
BOARD
CEO



**KRZYSZTOF
SIEROTA**
MANAGEMENT BOARD MEMBER
VP IT



**MICHAŁ
BRAŃSKI**
MANAGEMENT BOARD
MEMBER
VP PRODUCT STRATEGY



**ELŻBIETA
BUJNIEWICZ-BELKA**
MANAGEMENT BOARD MEMBER
CFO



**MARTA
CZARTORYSKA-ŻAK**
VP CHIEF MARKETING OFFICER



**IWONA
WENCEL**
INTERIM VP HR



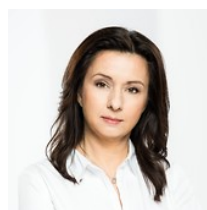
**ADAM
PLONA**
VP PRODUCT DEVELOPMENT



**GRZEGORZ
CZAPSKI**
VP CORPORATE DEVELOPMENT



**MACIEJ
KOSSOWSKI**
VP MEDIA & AD PRODUCT



**JOANNA
PAWLAK**
VP SALES KEY CLIENTS



**JERZY
DĄBRÓWKA**
VP COMMUNICATION PRODUCT

1. SELECTED FINANCIAL DATA

The following tables set out selected consolidated financial data for the period of 3 and 6 months ending 30 June 2016 and 2015. The selected financial data presented in the tables below is expressed in thousands of PLN, unless otherwise stated. This information should be read in conjunction with condensed interim consolidated financial statements for the period of 3 and 6 months ending 30 June 2016 as well as the information included in item 3 of this report.

	Six months ending 30 June 2016	Six months ending 30 June 2015	Six months ending 30 June 2016	Six months ending 30 June 2015
	in PLN'000		in EUR'000	
Sales	189 217	145 274	43 195	35 140
Cash sales	171 566	128 004	39 166	30 963
Operating profit	36 825	27 071	8 407	6 548
Profit before tax	27 496	13 450	6 277	3 253
Net profit	20 994	9 600	4 793	2 322
EBITDA	56 781	41 556	12 962	10 052
Adjusted EBITDA	61 464	49 320	14 031	11 930

	Three months ending 30 June 2016	Three months ending 30 June 2015	Three months ending 30 June 2016	Three months ending 30 June 2015
	in PLN'000		in EUR'000	
Sales	100 768	77 775	22 889	18 871
Cash sales	91 706	68 369	20 832	16 589
Operating profit	22 273	16 348	5 066	3 963
Profit before tax	16 936	13 406	3 853	3 242
Net profit	12 809	10 095	2 914	2 441
EBITDA	32 385	23 781	7 361	5 768
Adjusted EBITDA	35 607	27 781	8 095	6 739

	As of 30 June 2016	As of 31 December 2015	As of 30 June 2016	As of 31 December 2015
	in PLN'000		in EUR'000	
Total assets	801 372	749 879	181 081	175 966
Non-current assets	688 885	638 195	155 663	149 758
Current assets	112 487	111 684	25 418	26 208
Long-term liabilities	324 789	293 426	73 390	68 855
Short-term liabilities	107 952	98 874	24 393	23 202
Equity	368 631	357 579	83 297	83 909
Share capital	1 413	1 413	319	332
Non-controlling interests	16 031	15 676	3 622	3 679

	Six months ending 30 June 2016	Six months ending 30 June 2015	Six months ending 30 June 2016	Six months ending 30 June 2015
	in PLN'000		in EUR'000	
Net cash flows from operating activities	51 397	27 090	11 733	6 529
Net cash flows from investing activities	(54 501)	(35 675)	(12 442)	(8 599)
Net cash flows from financing activities	(8 751)	59 952	(1 998)	14 450
Total net cash flows	(11 855)	51 367	(2 706)	12 381

Conversion into euro was performed based on the following principles:

- amounts presented in zloty as of 30 June 2016 were converted into euro at the exchange rate of 4.4255 (the NBP exchange rate as of 30 June 2016),
- amounts presented in zloty as of 31 December 2015 were converted into euro at the exchange rate of 4.2615 (the NBP exchange rate as of 31 December 2015),
- amounts presented in zloty for the period of six months ending 30 June 2016 were converted into euro at the exchange rate of 4.3805 (the arithmetic mean of the NBP exchange rates as of the last day of each month of the first half of 2016),
- amounts presented in zloty for the period of six months ending 30 June 2015 were converted into euro at the exchange rate of 4.1341 (the arithmetic mean of the NBP exchange rates as of the last day of each month of the first half of 2015).

The acquisitions make it significantly more difficult to compare the periods and analyse the Group's results. Therefore, in order to improve the presentation of the changes that took place in the first half of 2016 and in the second quarter 2016, in item 3 of this report we present the comparison of results to pro forma financial information for the year 2015.

2. OPERATIONS OF THE WIRTUALNA POLSKA HOLDING CAPITAL GROUP

2.1. The scope of Group's operations

The Group's mission is to be partner of first choice for the Polish people, providing opinion-forming information, entertainment and services, and inspiration in daily decisions. The Group accomplishes its mission by providing attractive content and services to the portal users, tailored to their needs and profile. The Group owns one of the two most popular horizontal internet portals in Poland, Wirtualna Polska. The Group also operates the o2 horizontal portal and numerous specialist vertical portals: including, in particular, business portals: Money.pl and Biztok; new technology portals – e.g. Dobreprogramy; sports portals, e.g. Sportowe Fakty, entertainment portals, e.g. Pudelek, health and parenting portals – abcZdrowie and Parenting.pl, as well as Internet radio stations – OpenFM and PolskaStacja. Moreover, the Group conducts advertising activities comprising lead generation for internet shops, mainly within portals aggregating internet shop products and services (marketplace): Domodi and Allani for fashion; Homebook in the home and interior category and Money.pl, Finansowysupermarket.pl and Totalmoney.pl for financial services as well as Enovatis and Nocowanie.pl operating in tourism. The Group's lead generation activity on the e-commerce market enables the Group to take advantage of the fast growth of e-commerce in Poland.

In accordance with the last available data from Gemius/PBI research as of June 2016, Wirtualna Polska Group was visited via desktop or mobile devices by 19.4 million users (Real Users) who made 3.1 billion hits and spent on the Group's portals more than 105 million hours which is on average 5 hours 24 minutes 53 seconds per user. The GWP's reach is 76.2%, these are the data for the combined results of desktop and mobile. The WP Group is the leader among desktop internet portals in terms of the number of real users (RU), hits and time, while among mobile internet portals is the leader in terms of number of hits and time.

According to Gemius/PBI research, the Group is ranked first in Poland in the thematic categories of "Business, Finance and Law", "Communication", "New Technologies", "Lifestyle" and "Tourism".

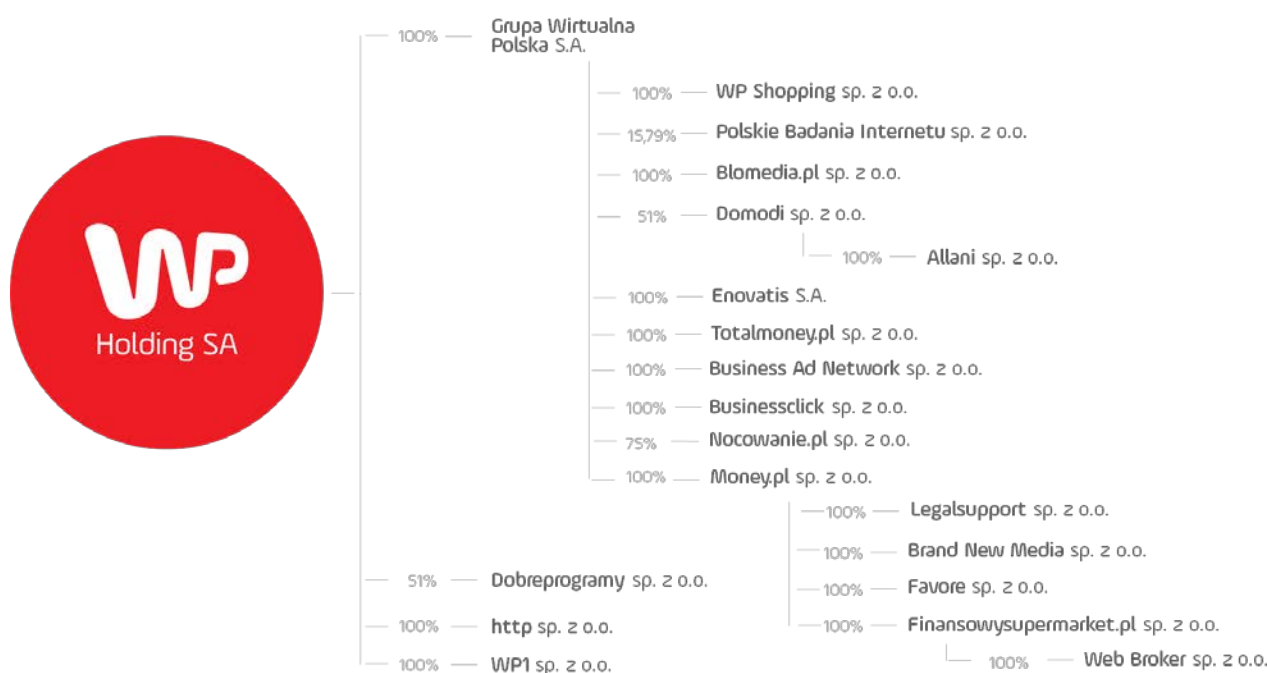
In accordance with the Group's internal data, in the period from 1 to 30 June 2016, the average daily number of unique users visiting the portals owned by the Group was 8.5 million.

The Group offers free electronic mail to its users. The Group has the largest base of electronic mail users in Poland, which according to the last available Gemius/ PBI research as of June 2016 amounted to 9.7 million real users; Google had 7.8 million real users and the Onet-RASP Group had 7 million real users (however, it should be noted that the Gemius/ PBI data relate only to access via the website in desktop or mobile version). According to the Group's internal data as of June 2016, the Group had more than 10.4 million active e-mail accounts, (including 7.1 million active WP e-mail accounts and 3.4 million active o2 e-mail accounts).

The Group conducts operations on the Polish market in terms of online advertising, offering a wide range of advertising products to its clients – modern display ads, including online video ads, ads sent by e-mail, ads for mobile devices and ads based on the effectiveness model (i.e. based on the number of people accessing a website, filling in a form, registering, purchasing goods or services) (lead generation, performance marketing). Thanks to the high popularity of the websites and services, the Group is able to reach a wide range of users with its advertising message.

2.2. Structure of the Wirtualna Polska Holding SA Capital Group

The diagram below presents the structure of the Group as of 30 June 2016, including the percentage of voting rights at a General Shareholders' Meeting to which the shareholder is entitled.



On 16 March 2016, Grupa Wirtualna Polska SA signed share purchase agreement for 100% of shares of TotalMoney.pl Sp. z o.o. with its registered office in Warsaw.

On 7 March 2016 Grupa Wirtualna Polska SA signed preliminary conditional purchase agreement for 75% of shares in Nocowanie.pl Sp. z o.o with its registered office in Lublin. On 7 June 2016 the sale agreement for 75% of shares in Nocowanie.pl Sp. z o.o was concluded as the condition precedent specified in the preliminary agreement fulfilled.

On 1 July 2016, companies Finansowysupermarket.pl Sp. z o.o. and Web Broker Sp. z o.o. merged pursuant to article 492 section 1 item 1 of the Polish Commercial Companies Code, by transferring all assets of Web Broker Sp. z o.o. to Finansowysupermarket.pl Sp. z o.o.

On 21 July 2016, Money.pl Sp. z o.o. sold 100% of its stake in Legalsupport Sp. z o.o. This transaction had no material impact on the operations of the Group as a whole.

There were no other changes to the Group's structure other than those mentioned above.

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

The financial data for the periods of three and six months ending 30 June 2016 and 30 June 2015 was not audited. The information presented in the following table should be read in conjunction with the information included in the condensed consolidated financial statements.

3.1. SELECTED FINANCIAL DATA FROM CONSOLIDATED INCOME STATEMENT

The following table presents the main positions of the income statement for the first half of 2016 and 2015.

in PLN'000	Six months ending 30 June 2016	Six months ending 30 June 2015	Change	Change %
Sales	189 217	145 274	43 943	30,2%
Cash sales	171 566	128 004	43 562	34,0%
Operating profit	36 825	27 071	9 754	36,0%
Profit before tax	27 496	13 450	14 046	104,4%
Net profit	20 994	9 600	11 394	118,7%
EBITDA	56 781	41 556	15 225	36,6%
Adjusted EBITDA	61 464	49 320	12 144	24,6%

The following table presents the main positions of the income statement for the second quarter of 2016 and 2015.

in PLN'000	Three months ending 30 June 2016	Three months ending 30 June 2015	Change	Change %
Sales	100 768	77 775	22 993	29,6%
Cash sales	91 706	68 369	23 337	34,1%
Operating profit	22 273	16 348	5 925	36,2%
Profit before tax	16 936	13 406	3 530	26,3%
Net profit	12 809	10 095	2 714	26,9%
EBITDA	32 385	23 781	8 604	36,2%
Adjusted EBITDA	35 607	27 781	7 826	28,2%

Due to significant changes in the Group's structure in 2015, the amounts of revenues and costs recognised in the financial statements for the period from 1 January to 30 June 2015 are not fully comparable with the amounts for the first half of the current year. Significant changes in the Group's results are partially due to the acquisitions made by the Group in 2015, including the acquisition of Enovatis SA, NextWeb Media Group and companies: Finansowysupermarket Sp. z o.o., Web Broker Sp. z o.o. and Allani Sp. z o.o.

The consolidated results of the Group for the first half of 2016 and 2015 include the results of the following subsidiaries:

No.	Name of subsidiary	Date of taking control	% of shares held	Period covered by consolidation	
				30 June 2016	30 June 2015
1	Grupa Wirtualna Polska SA	22 December 2010	100%	full period	full period
2	WP Shopping Sp. z o.o. (formerly Wirtualna Polska S.A.)	13 February 2014	100%	full period	full period
3	http Sp. z o.o.	23 March 2009	100%	full period	full period
4	Free4Fresh Sp. z o.o.*	27 April 2009	100%	-	full period
5	Money.pl Sp. z o.o.	1 December 2014	100%	full period	full period
6	Business Ad Network sp. z o.o.	1 December 2014	100%	full period	full period
7	Businessclick Sp. z o.o.	1 December 2014	100%	full period	full period
8	Favore Sp. z o.o.	1 December 2014	100%	full period	full period
9	Legalsupport Sp. z o.o.	1 December 2014	100%	full period	full period
10	Interaktywnie Sp. z o.o.	1 December 2014	100%	not consolidated	to 15 June 2015
11	Brand New Media Sp. z o.o.	1 December 2014	100%	full period	full period
12	dobreprogramy Sp. z o.o.	14 November 2013	51%	full period	full period
13	Domodi Sp. z o.o.	12 September 2014	51%	full period	full period
14	NextWeb Media Sp. z o.o.**	3 June 2015	100%	-	from 3 June 2015
15	Blomedia.pl Sp. z o.o.	3 June 2015	100%	full period	from 3 June 2015
16	WP1 Sp. z o.o.	21 August 2015	100%	full period	not consolidated
17	Finansowysupermarket Sp. z o.o.	16 September 2015	100%	full period	not consolidated
18	Web Broker Sp. z o.o.	16 September 2015	100%	full period	not consolidated
19	Allani Sp. z o.o.	6 October 2015	100%	full period	not consolidated
19	Enovatis S.A.	23 December 2015	100%	full period	not consolidated
20	TotalMoney.pl Sp. z o.o.	16 March 2016	100%	from 16 March 2016	not consolidated
21	Nocowanie.pl Sp. z o.o.	7 June 2016	75%	from 7 June 2016	not consolidated

* On 30 October 2015 companies http Sp. z o.o. and Free4Fresh Sp. z o.o. merged.

** On 31 August 2015 NextWeb Media Sp. z o.o. merged with Grupa Wirtualna Polska SA.

The effect of acquisitions makes it significantly more difficult to compare the periods and analyse the Group's results. In order to improve the presentation of the changes that took place in the first half and in the second quarter of 2016 and 2015, the Management Board decided to additionally present in this report the pro forma financial results for the period from 1 January to 30 June 2015 and for the period from 1 April to 30 June 2016.

The comparison of the operating results and financial position of the Capital Group for the first half of 2016 with the pro forma consolidated results for the corresponding period of the previous year:

in PLN'000	Six months ending 30 June 2016	Six months ending 30 June 2015 Pro forma*	Change	Change %
Sales	189 217	168 696	20 521	12,2%
Cash sales	171 566	151 426	20 140	13,3%
Cash sales without acquisitions in 2016 (for comparative purposes)**	169 581	151 426	18 155	12,0%
Operating profit	36 825	25 830	10 995	42,6%
Profit before tax	27 496	11 181	16 315	145,9%
Net profit	20 994	7 603	13 391	176,1%
EBITDA	56 781	44 252	12 529	28,3%
Adjusted EBITDA	61 464	52 015	9 449	18,2%
EBITDA pro forma for the last 12 months	111 884			
Adjusted EBITDA pro forma for the last 12 months	123 998			

* Details on the calculation of pro forma financial data are described in point 3.2. of this report *Notes to the pro forma consolidated financial information for the year 2015*.

** Sales of 2016 adjusted for the impact of acquisitions made in 2016 (TotalMoney.pl Sp. z o.o. and Nocowanie.pl Sp. z o.o.) not included in pro forma financial data for the year 2015.

The comparison of the operating results and financial position of the Capital Group for the second quarter of 2016 with the pro forma consolidated results for the corresponding period of the previous year:

in PLN'000	Three months ending 30 June 2016	Three months ending 30 June 2015 Pro forma*	Change	Change %
Sales	100 768	90 160	10 608	11,8%
Cash sales	91 706	80 754	10 952	13,6%
Cash sales without acquisitions in 2016 (for comparative purposes)**	89 721	80 754	8 967	11,1%
Operating profit	22 273	15 236	7 037	46,2%
Profit before tax	16 936	11 742	5 194	44,2%
Net profit	12 809	8 489	4 320	50,9%
EBITDA	32 385	24 489	7 896	32,2%
Adjusted EBITDA	35 607	28 488	7 119	25,0%
EBITDA pro forma for the last 12 months	111 884			
Adjusted EBITDA pro forma for the last 12 months	123 998			

* Details on the calculation of pro forma financial data are described in point 3.2. of this report *Notes to the pro forma consolidated financial information for the year 2015*.

** Sales of 2016 adjusted for the impact of acquisitions made in 2016 (TotalMoney.pl Sp. z o.o. and Nocowanie.pl Sp. z o.o.) not included in pro forma financial data for the year 2015.

The sales of services increased in the six months of 2016 by 12.2% compared to the pro forma sales for the same period of the previous year, whereas the cash sales increased by 13.3%.

In the second quarter, the sales increased by 11.8% compared to the pro forma sales for the corresponding period of the previous year, whereas the cash sales increased by 13.6%.

Excluding from the sales of the first half of 2016 the impact of acquisitions made, the results of which are not included in the comparative pro forma financial data, the increase of cash sales amounted to 12.0% for the entire period of 6 months and 11.1% in the second quarter. Detailed information on the results achieved by the entities included in the Group's consolidated financial statements in 2016 is presented in point 3.3. of this report.

In all the periods analysed, transactions settled in cash represented the majority of the Group's sales and amounted to 90.7% of the Group's sales in the six months of 2016 and 89.8% in the same period of 2015.

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

The Group's business model is characterised by its high operating profitability of business activities. In the six months of 2016, the adjusted EBITDA amounted to PLN 61,464 thousand which was by PLN 9,449 thousand higher when compared to the pro forma value of this ratio in the six months of the previous year.

In the analysed period of six months, the total costs normalising Group's EBITDA amounted to PLN 4.7 million and were by PLN 3.1 million lower than in the comparable period of the prior year. During the six months of 2016, the costs included in the EBITDA normalisation resulted mainly from advisory services relating to acquisitions and restructuring and integration (total of PLN 1.1 million), paid conditional remuneration and recognised provision for conditional remuneration for managers of Allani Sp. z o.o. (total of PLN 3 million), civil law tax paid due to purchase of shares in Totalmoney.pl and Nocowanie.pl Sp. z o.o. (PLN 0.3 million) and non-cash costs of the employee option scheme (PLN 1.36 million).

Moreover, EBITDA was adjusted by PLN (1.2) million due to temporary profit on barter transactions concluded in the analysed 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 recorded.

The Group settles part of the sales of advertising services via barter. The Group recognises revenues from barter transactions consisting of the exchange of advertising services only if such services are different in nature, i.e. they are provided with the use of different carriers or broadcast in different media, and the amount of the revenue can be determined reliably. Revenues from barter transactions are recognised at a fair value of the service received or receivable in the month in which the advertisement is broadcast. If the fair value of the services received cannot be determined reliably, revenues are recognised at the fair value of the services provided, adjusted for cash flow (if any).

3.2. NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE YEAR 2015

Pro forma financial information for the year 2015 includes:

- the financial results of the Capital Group as in the consolidated financial statements for the year 2015;
- the financial results of Enovatis SA for the year 2015 (before audit);
- the financial results of NextWeb Media sp. z o.o. and Blomedia Sp. z o.o. for the period between 1 January and 3 June 2015 (unaudited);
- the financial results of Finansowysupermarket.pl Sp. z o.o. and Web Broker Sp. z o.o. for the period between 1 January and 16 September 2015 (unaudited);
- the financial results of Allani Sp. z o.o. for the period between 1 January and 6 October 2015 (unaudited);
- adjustments to amortisation, finance costs and income tax.

The pro forma consolidated financial information for the year 2015 was prepared in order to facilitate the analysis of the Group's dynamics in the current and subsequent periods. The following quarterly unaudited consolidated pro forma financial information for the year 2015, presents the Group's hypothetical financial results as if the purchase of the shares in Enovatis SA, NextWeb Media Sp. z o.o., Blomedia Sp. z o.o., Finansowysupermarket.pl Sp. z o.o., Web Broker Sp. z o.o., and Allani Sp. z o.o. had been finalised at the beginning of the period i.e. on 1 January 2015. The financial results of the companies for the period between 1 January 2015 and the acquisition date were presented in note 18 to the consolidated financial statements of the Group for 2015. The financial information presented in this note was not audited by independent auditor. The pro forma amounts for 2015 do not include the PLN 588 thousand of profit on the sale of other financial assets recognised by NextWeb Media Sp. z o.o.

in PLN'000	Q1 2015	Q2 2015	Q3 2015	Q4 2015	2015
Sales	78 536	90 160	92 530	108 159	369 385
including barter transactions	7 864	9 406	9 633	12 865	39 768
Amortization and depreciation	(9 169)	(9 253)	(8 834)	(9 276)	(36 532)
Materials and energy used	(1 396)	(1 309)	(1 261)	(1 459)	(5 425)
Costs related to public offering, acquisitions of subsidiaries and restructuring	(1 723)	(5 714)	(1 217)	(5 328)	(13 982)
Costs of the employee option scheme	(348)	(348)	(349)	(348)	(1 393)
Other external services	(28 469)	(29 098)	(36 934)	(37 070)	(131 571)
Other salary and employee benefit expenses	(25 746)	(26 748)	(26 387)	(29 321)	(108 202)
Other operating expenses	(2 044)	(2 272)	(2 424)	(4 419)	(11 159)
Other operating income/gains	953	(32)	388	542	1 851
Gain/loss on disposal of other financial assets	-	(150)	-	-	(150)
Operating profit	10 594	15 236	15 512	21 480	62 822
Finance income	107	262	332	285	986
Finance costs	(11 262)	(3 756)	(4 146)	(4 273)	(23 437)
Revaluation of commitments to purchase non-controlling interests	-	-	(11 546)	(16 565)	(28 111)
Profit before tax	(561)	11 742	152	927	12 260
Income tax	(325)	(3 253)	(2 953)	(2 800)	(9 331)
Net profit	(886)	8 489	(2 801)	(1 873)	2 929
Equity holders of the Parent Company	(1 041)	8 422	(3 340)	(2 267)	1 774
Non-controlling interests	155	67	539	394	1 155

PRO FORMA 2015

in PLN'000					
	Q1 2015	Q2 2015	Q3 2015	Q4 2015	2015
EBITDA	19 763	24 489	24 347	30 756	99 355
Costs related to public offering, acquisitions of subsidiaries and restructuring	1 723	5 714	1 217	5 328	13 982
Costs of the employee option scheme	348	348	349	348	1 393
Gain/loss on disposal of other financial assets	-	150	-	-	150
Net result on barter transactions settlement	1 637	(2 425)	2 127	(2 216)	(877)
Revaluation and liquidation of non-financial assets	56	212	37	241	546
Total adjustments	3 764	3 999	3 730	3 701	15 194
Normalized EBITDA	23 527	28 488	28 077	34 457	114 549

PRO FORMA 2015

in PLN'000					
	Q1 2015	Q2 2015	Q3 2015	Q4 2015	2015
Profit before tax	(561)	11 742	152	927	12 260
Costs related to public offering, acquisitions of subsidiaries and restructuring	1 723	5 714	1 217	5 328	13 982
Costs of the employee option scheme	348	348	349	348	1 393
Gain/loss on disposal of other financial assets	-	150	-	-	150
Net result on barter transactions settlement	1 637	(2 425)	2 127	(2 216)	(877)
Revaluation and liquidation of non-financial assets	56	212	37	241	546
Revaluation of commitments to purchase non-controlling interests	-	-	11 546	16 565	28 111
Finance costs in connection with refinancing	6 201	-	-	-	6 201
Valuation of interest rate swap	341	-	-	-	341
Other	36	(36)	-	-	-
Total adjustments	10 342	3 963	15 276	20 266	49 847
Adjusted profit before tax	9 781	15 705	15 428	21 193	62 107

PRO FORMA 2015

The data below, except for the financial results for 2015 of the acquired subsidiaries recognised before the acquisition date, also include the adjustment on amortisation in respect to assets recognised in the process of purchase price allocation. Furthermore, the information below includes extra cost of external debt related to financing of Enovatis SA acquisition for the period between 1 January 2015 and 23 December 2015.

The unaudited pro forma financial information has been prepared for illustrative purposes only. By nature, this information presents a hypothetical situation, and therefore it does not reflect the actual results and financial position of the Group for the period presented.

3.3. EXPLANATIONS TO THE CONSOLIDATED SALES AND RESULTS OF THE ENTITIES ACQUIRED IN 2016

For the purposes of comparative analysis of the growth in sales we presented below the information on the results of companies acquired in 2016 and not included in the pro forma financial results for the year 2015.

During the current financial year, the Capital Group's structure has changed, the most significant changes relate to the acquisition of shares in TotalMoney.pl Sp. z o.o. in March 2016 and the acquisition of shares in Nocowanie.pl Sp. z o.o. in June 2016. The enclosed consolidated financial statements include the results of above acquisitions from the date of obtaining control to 30 June 2016.

The following table presents the impact of these acquisitions on the Capital Group's consolidated results.

in PLN'000	TotalMoney.pl Sp. z o.o.	Nocowanie.pl Sp. z o.o.	Total
Sales	1 190	824	2 014
Cash sales	1 164	821	1 985
EBITDA	244	316	560
Adjusted EBITDA	244	316	560
Net profit	53	139	192

In the period from the beginning of 2016 to the day of obtaining control over these entities by the Capital Group, these entities have achieved the following financial results:

in PLN'000	TotalMoney.pl Sp. z o.o.	Nocowanie.pl Sp. z o.o.	Total
Sales	1 350	3 507	4 857
Cash sales	1 350	3 494	4 844
EBITDA	115	1 167	1 282
Adjusted EBITDA	115	1 497	1 612
Net profit	149	1 235	1 384

3.4. FINANCIAL POSITION OF THE GROUP

The following table presents the consolidated statement of the Group's financial position as of the end of the first half of 2016 and as of 31 December 2015.

in PLN'000	As of 30 June 2016	As of 31 December 2015	Change PLN'000	Change %
Non-current assets	688 885	638 195	50 690	7,9%
Current assets	112 487	111 684	803	0,7%
Long-term liabilities	324 789	293 426	31 363	10,7%
Short-term liabilities	107 952	98 874	9 078	9,2%
Equity attributable to Parent Company	352 600	341 903	10 697	3,1%
Share capital	1 413	1 413	-	0,0%
Non-controlling interests	16 031	15 676	355	2,3%

The analysis of changes in the Group's balance sheet has been prepared as of the end of June of the current year compared to 31 December 2015. When compared to the end of 2015, the main event affecting the Group's balance sheet was the purchase of shares in Totalmoney.pl Sp. z o.o. on 16 March 2016 and finalization of the purchase of 75% of shares in Nocowanie.pl Sp. z o.o. on 7 June 2016. The impact of this acquisition on the individual lines of the consolidated statement of financial position has been discussed in the analysis of these items.

Non-current assets

The following table presents changes in non-current assets by category:

in PLN'000	As of 30 June 2016	Structure 30 June 2016	As of 31 December 2015	Structure 31 December 2015	Change PLN'000	Change %
Property, plant and equipment	52 894	7,7%	51 607	8,1%	1 287	2,5%
Goodwill	243 449	35,3%	217 257	34,0%	26 192	12,1%
Other intangible assets	390 574	56,7%	367 650	57,6%	22 924	6,2%
Deferred tax assets	1 968	0,3%	1 681	0,3%	287	17,1%
Non-current assets	688 885	100,0%	638 195	100,0%	50 690	7,9%

In the analysed period, the slight increase in the net value of property, plant and equipment was due to capital expenditure higher than depreciation and amortisation for the period.

Change in the value of goodwill in the first half of 2016 resulted from the provisional settlement of the purchase of shares and recognition of new goodwill on acquisitions of TotalMoney.pl Sp. z o.o. (PLN 8,820 thousand) and Nocowanie.pl Sp. z o.o. (PLN 16,793 thousand). Furthermore, the value of provisional goodwill on purchase of shares in Enovatis SA and Finansowysupermarket.pl Sp. z o.o. was increased by PLN 533 thousand and PLN 46 thousand respectively.

In the analysed period, the Group recorded a significant increase in other intangible assets mainly due to recognition in the Group's consolidated balance sheet the broadcasting license for the transmission of a television programme in Multiplex 8 with the initial value of PLN 13,545 thousand and the recognition of intangible assets with respect to acquisitions. As a result of the acquisition of TotalMoney.pl Sp. z o.o. the Group recognised intangible assets with the initial value estimated at PLN 4,437 thousand (including mainly customer relations with the value of PLN 2,631 thousand and trademark with the value of PLN 1,588 thousand). Acquisition of Nocowanie.pl increased the Group's intangible assets by PLN 9,940 thousand (including customer relations with the value of PLN 6,108 thousand and trademark with the value of PLN 3,832 thousand).

Current assets

The following table presents changes of current assets by category.

in PLN'000	As of 30 June 2016	Structure 30 June 2016	As of 31 December 2015	Structure 31 December 2015	Change PLN'000	Change %
Trade receivables net	59 561	52,9%	53 782	48,2%	5 779	10,7%
Barter receivables	5 209	4,6%	835	0,7%	4 374	523,8%
State receivables	5 621	5,0%	4 799	4,3%	822	17,1%
Other current assets	4 990	4,4%	3 307	3,0%	1 683	50,9%
Cash and cash equivalents	37 106	33,0%	48 961	43,8%	(11 855)	-24,2%
Current assets	112 487	100,0%	111 684	100,0%	803	0,7%

The increase in current assets was mainly caused by a higher level of trade receivables net and barter receivables. The increase resulted mainly from growth in sales and recognition in the consolidated balance sheet the total of PLN 709 thousand of receivables contributed by the companies acquired in the first half of 2016.

The increase in state receivables was mainly due to increase in CIT receivables, resulting from advances for income tax paid during six months and the final settlement of income tax for the year 2015.

In the analysed period the cash balance decreased by PLN 11,855 thousand. The detailed analysis of the changes in this position is presented in the following part of the report describing the cash flow statement.

Long-term liabilities

in PLN'000	As of 30 June 2016	Structure 30 June 2016	As of 31 December 2015	Structure 31 December 2015	Change PLN'000	Change %
Loans and leases	191 586	59,0%	192 682	65,7%	(1 096)	-0,6%
Contingent liabilities related to business combinations	9 767	3,0%	11 582	3,9%	(1 815)	-15,7%
IRS - cash flow hedges	1 942	0,6%	1 322	0,5%	620	46,9%
Liabilities with respect to put option for non-controlling interests	77 143	23,8%	62 762	21,4%	14 381	22,9%
Liabilities in respect of purchase of property, plant and equipment and intangible assets	10 985	3,4%	-	0,0%	10 985	-
Deferred tax liability	32 257	9,9%	23 884	8,1%	8 373	35,1%
Deferred income	1 109	0,3%	1 194	0,4%	(85)	-7,1%
Long-term liabilities	324 789	100,0%	293 426	100,0%	31 363	10,7%

In the analysed period, long-term liabilities recorded a significant increase, due to among other things, the recognition in the Group's balance sheet of the long-term liability on the broadcasting license received for the transmission of a television programme in Multiplex 8. The broadcasting license is effective from 14 January 2016 to 13 January 2026. The fee for the license amounted to PLN 13,545 thousand and will be paid in 10 annual instalments of PLN 1,355 thousand each. As of 30 June 2016, after the repayment of the first instalment, the Group's liability valued at the amortized cost amounted to PLN 12,393 thousand, out of which PLN 10,985 thousand is presented as long-term.

Moreover, in the analysed period, liabilities with respect to put option for non-controlling interests increased. It was caused by the recognition of liability with respect to put option for non-controlling interests in Nocowanie.pl Sp. z o.o. (PLN 11,618 thousand) and revaluation of liability with respect to put option for non-controlling interests in Domodi Sp. z o.o. due to early partial settlement of earn-out to key manager in Allani Sp. z o.o. (PLN 1,261 thousand) and unwinding of interest (PLN 1,502 thousand).

Deferred tax liability increased in the first half of 2016 by PLN 8,373 thousand which was caused, among other factors, by the acquisition of Totalmoney.pl Sp. z o.o. and Nocowanie.pl Sp. z o.o. and the recognition of additional PLN 1,836 thousand of deferred tax liability, as well as by the settlement of part of the tax loss (PLN 4,991 thousand).

In addition to the above mentioned, the Group recorded a slight increase in liabilities relating to the interest rate swap instruments hedging the bank loan interest payments (increase in valuation by PLN 620 thousand).

The overall increase in long-term liabilities was reduced by the slight decrease in long-term debt. In the analysed period the Group repaid another two capital instalments of bank loan (total of PLN 13,450 thousand) but this effect was reduced by additional drawing of CAPEX facility for the purchase of shares in Nocowanie.pl (PLN 12,000 thousand).

Moreover, in the analysed period, long-term part of the contingent liabilities relating to business combinations decreased. The decrease was mainly caused by the reclassification to the short-term part of balance sheet of PLN 2,540 thousand of the second tranche of contingent liability arising from the purchase of shares in NextWeb Media Sp. z o.o.

Additionally, in the analysed period there was the unwind of discount on long-term part of the contingent liability NextWeb Media Sp. o.o. of PLN 498 thousand and the contingent liability due to sellers of shares in Allani Sp. z o.o. was increased by PLN 227 thousand.

Short-term liabilities

in PLN'000	As of 30 June 2016	Structure 30 June 2016	As of 31 December 2015	Structure 31 December 2015	Change PLN'000	Change %
Loans and leases	36 791	34,1%	38 399	38,8%	(1 608)	-4,19%
IRS - cash flow hedges	870	0,8%	954	1,0%	(84)	-8,81%
Trade and other payables	41 166	38,1%	36 959	37,4%	4 207	11,38%
State liabilities	7 278	6,7%	5 346	5,4%	1 932	36,14%
Dividend liability	1 019	0,9%	-	0,0%	1 019	-
Wages and salaries payables	4 146	3,8%	3 565	3,6%	581	16,30%
Liabilities in respect of purchase of property, plant and equipment and intangible assets	4 681	4,3%	1 593	1,6%	3 088	193,85%
Provisions for employee benefits	3 782	3,5%	2 891	2,9%	891	30,82%
Other provisions	1 324	1,2%	1 661	1,7%	(337)	-20,29%
Contingent liabilities related to business combinations	6 725	6,2%	4 008	4,1%	2 717	67,79%
Liabilities related to business combinations (other than earn-out)	-	0,0%	2 243	0,0%	(2 243)	-
Current income tax liabilities	170	0,2%	1 255	1,3%	(1 085)	-86,45%
Short-term liabilities	107 952	100,0%	98 874	100,0%	9 078	9,18%

The increase in short-term liabilities was mainly due to increase in trade and other payables by PLN 4,207 thousand, of which PLN 3,603 thousand results from the acquisition of TotalMoney.pl Sp. z o.o. and

Nocowanie.pl Sp. z o.o. Overall, as a result of business combinations the Group recognized PLN 3,891 thousand of additional short-term liabilities.

Another important element affecting the overall increase in short-term liabilities was reclassification of the part of contingent liability arising from the purchase of shares in NextWeb Media Sp. z o.o. to this part of the balance sheet and unwinding of interest on this liability which in total increased short-term liabilities by PLN 2,996 thousand. During analysed period the Group also repaid PLN 280 thousand of the contingent liability arising from the purchase of Sportowefakty enterprise.

A significant impact on the increase in short-term liabilities was also related to the recognition of short-term part of the liability on the broadcasting license (PLN 1,408 thousand). This event is further described in long-term liabilities' part.

In the analysed period the Group also recorded growth in state liabilities (mainly due to the increase in VAT liabilities which was partially reduced by the decrease in social security (ZUS) and personal income tax (PIT) liabilities).

The overall increase in short-term liabilities was reduced by the repayment of PLN 2,243 thousand of purchase price to one of the sellers of shares in Allani Sp. z o.o. as well as by the decrease in current income tax liabilities by PLN 1,085 thousand.

Equity

in PLN'000	As of 30 June 2016	Structure 30 June 2016	As of 31 December 2015	Structure 31 December 2015	Change PLN'000	Change %
Equity attributable to equity holders of the Parent Company, including:	352 600	95,7%	341 903	95,6%	10 697	3,13%
Share capital	1 413	0,4%	1 413	0,4%	-	-
Supplementary capital	310 453	84,2%	310 453	86,8%	-	-
Revaluation reserve	(2 278)	-0,6%	(1 844)	-0,5%	(434)	23,54%
Other reserves	(38 716)	-10,5%	(28 506)	-8,0%	(10 210)	35,82%
Retained earnings	81 728	22,2%	60 387	16,9%	21 341	35,34%
Non-controlling interests	16 031	4,3%	15 676	4,4%	355	2,26%
Equity	368 631	100,0%	357 579	100,0%	11 052	3,09%

In the first half of 2016, equity attributable to the parent company's shareholders increased by PLN 10,697 thousand in total. Change in equity attributable to the parent company's shareholders resulted from the following events:

- the decrease in revaluation reserve of PLN 434 thousand resulting from the valuation of the interest rate swap hedging the interest payments due to bank loan, under hedge accounting.
- the increase in other reserves of PLN 1,361 thousand due to the acquisition of the rights to a consecutive tranche of share options under the existing incentive scheme.
- the decrease in other reserves of PLN 11,571 thousand due to recognition of put option commitment to purchase non-controlling interests (Nocowanie.pl Sp. z o.o.).
- the net profit attributable to the parent company's shareholders for the first half of 2016 of PLN 21,341 thousand.

In the period from 1 January to 30 June 2016, the non-controlling interests increased by PLN 355 thousand. This change resulted from the recognition of non-controlling interests in Nocowanie.pl Sp. z o.o. (PLN 1,721 thousand), the allocation of an appropriate part of the result earned in the period by Domodi Sp. z o.o., Allani Sp. z o.o., Dobreprogramy Sp. z o.o. and Nocowanie.pl Sp. z o.o. (total loss of PLN -347 thousand) less the dividend passed to minority shareholders for 2015 (PLN 1,019 thousand).

3.5. CASH FLOW OF THE GROUP

in PLN'000	Six months ending 30 June 2016	Six months ending 30 June 2015
Net cash flows from operating activities	51 397	27 090
Net cash flows from investing activities	(54 501)	(35 675)
Net cash flows from financing activities	(8 751)	59 952
Total net cash flows	(11 855)	51 367

The Group's business model is characterised by the generation of stable cash flow from operating activities due to the high profitability of operations.

In the six months of 2016, the EBITDA generated by the Group of PLN 56,781 thousand contributed to generating positive cash flow from operating activities of PLN 51,397 thousand.

Cash flow from investing activities was negative and amounted to PLN (54,501) thousand in the analysed period, out of which PLN (35,890) thousand was related to Group's acquisition activities and resulted from the price paid for shares in Totalmoney.pl Sp. z o.o. which (net of cash acquired) amounted to PLN (12,433) thousand, price paid for shares in Nocowanie.pl Sp. z o.o. which (net of cash acquired) amounted to PLN (21,214) thousand and the repayment of liability of PLN (2,243) thousand to one of the sellers of shares in Allani Sp. z o.o. In the analysed period, the Group also settled significant CAPEX payments of PLN (15,531) thousand in total mainly on the purchase of intangible assets and property, plant and equipment. In the period under consideration the Group repaid the part of contingent liability due to purchase of shares in Allani Sp. z o.o. of PLN 2,785 thousand and the last part of contingent liability due to the purchase of Sportowefakty enterprise of PLN (336) thousand.

Cash flow from financing activities in the first half of 2016 amounted to PLN (8,751) thousand and resulted mainly from the repayment of loans principal (total of PLN 14,850 thousand) as well as interests and bank commissions of PLN (5,684) thousand. Negative cash flow from financing activities was additionally increased by the financial lease repayment (PLN 217 thousand). On the other hand the Group made additional CAPEX drawing of PLN 12,000 thousand for the purchase of shares in the subsidiary Nocowanie.pl Sp. o.o.

3.6. SELECTED FINANCIAL RATIOS

Financial ratios	Six months ending 30 June 2016	Six months ending 30 June 2015 PRO FORMA
Cash sales (PLN'000)	171 566	151 426
Cash sales (YoY increase)	13,3%	-
Cash sales without acquisitions in 2016 (for comparative purposes)	169 581	151 426
Cash sales without acquisitions in 2016 (YoY increase)	12,0%	-
Adjusted EBITDA margin (on cash sales)	36%	34%
Adjusted gross margin (on cash sales)	19%	17%
Cash conversion ratio ((EBITDA - CAPEX)/EBITDA)*	73%	58%
Financial leverage ratio (Net debt/Adjusted LTM EBITDA)	1,54	-

* expenses incurred on the purchase of intangible assets and property, plant and equipment do not include funds used for acquisitions activities;

The main financial ratios analysed by the Group's Management Board comprise cash proceeds from sales and their growth, adjusted EBITDA margin and adjusted gross margin. The cash sales for the six months of 2016 were by 13.3% higher than the sales calculated on the basis of the pro forma financial data for the corresponding period of the previous year. However, excluding the impact of acquisitions in 2016 on this ratio, the comparable growth in sales amounted to 12.0%.

Both adjusted EBITDA margin and adjusted gross margin for the period of 6 months of 2016 increased.

The cash conversion ratio for the six months of 2016 was at the high level of 73% and increased significantly when compared to this ratio calculated on the basis of the pro forma financial data for the corresponding period of the previous year.

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

4. FACTORS AND EVENTS, ESPECIALLY EXCEPTIONAL ONES, SIGNIFICANTLY AFFECTING GROUP'S RESULTS

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

- material acquisitions made by the Group in the previous periods;
- increased effectiveness resulting from the use of the Group's data resources and big data tools;
- costs of funding related to the acquisitions.

4.1. Material acquisitions made by the Group in the previous periods

In 2014-2016 the Group acquired other entities operating on the internet advertising and e-commerce markets, including generating leads on the e-commerce market. In 2015 the Group acquired shares in companies: NextWeb Media sp. z o.o., Blomedia Sp. z o.o., Finansowysupermarket.pl Sp. z o.o., Web Broker Sp. z o.o., Allani Sp. z o.o. and Enovatis SA. In 2016, the Group's purchased Totalmoney.pl Sp. z o.o. and Nocowanie.pl Sp. z o.o. The acquisitions mentioned above had significant impact on the increase in revenues and EBITDA compared with the same period of the prior year.

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

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

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

4.3. Borrowings related to the acquisitions

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

The Group's debt results, among others, from loan financing of part of the purchase price (PLN 175 million) of shares in Wirtualna Polska SA (currently WP Shopping Sp. z o.o.), purchase price for the shares in Money.pl Sp. z o.o. (PLN 47 million), part of the purchase price for the shares in Enovatis SA (PLN 50 million) and part of the purchase price for the shares in Nocowanie.pl Sp. z o.o. (PLN 12 million).

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

Additionally, on 28 April 2015 Grupa Wirtualna Polska SA concluded an interest swap agreement with mBank and ING Bank Śląski swapping the variable interest rate on the new loan to a fixed interest rate. As of the balance sheet date, jointly, these contracts hedge interest rates for the equivalent of PLN 35.5 million of the A tranche of the loan

and PLN 77.2 million of the B tranche of the loan. These financial instruments are treated as hedge accounting and were recognised in the financial statements of the Group as cash flow hedge under IAS 39. Details concerning the valuation and recognition of these instruments are presented in note 23 to the condensed interim consolidated financial statements.

As of 30 June 2016 the balance of the Group's liability resulting from loan agreement amounted to PLN 225.9 million.

During the six months of 2016 the Group's interest and commissions expenses, the bulk of which resulted from interest on the bank loan, amounted to PLN 5,411 thousand. The amount of these costs in consecutive periods, to the extent not hedged with interest rate swaps, will depend on WIBOR 3M which was 1.71% as of 30 June 2016.

Apart from the factors referred to above during the period of six months ending 30 June 2016 there were no extraordinary factors or events which would have a significant impact on the financial results achieved.

5. FACTORS WHICH IN THE GROUP'S OPINION WILL HAVE AN IMPACT ON THE ACHIEVED FINANCIAL RESULTS IN THE FOLLOWING PERIODS

As in the past, the Group's operations will be affected mainly by the following factors:

- the economic situation in Poland;
- competition on the Polish advertising market;
- the growth rate of expenses on online advertising and the development of electronic commerce in Poland;
- active acquisition activities.

5.1. ECONOMIC SITUATION IN POLAND

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

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

5.2. COMPETITION ON THE POLISH ADVERTISING MARKET

Both globally and in Poland, the internet advertising market is characterised by fierce competition. The Group's direct competition includes entities which own domestic portals and websites, in particular onet.pl, interia.pl or gazeta.pl. Moreover, the Group competes with entities which own international portals and websites, especially in the area of electronic mail (e.g. Yahoo!, Gmail, Hotmail, AOL) and website services (e.g. Google, Facebook, Twitter).

Moreover, although not directly, the Group's competition also includes other entities operating on the widely defined advertising market, including in particular television stations, newspapers and radio. These entities compete with one another in terms of product and service prices, especially advertising rates, the ability to reach potential customers with a profile sought by the advertisers, attractiveness and quality of published materials, shaping of trends on the market or ability to quickly adapt to such trends, and in terms of brand strength.

As of the date of publication of the report the Group is one of the two leading entities among domestic portals and websites. In line with its strategy, the Group will strive to strengthen its leading position among the portals and website services present on the Polish market. Holding the leading position is important due to the so-called leadership premium, i.e. the advertisers' tendency to prefer placing advertisements on portals and website services holding the leading position on the market in terms of the offered reach, which has a significant effect on the income generated.

5.3. GROWTH OF EXPENDITURE ON ONLINE ADVERTISING AND THE DEVELOPMENT OF E-COMMERCE IN POLAND

The Group's results depend on the growth of expenditure on online advertising and the development of e-commerce. The development of the online advertising market and e-commerce depends largely on the continued popularisation of the internet. The propagation of access to the internet accompanies growth in the online advertising market in Poland; further dynamic growth is expected.

Moreover, in recent years a change in the manner of accessing the internet has been observed which may also have a material impact on the growth of the markets on which the Group operates. In the era of rapid development of the technical capabilities of equipment, each year the number of households and enterprises using mobile internet connections has grown. Therefore, both changes in the trends for internet use and the increase in connection speed may have an impact on the growth of particular segments of the internet advertising market.

The share of the Polish e-commerce market in the whole retail market is increasing systematically in line with the proliferation of the internet and the increase in consumer confidence in e-commerce. According to estimations the Polish market will be the fastest growing B2C e-commerce market in the European Union. Despite the fact that the market is growing very quickly, Poles are spending less in the internet than is the average for the European Union; nevertheless, internet spending is increasing year on year. The development of e-commerce also has an impact on the Group's results.

The Group is exposed to the advertising e-commerce market via activities of Enovatis SA, Nocowanie.pl Sp. z o.o., Domodi Sp. z o.o., Allani Sp. z o.o., Finansowysupermarket.pl Sp. z o.o. and Money.pl Sp. z o.o. companies, and also partially via e-commerce advertising activities of the Wirtualna Polska website. Therefore, the development of the electronic market in Poland will have a positive impact on the Group's operations.

5.4. ACTIVE ACQUISITION ACTIVITIES

In accordance with the strategy adopted by the Group, the Management Board analyses on a current basis the investing options in companies which provide services similar or complementary to the Group's services and may supplement the portfolio of the Group's products and services. In the first half of 2016 the Management Board signed an annex to the loan agreement which increases the limit of loan under CAPEX tranche by additional PLN 50 million. Due to the fact that the Group perceives itself as a consolidator of the Polish internet market and intends to actively pursue its strategy in this respect, having the resources securing the funding of future acquisitions will reinforce the Group's competitive and negotiating position in potential acquisitions. Potential acquisitions may also have a material impact on the results achieved by the Group in consecutive periods.

6. SIGNIFICANT EVENTS WHICH TOOK PLACE IN THE FIRST HALF OF 2016

6.1. The purchase of shares in TotalMoney.pl Sp. z o.o.

On 16 March 2016 Grupa Wirtualna Polska SA signed share purchase agreement for 200 shares in TotalMoney.pl Sp. z o.o with its registered office in Warsaw with a nominal value of PLN 1,600 each and the total nominal value of PLN 320,000, representing 100% of share capital in TotalMoney.pl Sp. z o.o and 100% of votes at the general shareholders meeting.

TotalMoney.pl Sp. z o.o. is the leading comparison service of banking and insurance products, including loans, deposits, credit cards, accounts, insurance. The revenues of TotalMoney.pl Sp. z o.o. disclosed in the financial statements for 2015 amounted to PLN 5,489 thousand.

The final purchase price for 100% shares amounted to PLN 14,500 thousand. The price was calculated as PLN 12,500 thousand plus PLN 2,000 thousand of cash on bank accounts of TotalMoney.pl Sp. z o.o. as of the last day of the month proceeding the month in which the agreement was concluded. The payment was made via bank transfer, of which PLN 9,959 thousand was financed from cash obtained from initial public offering and the remaining part from cash generated by the acquiring company.

The detailed information about the consideration paid and the fair value of the acquired assets and liabilities as of the date of the acquisition is presented in note 20 to the financial statement.

6.2. The purchase of shares in Nocowanie.pl Sp. z o.o.

On 7 March 2016 Grupa Wirtualna Polska SA signed preliminary conditional purchase agreement for 75% of shares in Nocowanie.pl Sp. z o.o with its registered office in Lublin. On 7 June 2016 the sale agreement for 75% of shares in Nocowanie.pl Sp. z o.o was concluded as the condition precedent specified in the preliminary agreement were fulfilled.

Nocowanie.pl Sp. z o.o. is the owner of portal nocowanie.pl, the domestic leader in accommodation booking market and one of the most frequently visited tourist websites.

The final purchase price of 75% shares amounted to PLN 21,957 thousand.

Additionally, after the end of 2018, the Group will be entitled to purchase and the minority shareholder entitled to sell half of the minority interests in the share capital of Nocowanie.pl. The option exercise price will be calculated as the product of normalized EBITDA for the year 2018 and the multiplier specified in the agreement dependent on the average EBITDA growth ratio in the years 2016-2018 in relation to the EBITDA for the year 2015.

After the end of 2019 the Group will be entitled to purchase and the minority shareholder to sell the remaining minority interests in the share capital of Nocowanie.pl. The option exercise price will be calculated as the product of normalized EBITDA for the year 2019 and the multiplier specified in the agreement dependent on the average EBITDA growth ratio in the years 2016-2019 in relation to the EBITDA for the year 2015.

The detailed information about the consideration paid and the fair value of the acquired assets and liabilities as of the date of the acquisition is presented in note 20 to the financial statement.

6.3. Decision of the President of the National Broadcasting Council on granting a broadcasting license for the transmission of a television programme by a subsidiary of Wirtualna Polska Holding SA

On 15 January 2016, the company WP1 sp. z o.o. obtained a decision from the President of the National Broadcasting Council on granting a broadcasting license for the transmission of a television programme in Multiplex 8 under the name "WP1". According to the broadcasting license, the programme will have a universal appeal i.e. it will include different TV types and forms devoted to various issues, including the development of society, economy, culture and societal transformations in the modern world of a rapid technical and technological development.

The broadcasting license is effective from 14 January 2016 to 13 January 2026. The fee for the license amounted to PLN 13,545 thousand and will be paid in 10 annual instalments of PLN 1,355 thousand each.

6.4. The conclusion of annex to the loan agreement

On 16 February 2016, an annex to the bank loan agreement dated 24 March 2015 between Grupa Wirtualna Polska S.A, mBank SA and ING was concluded. The annex increases the amount of loan under CAPEX tranche from the original amount of PLN 50,000 thousand to PLN 100,000 thousand (i.e. by PLN 50,000 thousand).

The financial terms for the new CAPEX tranche are not significantly different from financial terms in the current loan agreement.

The extension of the loan amount under the CAPEX tranche, allocated to the acquisition of companies and non-current assets is to ensure the Capital Group's flexibility in the implementation of the adopted acquisition strategy.

6.5. Accession to the loan agreement by the subsidiary of Wirtualna Polska Holding SA

On 15 January 2016, Enovatis SA entered into the loan agreement to refinance indebtedness, finance capital expenditures and acquisitions and overdraft facility concluded on 24 March 2015 by Grupa Wirtualna Polska SA with its registered seat in Warsaw.

At the same time, Enovatis as an additional guarantor committed to establish the following securities for Creditors:

- registered pledges on items and rights;
- financial and registered pledges on bank accounts with power of attorney to those bank accounts;
- declaration on submission to enforcement;
- mutual guarantee for repayment of debt under the loan agreement;
- subordination agreement inter-company receivables from loans with transfer of the rights to protection from inter-company loan agreements;
- assignment of receivables from insurance agreements and significant commercial agreements /contracts.

7. SHARES AND SHAREHOLDERS

7.1. Composition and changes to the bodies of Wirtualna Polska Holding SA

As of 30 June 2016 and as of the date of preparing this report the composition of the Management Board was as follows:

Jacek Świdorski	- President of the Management Board
Krzysztof Sierota	- Member of the Management Board
Michał Brański	- Member of the Management Board
Elżbieta Bujniewicz - Belka	- Member of the Management Board, CFO

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

As of 30 June 2016 the composition of the Supervisory Board was as follows:

Jarosław Mikos	- Chairman of the Supervisory Board
Krzysztof Krawczyk	- Vice-Chairman of the Supervisory Board
Beata Barwińska-Piotrowska	- Member of the Supervisory Board
Tomasz Czechowicz	- Member of the Supervisory Board
Mariusz Jarzębowski	- Member of the Supervisory Board
Krzysztof Kulig	- Member of the Supervisory Board
Magdalena Magnuszewska	- Member of the Supervisory Board
Magdalena Pasecka	- Member of the Supervisory Board
Krzysztof Rozen	- Member of the Supervisory Board

During the period covered in this report, there were no changes to the composition of the Company's Supervisory Board.

7.2. Share capital structure

As of 30 June 2016 the share capital of Wirtualna Polska Holding SA amounted to PLN 1,412,639.10 and consisted of 28,252,782 shares with a par value of PLN 0.05 each, including:

- 12,389,709 A series shares with preferential voting rights, A series preference shares relates to voting rights on General Shareholders' Meeting in such way that one A series share gives two votes;
- 12,221,811 B series ordinary shares;
- 301,518 C series ordinary shares;
- 3,339,744 E series ordinary shares.

B, C, E series shares are subject to trading on the regulated market.

7.3. Shareholders holding at least 5% of the total voting rights

In accordance with notifications received by the Company Wirtualna Polska Holding SA and to its best knowledge, as of the date of publication of this report, the structure of shareholders who hold, directly or indirectly by their subsidiaries, at least 5% of the total voting rights at the General Shareholders' Meetings of the Company is presented in the following table.

Shareholder	Number of shares	% of share capital	Number of votes	% of votes
European Media Holding SARL	10 869 177	38,47%	10 631 853	26,16%
Jacek Świdorski* with the subsidiary Orfe S.A.	2 629 903	9,31%	6 838 914	16,83%
Michał Brański* with the subsidiary 10x S.A.	2 629 903	9,31%	6 838 914	16,83%
Krzysztof Sierota* with the subsidiary Albemuth Inwestycje S.A.	2 629 903	9,31%	6 838 914	16,83%
Other	9 493 896	33,60%	9 493 896	23,35%
Total	28 252 782	100,00%	40 642 491	100,00%

*entitled, as a pledgee, to exercise voting rights attached to 789,554 bearer shares privileged on voting right, pursuant to article 340 sec. 1 of Polish Commercial Companies Code on the conditions set out in pledge agreement concluded on 6 November 2015 with European Media Holding S.à r.l. as a pledger

7.4. NUMBER OF SHARES HELD BY MEMBERS OF MANAGEMENT AND SUPERVISORY BODIES

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

- Jacek Świdorski (President of the Management Board) holds, indirectly through Orfe SA (in which Jacek Świdorski holds a 99% shares), 2,629,903 A series shares in the Company with total nominal value of PLN 131,495.
- Michał Brański (Member of the Management Board) holds, indirectly through 10x SA (in which Michał Brański holds a 99% shares) 2,629,903 A series shares in the Company with total nominal value of PLN 131,495.
- Krzysztof Sierota (Member of the Management Board) holds, indirectly through Albemuth Inwestycje SA (in which Krzysztof Sierota holds a 99% shares), 2,629,903 A series shares in the Company with total nominal value of PLN 131,495.
- In addition, under Phase I of the implementation of an incentive plan, Elżbieta Bujniewicz-Belka (Member of the Management Board) and Jarosław Mikos (Chairman of the Supervisory Board) acquired, respectively, 18,664 (nominal value of PLN 933) and 136,919 (nominal value of PLN 6,846) ordinary bearer shares of the new C series issued based on the resolution approving the issue of C series shares. Elżbieta Bujniewicz-Belka and Jarosław Mikos are also entitled to participate in the next phase of the implementation of the incentive plan.

7.5. INFORMATION ON AGREEMENTS CONCERNING CHANGES IN THE SHAREHOLDING STRUCTURE

Investment agreement

On 23 October 2013, European Media Holding S.à r.l (EMH), Michał Brański, Krzysztof Sierota, Jacek Świdorski (the "Founders"), Borgosia Investments Limited, Jadhav Holdings Limited, Bridge 20 Enterprises Limited, Grupa o2 SA and o2 sp. z o.o. executed an investment agreement (the "Investment Agreement"). The rights and duties of Borgosia Investments Limited, Jadhav Holdings Limited and Bridge 20 Enterprises Limited under the Investment Agreement were assumed by 10x SA, Albemuth Inwestycje SA and Orfe SA, respectively, in relation to the transfer of the shares in the Company.

Pursuant to the Investment Agreement, the Founders are entitled to a bonus on account of the increase of the Company's value (the "EMH Bonus") calculated on the basis of the return on investment of the European Media Holding S.à r.l and the Company's valuation related thereto. The Investment Agreement which was described in detail in Prospectus approved by the Polish Financial Supervision Authority determines the following terms of the settlement of the EMH Bonus.

Since the public offering of the Company was completed in 2015, the EMH Bonus will be settled in the Company's shares. EMH intends to settle the EMH Bonus by transferring to the Founders the series A shares preferred in such a way that each series A share entitles its holder to exercise two voting rights.

On 6 November 2015, as a result of initial settlement of EMH Bonus, three registered pledge agreements were concluded between European Media Holding S.à r.l. as an pledger and each of the Founders as a pledgees ("Pledge Agreements"), placing in the Pledge Agreements the right of the pledgees to exercise voting rights attached to the shares in Company pursuant to article 340 sec. 1 of Polish Commercial Companies Code in the manner set out below:

- Jacek Świdorski – right to exercise voting rights attached to 789,554 A series registered shares, each with a nominal value of PLN 0.05 and owned by European Media Holding S.à r.l.;
- Michał Brański – right to exercise voting rights attached to 789,554 A series registered shares, each with a nominal value of PLN 0.05 and owned by European Media Holding S.à r.l.;
- Krzysztof Sierota – right to exercise voting rights attached to 789,554 A series registered shares, each with a nominal value of PLN 0.05 and owned by European Media Holding S.à r.l.

The shares will be fully transferred to the Founders upon the final exit of EMH from the investment.

Grupa Wirtualna Polska SA is no longer one of the parties of the Investment Agreement since the annex to the contract concluded on 15 February 2016.

Incentive scheme – share-based payments and its control system

First incentive scheme

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

In connection with the above arrangements, the Group has an incentive scheme which 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 Group's companies which concluded the management option agreement with the Company or other Group's companies are entitled to acquire Company shares. The right to acquire the Company shares also relates to entities to which the Managers, in accordance with the terms of management option agreement, transferred rights and obligations of management option agreement with the approval of the Company.

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

The scheme was classified as 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 of 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 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 in 20.64%-23.04%, 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 by PLN 341 thousand higher than the valuation of the scheme before the changes to vesting period. The expected total cost of the scheme as of the balance sheet date to be recognised in the financial statements over the following periods of its validity amounted to PLN 2,247 thousand. The total costs recognised in the financial result for the period ending 30 June 2016 in respect of the scheme amounted to PLN 1,176 thousand and the total amount recognised in the previous periods was PLN 3,347 thousand.

New Incentive Scheme

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

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 of 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 of the scheme. The scheme includes a requirement of being currently employed as a condition for the rights to the options vesting. The participants of 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 in 18.6%-19.4%, dividend rate of 0.0%, the expected vesting period and the annual risk-free interest rate of 1.68%-3.18%. The total estimated option value in the scheme amounted to PLN 9,039 thousand. The total expected cost of the scheme as of the balance sheet date to be recognised in the financial statements over the following periods of its validity amounted to PLN 8,854 thousand. The total costs recognised in the financial result for the period ending 30 June 2016 in respect of the scheme amounted to PLN 185 thousand.

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

7.6. PURCHASE OF TREASURY SHARES

As of the day of preparation of this report, the Company does not hold treasury shares.

8. ADDITIONAL INFORMATION

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

The Group did not publish any forecasts of results for the year 2016.

8.2. EVENTS AFTER THE BALANCE SHEET DATE

Detailed information on post- balance sheet events is provided in note 33 to the condensed interim consolidated financial statements for the 6 months ending 30 June 2016.

8.3. LITIGATION PENDING BEFORE THE COURT, THE APPROPRIATE ARBITRATION BODY OR THE PUBLIC ADMINISTRATION BODY

Due to the specific nature of its operations, mainly operating internet portals, the Group is exposed to lawsuits in cases related to the protection of personal rights. As of 30 June 2016, a several dozen such cases were in progress. The Group recorded a provision for pending litigation based on the actual status of cases and cost estimates prepared by the legal department conducting the cases. The provisions were recorded in an amount of claims and court fees the adjudgement of which is probable in the Group's opinion.

8.4. INFORMATION ON TRANSACTIONS WITH RELATED ENTITIES

All transactions with related entities are concluded on an arm's length basis. Detailed information on transactions with related entities is presented in note 31 of the condensed interim consolidated financial statements for the period of 6 months ending 30 June 2016.

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

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 advances 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 Wirtualna Polska Holding Group's equity.

Inter-company guarantees

The companies: Wirtualna Polska Holding SA, WP Shopping Sp. z o.o., Business Ad Network Sp. z o.o., WP1 Sp. z o.o., Money.pl Sp. z o.o., Blomedia Sp. z o.o. and Enovatis SA are guarantors of the loan agreement concluded by and between Grupa Wirtualna Polska SA and mBank and ING Bank Śląski. The Management Board assumes that all companies that are currently guarantors of the loan agreement will remain as such until the end of the credit agreement. The total guarantee amount corresponds to the current balance of the Group's debt of the credit agreement.

Loans granted

As of 30 June 2016 Wirtualna Polska Holding SA and Grupa Wirtualna Polska SA have granted loans to other Group members in order to finance their acquisitions and current operations. The parent company does not have any loans granted by other Group's entities.

8.6. INFORMATION ON AGREEMENTS ON LOANS AND ADVANCES RAISED AND TERMINATED DURING THE YEAR

Loans granted by financial institutions

In accordance with the financial model adopted by the Capital Group the only company which enters loan agreement with external institutions is Grupa Wirtualna Polska SA. However, the Parent Company and other subsidiaries are guarantors of this loan.

Loans granted by non-controlling interest

On 6 October 2015, non-controlling shareholders granted the loan to Domodi of PLN 4,000 thousand for the purchase of shares in Allani Sp. z o.o. The loan bears an interest of 3M WIBOR plus the margin specified in the agreement. The loan may be repaid at any time but no later than 31 December 2017. As of 30 June 2016 the outstanding amount of the loan was PLN 1,400 thousand.

Inter-company loans

As of 30 June 2016 Wirtualna Polska Holding SA and Grupa Wirtualna Polska SA have granted loans to other Group members in order to finance their acquisitions and current operations. The parent Company does not have any loans granted by other Group's entities.

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

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

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

Jacek Świderski, President of the Management Board

Michał Brański, Management Board Member

Krzysztof Sierota, Management Board Member

Elżbieta Bujniewicz-Belka, Management Board Member

Warsaw, 30 August 2016

MANAGEMENT BOARD'S REPRESENTATION

The Management Board of Wirtualna Polska Holding SA confirms that, to their best knowledge, the condensed interim consolidated 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's Capital Group. Moreover, the Management Board of Wirtualna Polska Holding SA confirms that the report of the management board on the activities of the issuer's Capital Group shows true view of the development and achievements and state of affairs of the Issuer's Capital Group, including an evaluation of dangers and risks.

The Management Board of Wirtualna Polska Holding SA confirms that the entity authorised to the audit of the financial statements, reviewing condensed interim consolidated financial statements, has been elected according to applicable rules and that this entity as well as certified auditors engaged in the review of this financial statements met objectives to present an objective and independent report on the reviewed condensed consolidated financial statements in accordance with legal regulations and professional standards.

Jacek Świdorski, President of the Management Board

Michał Brański, Management Board Member

Krzysztof Sierota, Management Board Member

Elżbieta Bujniewicz-Belka, Management Board Member

Warsaw, 30 August 2016

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

as of 30 June 2016
and
for the period of 3 and 6 months ending
30 June 2016

INTERIM CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

in PLN'000	Note	Six months ending 30 June 2016	Six months ending 30 June 2015	Three months ending 30 June 2016	Three months ending 30 June 2015
Sales	10	189 217	145 274	100 768	77 775
Amortization and depreciation		(19 956)	(14 485)	(10 112)	(7 433)
Materials and energy used		(2 711)	(2 501)	(1 418)	(1 235)
Costs related to public offering, acquisitions of subsidiaries and restructuring, including:	10	(4 405)	(7 437)	(3 133)	(5 714)
<i>External services</i>	10	(596)	(5 231)	(107)	(4 130)
<i>Salary and employee benefit expense</i>	10	(3 239)	(967)	(2 708)	(359)
<i>Other operating expenses</i>	10	(570)	(1 240)	(318)	(1 226)
Costs of the employee option scheme	22	(1 361)	(696)	(815)	(348)
Other external services		(61 774)	(43 671)	(31 362)	(21 555)
Other salary and employee benefit expenses		(59 094)	(47 162)	(29 396)	(24 051)
Other operating expenses	12	(3 719)	(2 686)	(2 529)	(851)
Other operating income/gains	11	628	585	270	(90)
Gain/loss on disposal of other financial assets		-	(150)	-	(150)
Operating profit		36 825	27 071	22 273	16 348
Finance income	13	357	349	171	247
Finance costs	14	(8 425)	(13 970)	(4 247)	(3 189)
Revaluation of commitments to purchase non-controlling interests		(1 261)	-	(1 261)	-
Profit before tax		27 496	13 450	16 936	13 406
Income tax	15	(6 502)	(3 850)	(4 127)	(3 311)
Net profit		20 994	9 600	12 809	10 095
Other comprehensive income/(losses)	23	(434)	297	247	297
Comprehensive income		20 560	9 897	13 056	10 392
Net profit attributable to:					
Equity holders of the Parent Company		21 341	9 127	13 437	9 917
Non-controlling interests		(347)	473	(628)	178
Comprehensive income attributable to:					
Equity holders of the Parent Company		20 907	9 424	13 684	10 214
Non-controlling interests		(347)	473	(628)	178
Net profit attributable to equity holders of the Parent Company per share (in PLN)					
Basic	16	0,76	0,35		
Diluted	16	0,74	0,35		

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in PLN'000	Note	As of 30 June 2016	As of 31 December 2015
Non-current assets			
Property, plant and equipment	18	52 894	51 607
Goodwill	19	243 449	217 257
Trademarks	18	160 218	156 398
Homepage and WP mail	18	137 171	140 413
Other intangible assets	18	93 185	70 839
Deferred tax assets	15	1 968	1 681
		688 885	638 195
Current assets			
Trade and other receivables	17	75 381	62 723
Cash and cash equivalents		37 106	48 961
		112 487	111 684
TOTAL ASSETS		801 372	749 879
Equity			
Equity attributable to equity holders of the Parent Company			
Share capital	21	1 413	1 413
Supplementary capital		310 453	310 453
Revaluation reserve	23	(2 278)	(1 844)
Other reserves		(38 716)	(28 506)
Retained earnings		81 728	60 387
		352 600	341 903
Non-controlling interests		16 031	15 676
		368 631	357 579
Long-term liabilities			
Loans and leases	24	191 586	192 682
Other long-term liabilities	27	99 837	75 666
Deferred tax liability	15	32 257	23 884
Deferred income		1 109	1 194
		324 789	293 426
Short-term liabilities			
Loans and leases	24	36 791	38 399
Trade and other payables	27	65 885	54 668
Provisions for employee benefits	26	3 782	2 891
Other provisions	26	1 324	1 661
Current income tax liabilities		170	1 255
		107 952	98 874
TOTAL EQUITY AND LIABILITIES		801 372	749 879

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in PLN'000	Note	Equity attributable to equity holders of the Parent Company					Total	Non-controlling interests	Equity
		Share capital	Supplementary capital	Revaluation reserve	Other reserves	Retained earnings			
Equity as of 1 January 2016		1 413	310 453	(1 844)	(28 506)	60 387	341 903	15 676	357 579
Net profit/ (loss)		-	-	-	-	21 341	21 341	(347)	20 994
Other comprehensive income	23	-	-	(434)	-	-	(434)	-	(434)
Total comprehensive income		-	-	(434)	-	21 341	20 907	(347)	20 560
Option scheme	22	-	-	-	1 361	-	1 361	-	1 361
Recognition of option-related commitment to purchase non-controlling interests		-	-	-	(11 571)	-	(11 571)	-	(11 571)
Payment of dividend		-	-	-	-	-	-	(1 019)	(1 019)
Acquisition of a subsidiary	20	-	-	-	-	-	-	1 721	1 721
Equity as of 30 June 2016		1 413	310 453	(2 278)	(38 716)	81 728	352 600	16 031	368 631

in PLN'000	Note	Equity attributable to equity holders of the Parent Company					Total	Non-controlling interests	Equity
		Share capital	Supplementary capital	Revaluation reserve	Other reserves	Retained earnings			
Equity as of 1 January 2015		1 231	206 664	-	(29 899)	56 055	234 051	11 544	245 595
Net profit/ (loss)		-	-	-	-	4 332	4 332	1 354	5 686
Other comprehensive income		-	-	(1 844)	-	-	(1 844)	-	(1 844)
Total comprehensive income		-	-	(1 844)	-	4 332	2 488	1 354	3 842
Share capital increase from initial public offering		167	106 705	-	-	-	106 872	-	106 872
Option scheme		15	2 001	-	1 393	-	3 409	-	3 409
Costs of public offering recognized in the supplementary capital		-	(4 917)	-	-	-	(4 917)	-	(4 917)
Payment of dividend		-	-	-	-	-	-	(659)	(659)
Acquisition of a subsidiary		-	-	-	-	-	-	3 437	3 437
Equity as of 31 December 2015		1 413	310 453	(1 844)	(28 506)	60 387	341 903	15 676	357 579

in PLN'000	Note	Equity attributable to equity holders of the Parent Company					Total	Non-controlling interests	Equity
		Share capital	Supplementary capital	Revaluation reserve	Other reserves	Retained earnings			
Equity as of 1 January 2015		1 231	206 664	-	(29 899)	56 055	234 051	11 544	245 595
Net profit/ (loss)		-	-	-	-	9 127	9 127	473	9 600
Other comprehensive income		-	-	297	-	-	297	-	297
Total comprehensive income		-	-	297	-	9 127	9 424	473	9 897
Share capital increase from initial public offering		167	106 705	-	-	-	106 872	-	106 872
Option scheme		15	2 001	-	696	-	2 712	-	2 712
Costs of public offering recognized in the supplementary capital		-	(4 917)	-	-	-	(4 917)	-	(4 917)
Payment of dividend		-	-	-	-	-	-	(659)	(659)
Equity as of 30 June 2015		1 413	310 453	297	(29 203)	65 182	348 142	11 358	359 500

INTERIM CONSOLIDATED CASH FLOW STATEMENT

in PLN'000	Note	Six months ending 30 June 2016	Six months ending 30 June 2015
Cash flows from operating activities			
Profit before tax		27 496	13 450
Adjustments for:		34 420	29 666
Amortization and depreciation		19 956	14 485
Losses on the sale / liquidation/revaluation of property, plant and equipment and other intangible assets		427	274
Finance income and costs		8 425	13 361
Gain/loss on disposal of other financial assets		-	150
Revaluation of contingent liabilities arising from business combinations		2 984	659
Revaluation of commitments to purchase non-controlling interests		1 261	-
Costs of the employee option scheme		1 361	696
Other adjustments		6	41
Changes in working capital		(8 123)	(15 019)
Change in trade and other receivables	32	(11 322)	(4 923)
Change in trade and other payables	32	2 690	(5 185)
Change in provisions	32	509	(164)
IPO cost recognized in supplementary capital (aggio)		-	(4 747)
Income tax paid		(2 396)	(1 007)
Net cash flows from operating activities		51 397	27 090
Cash flows from investing activities			
Sale of non-current assets		41	8
Purchase of intangible assets and property, plant and equipment		(15 531)	(15 211)
Repayment of contingent liabilities arising from business combinations		(3 121)	-
Acquisition of subsidiary (less cash acquired)	32	(35 890)	(20 471)
Net cash flows from investing activities		(54 501)	(35 675)
Net cash flows from financing activities			
Payments due to share capital increase		-	108 779
Loans received		12 000	219 500
Repayment of finance leases		(217)	(440)
Repayment of bank commissions		(939)	(5 588)
Interest paid		(4 745)	(9 816)
Repayment of IRS		-	(5 995)
Repayment of loans received		(14 850)	(245 880)
Dividends to non-controlling shareholders		-	(608)
Net cash flows from financing activities		(8 751)	59 952
Total net cash flows		(11 855)	51 367
Cash and cash equivalents at the beginning of the period		48 961	31 148
Cash and cash equivalents at the end of the period		37 106	82 515

Notes to the 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.

As of 30 June 2016 Wirtualna Polska Holding Capital Group composed of the Parent Company and 19 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, Domodi.pl, Money.pl, Kafeteria.pl, Biztok.pl, abcZdrowie.pl, wakacje.pl, nocowanie.pl as well as providing electronic services (WP e-mail, o2 e-mail).

The Parent Company was registered in Poland and its seat is in Warsaw at Jutrzenki 137A.

2. BASIS OF PREPARATION OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

These condensed interim financial statements have been prepared on the assumption that the Group will continue as a going concern, in accordance with IAS 34 “Interim Financial Reporting” (“IAS 34”). The accounting policies used in the preparation of the condensed interim consolidated financial statements for the period of six months ending 30 June 2016 are consistent with those used in the consolidated financial statements for the year ending 31 December 2015.

The financial statements for the year ending 31 December 2015 have been prepared in accordance with IFRS standards which are binding in the European Union in the financial year ending 31 December 2015.

Consolidated statement of financial positions as of 30 June 2016, consolidated income statement and other comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity for six months ending 30 June 2016 was not audited. Consolidated financial statements as of 31 December 2015 and for twelve months ending 31 December 2015 were audited by independent certified auditor, who issued an unqualified opinion.

These condensed interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements for the year 2015.

3. APPROVAL FOR PUBLICATION OF CONSOLIDATED FINANCIAL STATEMENTS

These condensed interim consolidated financial statements have been approved for publication by the Management Board of Wirtualna Polska Holding SA on 30 August 2016.

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 condensed interim consolidated financial statements were the same as in financial statements for the year ending 31 December 2015.

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.

4.1. Deferred tax asset

a) Deferred tax asset on contributing the business

In 2011, the Parent Company contributed its business with a fair value of PLN 311,000 thousand to the subsidiary Grupa Wirtualna Polska SA (formerly o2 Sp. z o.o.). As a result of this transaction, a temporary difference arose in the consolidated financial statements between the tax and carrying value of the contributed business's assets of PLN 265,195 thousand. A deferred tax asset was recorded on this difference which as of 30 June 2016 amounted to PLN 23,900 thousand (PLN 26,675 thousand as of 31 December 2015). At the same time, the Group records a deferred tax asset on the tax loss of PLN 4,266 thousand and PLN 9,257 thousand respectively as of 30 June 2016 and 31 December 2015. The tax loss mainly results from tax amortisation of the contributed assets referred to above.

The Group recognises a deferred tax asset based on the assumption that a tax profit will be generated in the future enabling its utilisation. In 2011, a deferred tax asset was recorded based on financial forecasts and available and considered tax planning possibilities. A similar analysis was conducted in the following years. The Parent Company's Management Board has prepared financial projections until 2023, which confirm that sufficiently high taxable income will be generated in the future to enable utilisation of the asset. The financial model has been developed based on general market forecasts and the Management Board's expectations. Deterioration of tax results in the future might result in the assumption becoming unjustified.

b) The asset related to transferring the business unit of WP SA

On 1 September 2014, a demerger of WP Shopping Sp. z o.o. (former Wirtualna Polska SA) was carried out. The demerger was carried out by transferring a business unit of WP Shopping Sp. z o.o. (former Wirtualna Polska SA) to Grupa Wirtualna Polska SA (the so-called spin-off). As a result of the demerger, the Editorial and Advertising Division was transferred to Grupa Wirtualna Polska SA and the operations of the e-Commerce Centre are continued at WP Shopping Sp. z o.o. (former Wirtualna Polska SA). Moreover, all assets and liabilities which were not clearly designated as remaining with WP Shopping Sp. z o.o. (former Wirtualna Polska SA), shall go Grupa Wirtualna Polska SA.

As a result of the merger, the majority of WP Shopping Sp. z o.o.'s (former Wirtualna Polska SA) assets and liabilities were transferred to Grupa Wirtualna Polska SA. The transaction did not result in changing the tax value of the investment in this subsidiary, due to which a deductible temporary difference arose on the investment of PLN 71,402 thousand. Due to the fact that Grupa Wirtualna Polska SA 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.

c) The asset related to transferring the business unit of Money.pl sp. z o.o.

On 31 December 2015, a demerger of Money.pl sp. z o.o. was carried out. The demerger was carried out by transferring a business unit of Money.pl sp. z o.o. to Grupa Wirtualna Polska SA (the so-called spin-off). As a result of the demerger, the Editorial and Advertising Division was transferred to Grupa Wirtualna Polska SA and the operations of the e-Commerce Centre are continued at Money.pl sp. z o.o.

As a result of the merger, the part of Money.pl sp. z o.o.'s assets and liabilities were transferred to Grupa Wirtualna Polska SA. The transaction did not result in changing the tax value of the investment in this subsidiary, due to which a deductible temporary difference arose on the investment of PLN 5,498 thousand. Due to the fact that Grupa Wirtualna Polska SA 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.

4.2. Amortisation and depreciation rates

The depreciation and amortisation 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 in the Internet,

- expected actions taken by competitors or potential competitors on the market of selling advertisements in the Internet,
- the level of subsequent expenditure required to obtain the expected future economic benefits from the trademark,
- whether the useful life of the brand is dependent on the useful lives of other assets.

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

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

4.3. Approach to barter transactions

In the course of its operations the Group sells advertising services via barter transactions. The Group recognises 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.

4.4. Litigation

Due to the nature of its operations, mainly running Internet portals, the Group is sued in cases related to personality right protection. As of 30 June 2016, a several dozen such cases were in progress. The Group recorded a provision for pending litigation based on the actual status of cases and cost estimates prepared by the Legal Department conducting the cases. The provisions were recorded in the amount of claims and court fees the adjudgement of which is probable in the Group's opinion.

4.5. Valuation of 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 27).

As of the date of preparing this report the Group has option-related commitment to purchase non-controlling interests in two entities: Domodi Sp. z o.o. and Nocowanie.pl Sp. z o.o.

Domodi Sp. z o.o.

The basic assumptions being the basis for the options' valuation are as follows: EBITDA, which constitutes the options exercise price, revenues and the discount rate. A change in the forecasted growth dynamics of revenues by 1 p.p. per annum in the years 2016–2019 increases the value of liabilities by 4.1%. A change in the forecasted EBITDA margin by 1 p.p. per annum in the years 2016–2019 increases the value of the liabilities by 3.7%. An increase in the discount rate of 1 p.p. decreases the liability by 3.1%.

The commitment was initially estimated at PLN 31,853 thousand. As of 30 June 2016 the value of these commitments amounted to PLN 65,525 thousand and as of 31 December 2015 amounted to PLN 62,762 thousand. Details concerning changes of value of these commitments during 2015 are described in note 31 of the consolidated financial statements for the year 2015.

Nocowanie.pl Sp. z o.o.

The basic assumptions being the basis for the options' valuation are as follows: EBITDA and its average annual growth rate, which are the basis for the calculation of the option exercise price and discount rate. An increase of the forecasted growth dynamics of revenues by 1 p.p. per annum in the years 2017–2019 increases the value of liabilities by 2.21%. An increase in the forecasted EBITDA margin by 1 p.p. per annum in the years 2017–2019 increases the value of the liabilities by 2.02%. An increase in the discount rate of 1 p.p. decreases the liability by 3.1%.

The commitment was initially estimated at PLN 11,571 thousand. As of 30 June 2016 the value of these commitments amounted to PLN 11,618 thousand.

Any changes in the value of these liabilities, resulting from discount settlement after the initial recognition, are presented in profit or loss as finance income/costs. While changes in the value resulting from update of forecasted results being the basis of estimation of future liability are recognised as "Revaluation of commitments to purchase non-controlling interests".

4.6. 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.

4.7. Impairment tests

Goodwill and intangible assets were subject to an impairment test as of 31 December 2015. Details of the test are discussed in Note 16 to the Group's consolidated financial statements for the year 2015. As of 30 June 2016 no impairment triggers were identified by the Group.

4.8. The existence of control over subsidiaries – Domodi Sp. z o.o.

On 12 September 2014, the Group acquired 51% of shares in Domodi Sp. z o.o.

The Group established that it had acquired control of Domodi Sp. z o.o. based on the following premises:

- All important decisions concerning significant activities of Domodi Sp. z o.o. are made by establishing and approving the budget (including subsequent amendments). The remaining decisions are protective in nature and not significant in the course of the normal operating activities;
- 51% of the voting rights at the Shareholders' Meeting held by the Group and two out of three Supervisory Board members do not allow the Group to establish, approve and amend the budget on its own. However, the Group has the option to purchase the remaining 49% of shares in Domodi Sp. z o.o. in the event of the remaining shareholders not agreeing to establish, approve or amend the budget. The call option held by the Group constitutes significant potential voting rights in accordance with IFRS 10 because the Group will obtain benefits on exercising the option; the option's exercise price is not a barrier to its being exercised; the option can be exercised shortly after reaching an impasse.

Bearing in mind the above, the Group concluded that the significant potential voting rights give the Group control over Domodi Sp. z o.o.

4.9. Allowances for trade receivables

The Group verifies the recoverability of trade receivables and based on that estimates the amount of write-downs.

4.10. Estimate of annual rebates liabilities

As a part of cooperation with media houses, the Group grant annual rebates. These rebates are granted to media houses individually or in groups based on turnover value or percentage achieved. During the year the Group estimates annual rebates liabilities based on current turnover forecast and recognises them as a reduction of revenues for the period. The final amounts of rebates are known after the end of the financial year and may differ from the estimates adopted during the period.

4.11. 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 recognised as the purchase price adjustment. Changes in valuation due to differences in financial or operating

results from the level assumed at initial recognition are presented in the income statement and other comprehensive income.

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

5. INFORMATION ON SEASONALITY IN GROUP'S OPERATIONS

Advertising revenues are subject to seasonality - revenues in the first and third quarters are lower than in the second and fourth quarters of the year, except for revenues generated by Enovatis SA and 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 significant seasonality.

6. INFORMATION ON SEGMENT REPORTING

Starting from 2016, after obtaining the final decision of the National Broadcasting Council and launch of works on the television programme in Multiplex 8, the Management Board has re-segmented its activities and divided them into two segments i.e. Online segment and TV segment. Although based on the data for the first half of 2016, the TV segment did not meet the criteria of IFRS 8 for its separate disclosure, however due to the significant difference in its nature and perspective relevance, the Management Board decided to present the information about the individual segments starting from 2016.

Six months ending 30 June 2016	Online Segment	TV Segment	Eliminations and consolidation adjustments	Total
Sales to third parties	189 217	-	-	189 217
Sales between segments	218	-	(218)	-
Total sales	189 435	-	(218)	189 217
including cash sales	171 784	-	(218)	171 566
EBITDA (unaudited)	57 356	(575)		56 781
Operating profit/ (loss)	37 970	(1 145)	0	36 825
Assets of the segment	787 957	13 415		801 372

Six months ending 30 June 2015	Online Segment	TV Segment	Eliminations and consolidation adjustments	Total
Sales to third parties	145 274	0		145 274
Sales between segments	0	0	0	0
Total sales	145 274	0	0	145 274
including cash sales	128 004	0	0	128 004
EBITDA (unaudited)	41 556	0		41 556
Operating profit/ (loss)	27 071	0	0	27 071
Assets of the segment	665 110	0		665 110

The Group's operating segments are presented consistently with the internal reporting submitted to the Parent Company's Management Board, which is the main body responsible for making operational decisions.

7. THE GROUP'S STRUCTURE

As of 30 June 2016 the Capital Group represented: the parent company Wirtualna Polska Holding SA and 19 subsidiaries. Condensed interim consolidated financial statements of the Group comprise the Company and the subsidiaries mentioned in the following table.

No.	Name of subsidiary	Registered office	% of shares held		
			30 June 2016	31 December 2015	30 June 2015
1	Grupa Wirtualna Polska S.A.	Poland, Warszawa	100%	100%	100%
2	WP Shopping Sp. z o.o. (formerly Wirtualna Polska S.A.)	Poland, Warszawa	100%	100%	100%
3	http Sp. z o.o.	Poland, Warszawa	100%	100%	100%
4	Free4Fresh Sp. z o.o.	Poland, Warszawa	-	-	100%
5	Money.pl Sp. z o.o.	Poland, Wrocław	100%	100%	100%
6	Business Ad Network Sp. z o.o.	Poland, Wrocław	100%	100%	100%
7	Businessclick Sp. z o.o.	Poland, Wrocław	100%	100%	100%
8	Favore Sp. z o.o.	Poland, Wrocław	100%	100%	100%
9	Legalsupport Sp. z o.o.	Poland, Kraków	100%	100%	100%
10	Brand New Media Sp. z o.o.	Poland, Wrocław	100%	100%	100%
11	dobreprogramy Sp. z o.o.	Poland, Wrocław	51%	51%	51%
12	Domodi Sp. z o.o.	Poland, Wrocław	51%	51%	51%
13	WP1 Sp. z o.o.	Poland, Warszawa	100%	100%	-
14	Finansowysupermarket Sp. z o.o.	Poland, Warszawa	100%	100%	-
15	Web Broker Sp. z o.o.	Poland, Warszawa	100%	100%	-
16	NextWeb Media Sp. z o.o.	Poland, Warszawa	-	-	100%
17	Blomedia.pl Sp. z o.o.	Poland, Warszawa	100%	100%	100%
18	Allani Sp. z o.o.	Poland, Warszawa	51%	51%	-
19	Enovatis S.A.	Poland, Gdańsk	100%	100%	-
20	TotalMoney.pl Sp. z o.o.	Poland, Warszawa	100%	-	-
21	Nocowanie.pl Sp. z o.o.	Poland, Lublin	75%	-	-

Most of the Group's companies are focused on selling advertisements in the Internet, except for http Sp. z o.o., which conducts publishing operations (Internet portals) and sell its services within the Group. In addition, the different activities are also conducted by Enovatis SA and Nocowanie.pl Sp. z o.o. which operate in online tourism sector.

On 16 March 2016 Grupa Wirtualna Polska SA signed share purchase agreement for 200 shares in TotalMoney.pl Sp. z o.o with its registered office in Warsaw with a nominal value of PLN 1,600 each and the total nominal value of PLN 320,000 which represents 100% of share capital in TotalMoney.pl Sp. z o.o and represents 100% of votes at the general meeting of shareholders of acquired company.

On 7 March 2016 Grupa Wirtualna Polska SA signed preliminary conditional purchase agreement for 75% of shares in Nocowanie.pl Sp. z o.o with its registered office in Lublin. On 7 June 2016 the sale agreement for 75% of shares in Nocowanie.pl Sp. z o.o was concluded as the condition precedent specified in the preliminary agreement fulfilled. The purchase price amounted to PLN 21,957 thousand, out of which PLN 12 million was financed from CAPEX tranche of loan facility granted to the Group and the remaining part from Group's own resources.

Additionally, after the end of 2018, the Group will be entitled to purchase and the minority shareholder to sell the half of minority interests in the share capital of Nocowanie.pl. The option exercise price will be calculated as the product of normalized EBITDA for the year 2018 and the multiplier specified in the agreement dependent on the average EBITDA growth ratio in the years 2016-2018 in relation to the EBITDA for the year 2015.

After the end of 2019 the Group will be entitled to purchase and the minority shareholder to sell the remaining minority interests in the share capital of Nocowanie.pl. The option exercise price will be calculated as the product of normalized EBITDA for the year 2019 and the multiplier specified in the agreement dependent on the average EBITDA growth ratio in the years 2016-2019 in relation to the EBITDA for the year 2015.

On initial recognition the liability was estimated at PLN 11,591 thousand. As of 30 June 2016 the liability amounted to PLN 11,618 thousand.

8. EVENTS WITH SIGNIFICANT IMPACT ON BUSINESS AND FINANCIAL RESULTS OF THE GROUP IN THE FIRST HALF OF 2016

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

- material acquisitions made by the Group in the previous periods;
- increased effectiveness resulting from the use of the Group's data resources and big data tools;
- costs of funding related to the acquisition of Wirtualna Polska SA and further acquisitions.

Material acquisitions made by the Group in the previous periods

In the years 2014-2016 the Group acquired other entities operating on the internet advertising and e-commerce markets, including generating leads on the e-commerce market. In 2015 the Group acquired shares in companies: NextWeb Media sp. z o.o., Blomedia Sp. z o.o., Finansowysupermarket.pl Sp. z o.o., Web Broker Sp. z o.o., Allani Sp. z o.o. and Enovatis SA. In 2016, the Group's purchased Totalmoney.pl Sp. z o.o. and Nocowanie.pl Sp. z o.o. The acquisitions mentioned above had a significant impact on the increase in revenues and EBITDA compared with the same period of the prior year.

Borrowings related to the acquisition of Wirtualna Polska SA and further acquisitions

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

The Group's debt results among others from financing with the help of bank loan the part of the purchase price (PLN 175 million) of shares in Wirtualna Polska SA (currently WP Shopping Sp. z o.o.), purchase price for the shares in Money.pl Sp. z o.o. (PLN 47 million), the part of the purchase price for the shares in Enovatis SA (PLN 50 million) and the part of the purchase price for the shares in Nocowanie.pl Sp. z o.o. (PLN 12 million).

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

Additionally, on 28 April 2015 Grupa Wirtualna Polska SA concluded an interest swap agreement with mBank and ING Bank Śląski swapping the variable interest rate on the new loan to a fixed interest rate. As of the balance sheet date, jointly, these contracts hedge interest rates for the equivalent of PLN 35.5 million of the A tranche of the loan and PLN 77.2 million of the B tranche of the loan. These financial instruments are treated as hedge accounting and were recognised in the financial statements of the Group as cash flow hedge under IAS 39. Details concerning the valuation and recognition of these instruments are presented in note 23.

As of 30 June 2016 the balance of the Group's liability resulting from loan agreement amounted to PLN 225.9 million.

During the six months of 2016 the Group's interest and commissions expenses, the bulk of which resulted from interest on the bank loan, amounted to PLN 5,411 thousand. The amount of these costs in consecutive periods, to the extent not hedged with interest rate swaps, will depend on WIBOR 3M which was 1.71% as of 30 June 2016.

Apart from the factors referred to above during the period of six months ending 30 June 2016 there were no extraordinary factors or events which would have a significant impact on the financial results achieved.

9. SIGNIFICANT EVENTS WHICH TOOK PLACE IN THE PERIOD OF SIX MONTHS OF 2016

The purchase of shares in TotalMoney.pl Sp. z o.o.

On 16 March 2016 Grupa Wirtualna Polska SA signed share purchase agreement for 200 shares in TotalMoney.pl Sp. z o.o with its registered office in Warsaw with a nominal value of PLN 1,600 each and the total nominal value of PLN 320,000, representing 100% of share capital in TotalMoney.pl Sp. z o.o and 100% of votes at the general shareholders meeting.

The detailed information about the consideration paid and the fair value of the acquired assets and liabilities as of the date of the acquisition is presented in note 20 to the financial statement.

The purchase of shares in Nocowanie.pl Sp. z o.o.

On 7 March 2016 Grupa Wirtualna Polska SA signed preliminary conditional purchase agreement for 75% of shares in Nocowanie.pl Sp. z o.o with its registered office in Lublin. On 7 June 2016 the sale agreement for 75% of shares in Nocowanie.pl Sp. z o.o was concluded as the conditions precedent specified in the preliminary agreement were fulfilled.

The detailed information about the consideration paid and the fair value of the acquired assets and liabilities as of the date of the acquisition is presented in note 20 to the financial statement.

Decision of the President of the National Broadcasting Council on granting a broadcasting license for the transmission of a television programme by a subsidiary of Wirtualna Polska Holding SA

On 15 January 2016, the company WP1 sp. z o.o. obtained a decision from the President of the National Broadcasting Council on granting a broadcasting license for the transmission of a television programme in Multiplex 8 under the name "WP1". According to the broadcasting license, the programme will have a universal appeal i.e. it will include different TV types and forms devoted to various issues, including the development of society, economy, culture and societal transformations in the modern world of a rapid technical and technological development.

The broadcasting license is effective from 14 January 2016 to 13 January 2026. The fee for the license amounted to PLN 13,545 thousand and will be paid in 10 annual instalments of PLN 1,355 thousand each.

The conclusion of annex to the loan agreement

On 16 February 2016, an annex to the bank loan agreement dated 24 March 2015 between Grupa Wirtualna Polska S.A, mBank SA and ING was concluded. The annex increases the amount of loan under CAPEX tranche from the original amount of PLN 50,000 thousand to PLN 100,000 thousand (i.e. by PLN 50,000 thousand).

The financial terms for the new CAPEX tranche are not significantly different from financial terms in the current loan agreement.

The extension of the loan amount under the CAPEX tranche, allocated to the acquisition of companies and non-current assets is to ensure the Capital Group's flexibility in the implementation of the adopted acquisition strategy.

Accession to the loan agreement by subsidiary of Wirtualna Polska Holding SA

On 15 January 2016, Enovatis SA entered into the loan agreement to refinance indebtedness, finance capital expenditures and acquisitions and overdraft facility concluded on 24 March 2015 by Grupa Wirtualna Polska SA with its registered seat in Warsaw.

At the same time, Enovatis as an additional guarantor committed to establish the following securities for Creditors:

- registered pledges on items and rights;
- financial and registered pledges on bank accounts with power of attorney to those bank accounts;
- declaration on submission to enforcement;
- mutual guarantee for repayment of debt under the loan agreement;
- subordination agreement inter-company receivables from loans with transfer the rights to protection from inter-company loan agreements;
- assignment of receivables from insurance agreements and significant commercial agreements /contracts.

10. SALES

in PLN'000	Six months ending 30 June 2016	Six months ending 30 June 2015	Three months ending 30 June 2016	Three months ending 30 June 2015
Sales of advertising services	165 636	138 111	86 336	75 209
- non-barter transactions	147 985	120 841	77 274	65 803
- barter transactions	17 651	17 270	9 062	9 406
Sales of non-advertising services	23 581	7 163	14 432	2 566
Total	189 217	145 274	100 768	77 775

in PLN'000	Six months ending 30 June 2016	Six months ending 30 June 2015	Three months ending 30 June 2016	Three months ending 30 June 2015
Domestic sales	153 900	118 987	82 238	64 319
Export sales	35 317	26 287	18 530	13 456
European Union	32 120	21 740	17 049	11 048
Outside European Union	3 197	4 547	1 481	2 408
Total	189 217	145 274	100 768	77 775

Due to significant changes in the Group's structure in 2015, the amounts of revenues and costs recognised in the financial statement for the period from 1 January to 30 June 2015 are not fully comparable with the amounts for the corresponding period of the current year. Significant changes in the Group's results are partially due to the acquisitions made by the Group in previous quarters, including the acquisition of Enovatis SA, Allani Sp. z o.o., NextWeb Media Sp. z o.o., Blomedia Sp. z o.o., Finansowysupermarket.pl Sp. z o.o. and Web Broker Sp. z o.o. The effect of acquisitions makes it significantly more difficult to compare the periods and analyse the Group's results. In order to improve the presentation of the changes that took place during the first half and second quarter of 2016 and 2015, the Management Board decided to additionally present the pro forma financial results for each quarter of the previous year, taking into account the effect of acquisitions. A detailed analysis is presented in Report of the Management Board on the activities of Capital Group in item 3.2. Notes to the pro forma consolidated financial information for the year 2015.

The following table presents the reconciliation of profit before tax to EBITDA and adjusted EBITDA.

in PLN'000	Six months ending 30 June 2016	Six months ending 30 June 2015	Three months ending 30 June 2016	Three months ending 30 June 2015
Profit before tax	27 496	13 450	16 936	13 406
Finance costs	8 425	13 970	4 247	3 189
Finance income	(357)	(349)	(171)	(247)
Revaluation of commitments to purchase non-controlling interests	1 261	-	1 261	-
Operating profit	36 825	27 071	22 273	16 348
Amortization and depreciation	19 956	14 485	10 112	7 433
EBITDA	56 781	41 556	32 385	23 781
Adjustments including:				
Restructuring and transaction costs - external services	596	5 231	107	4 130
Employment restructuring costs	3 239	967	2 708	359
Restructuring and transaction costs -other operating expenses	570	1 240	318	1 226
Costs of the employee option scheme	1 361	696	815	348
Gain/loss on disposal of other financial assets	-	150	-	150
Net result on barter transactions settlement	(1 245)	(788)	(865)	(2 425)
Revaluation and liquidation of non-financial assets	162	268	139	248
Other	-	-	-	(36)
Adjusted EBITDA	61 464	49 320	35 607	27 781

The Group's EBITDA is calculated as operating profit plus depreciation and amortisation, and the Group's adjusted EBITDA is calculated as EBITDA adjusted for one-off events, including: transaction costs related to the

public offering and 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.

in PLN'000	Six months ending 30 June 2016	Six months ending 30 June 2015	Three months ending 30 June 2016	Three months ending 30 June 2015
Profit before tax	27 496	13 450	16 936	13 406
Adjustments including:				
Restructuring and transaction costs - external services	596	5 231	107	4 130
Employment restructuring costs	3 239	967	2 708	359
Restructuring and transaction costs -other operating expenses	570	1 240	318	1 226
Costs of the employee option scheme	1 361	696	815	348
Gain/loss on disposal of other financial assets	-	150	-	150
Net result on barter transactions settlement	(1 245)	(788)	(865)	(2 425)
Revaluation and liquidation of non-financial assets	162	268	139	248
Revaluation of commitments to purchase non-controlling interests	1 261	-	1 261	-
Finance costs in connection with loan refinancing	-	6 201	-	-
Valuation of hedging instrument IRS	-	341	-	-
Other	-	-	-	(36)
Total adjustments	5 944	14 306	4 483	4 000
Adjusted profit before tax	33 440	27 756	21 419	17 406

The adjusted profit before tax of the Group is calculated as profit before tax adjusted for one-off events, comprising: transaction costs related to the public offering and acquisitions, result on settlement of barter transactions, income from revaluation of non-operational provisions, revaluation of non-current assets, costs of the management option scheme and valuation of interest rate hedging instrument as well as costs recognised due to refinancing of the Group's debt. 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.

In the Group's Management Board opinion, 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.

11. OTHER OPERATING INCOME/GAINS

in PLN'000	Six months ending 30 June 2016	Six months ending 30 June 2015	Three months ending 30 June 2016	Three months ending 30 June 2015
Revenues from grants	420	328	222	-
Liabilities expired and forgiven	45	5	43	5
Repayment of receivables previously written off	61	43	61	43
Revaluation of provisions	-	56	-	(241)
Write-downs of receivables	-	-	(155)	-
Other	102	153	99	103
Total	628	585	270	(90)

12. OTHER OPERATING EXPENSES

in PLN'000	Six months ending 30 June 2016	Six months ending 30 June 2015	Three months ending 30 June 2016	Three months ending 30 June 2015
Representation and other costs by type	2 026	859	1 538	(81)
Write-downs of receivables	157	386	157	76
Taxes and charges	920	773	438	487
Revaluation of provisions	22	-	(37)	(21)
Revaluation and liquidation of non-financial assets	403	268	380	248
Loss on disposal of non-financial assets	24	-	24	-
Additional contingent consideration arising from the acquisition of the company	56	-	56	-
Other	111	400	(27)	142
Costs related to public offering, acquisitions of subsidiaries and restructuring	570	1 240	318	1 226
Total	4 289	3 926	2 847	2 077
including:				
Restructuring related costs	570	1 240	318	1 226
Other operating expenses	3 719	2 686	2 529	851

13. FINANCE INCOME

in PLN'000	Six months ending 30 June 2016	Six months ending 30 June 2015	Three months ending 30 June 2016	Three months ending 30 June 2015
Interest income	224	315	76	218
Other	133	34	95	29
Total	357	349	171	247

14. FINANCE COSTS

in PLN'000	Six months ending 30 June 2016	Six months ending 30 June 2015	Three months ending 30 June 2016	Three months ending 30 June 2015
Interest and commissions	5 411	5 895	2 715	2 409
Valuation of interest rate swaps	-	341	-	-
Reversal of discount on investment liabilities	2 531	1 156	1 292	525
Costs of early loan repayment	-	6 201	-	-
Other	483	377	240	255
Total	8 425	13 970	4 247	3 189

15. CURRENT AND DEFERRED INCOME TAX

in PLN'000	Six months ending 30 June 2016	Six months ending 30 June 2015	Three months ending 30 June 2016	Three months ending 30 June 2015
Current income tax	873	1 020	122	453
For the financial year	873	783	122	347
Adjustments relating to prior years	-	237	-	106
Deferred tax	5 629	2 830	4 005	2 858
Temporary differences arising and reversed	5 629	2 830	4 005	2 858
Total income tax	6 502	3 850	4 127	3 311

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:

in PLN'000	Six months ending 30 June 2016	Six months ending 30 June 2015	Three months ending 30 June 2016	Three months ending 30 June 2015
Profit before tax	27 496	13 450	16 936	13 406
Corporate income tax at the statutory rate of 19%	5 224	2 556	3 218	2 548
Tax effects of the following items:				
Revenues and costs non-taxable permanent differences	621	883	384	334
Revaluation of commitments to purchase non-controlling interests	240	-	240	-
The reversal of the discount on commitments to purchase non-controlling interest	294	-	153	-
Unrecognized tax assets	100	28	33	28
Other	23	154	99	303
Previous years adjustments	-	229	-	98
Total income tax	6 502	3 850	4 127	3 311

Change in deferred tax assets

in PLN'000	Six months ending 30 June 2016	Six months ending 30 June 2015	Three months ending 30 June 2016	Three months ending 30 June 2015
At the beginning of the period	1 681	1 153	1 897	809
Charged/credited to the financial result	381	320	384	664
Charged/credited to other comprehensive income	102	-	(60)	-
Adjustment to settlement of business combinations from previous period	(670)	-	(670)	-
Asset recognized on business combination	474	-	417	-
At the end of the period	1 968	1 473	1 968	1 473

Change in deferred tax liabilities

in PLN'000	Six months ending 30 June 2016	Six months ending 30 June 2015	Three months ending 30 June 2016	Three months ending 30 June 2015
At the beginning of the period	23 884	7 410	26 813	7 038
Charged/credited to the financial result	6 011	3 150	4 390	3 522
Provision recognized on business combination	2 362	2 056	1 054	2 056
At the end of the period	32 257	12 616	32 257	12 616

The table below presents titles for deferred tax asset and liability

in PLN'000	As of 30 June 2016	As of 31 December 2015
Deferred tax assets:		
Change in tax values of assets as a result of internal reorganization of the Group	23 900	26 675
Unutilized tax losses	4 266	9 257
Write-downs of assets	1 361	996
Differences in tax and carrying amounts of liabilities	8 800	6 735
Other differences	1 253	1 258
Deferred tax assets	39 580	44 921
Deferred tax liability:		
Differences in carrying and tax amounts of property, plant and equipment	67 625	65 980
Other	2 244	1 144
Deferred tax liability	69 869	67 124
Deferred tax asset/liability net	(30 289)	(22 203)

in PLN'000	As of 30 June 2016	As of 31 December 2015
Offsetting of deferred tax liability	(37 612)	(43 240)
Deferred tax assets after offsetting	1 968	1 681
Deferred tax liabilities after offsetting	32 257	23 884

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 that usually existing in countries with more precisely developed tax systems. Tax settlements may be subject to inspections within five years from the end of the year in which tax was paid. As a result of inspections, the Group's tax settlements may be increased by additional tax liabilities. The Group is of the opinion that as of 30 June 2016 there were no premises to record a provision against identifiable and measurable tax risk.

16. 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 22).

in PLN'000	Six months ending 30 June 2016	Six months ending 30 June 2015
Net profit attributable to equity holders of the Parent Company	21 341	9 127
Weighted average number of shares shown for the purpose of calculating basic earnings per share (no. of units)	28 252 782	25 893 185
Effect of diluting the number of ordinary shares	483 342	524 201
<i>Weighted average number of ordinary shares shown for the purpose of calculating diluted earnings per share (no. of units)</i>	28 736 124	26 417 386
Basic (in PLN)	0,76	0,35
Diluted (in PLN)	0,74	0,35

17. CHANGES IN ALLOWANCES FOR ASSETS

During the six months ending 30 June 2016 the Group adjusted the value of allowances for trade receivables by PLN 157 thousand.

In the first half of 2016 write-downs on intangible assets and property, plant and equipment of PLN 403 thousand were recorded.

18. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

In the period from 1 January 2016 to 30 June 2016 the Group purchased property, plant and equipment of PLN 7.6 million and intangible assets of PLN 21.7 million, of which PLN 13.5 million relate to the value of the broadcasting license for the transmission of a television programme WP1. Additionally, through the acquisition of Totalmoney.pl Sp. o.o. and Nocowanie.pl Sp. z o.o. the Group recognized intangible assets of PLN 14.4 million.

As of 30 June 2016, and as of 31 December 2015 there were no any significant commitments to purchase non-current assets and intangible assets.

19. GOODWILL

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

in PLN'000	Cash generating unit	As of 30 June 2016	As of 31 December 2015
Grupa Wirtualna Polska S.A.	Publishing and Advertising activities	92 040	92 040
Capital Group Money.pl Sp. z o.o.	Publishing and Advertising activities	11 550	11 550
Capital Group Money.pl Sp. z o.o.	Financial lead generation	7 808	7 808
NextWeb Media Sp. z o.o. (from 03.06.2015)	Publishing and Advertising activities	19 072	19 072
Finansowy supermarket.pl sp. z o.o.	Financial lead generation	6 148	6 102
dobreprogramy Sp. z o.o.	Dobreprogramy	3 593	3 593
Domodi Sp. z o.o.	Lead Generation fashion/interior	9 349	9 349
Allani Sp. z o.o.	Lead Generation fashion/interior	9 497	9 497
Enovatis SA	Enovatis	58 779	58 246
TotalMoney.pl Sp. z o.o.	Financial lead generation	8 820	-
Nocowanie.pl Sp. z o.o.	Nocowanie	16 793	-
http Sp. z o.o.	Publishing and Advertising activities	180	180
Goodwill (gross)		243 629	217 437
Impairment of goodwill:			
http Sp. z o.o.	Publishing and Advertising activities	(180)	(180)
Goodwill (net)		243 449	217 257

In the case of the acquisitions of Finansowy supermarket.pl, Allani, Enovatis, Totalmoney.pl and Nocowanie.pl the goodwill presented above is based on the provisional settlement of the purchase price as of 30 June 2016.

20. ACQUISITIONS AND BUSINESS COMBINATIONS

Acquisitions and business combinations in 2016 – TotalMoney.pl Sp. z o.o.

On 16 March 2016 Grupa Wirtualna Polska SA signed share purchase agreement for 200 shares in TotalMoney.pl Sp. z o.o with its registered office in Warsaw with a nominal value of PLN 1,600 each and the total nominal value of PLN 320,000 which represents 100% of share capital in TotalMoney.pl Sp. z o.o and represents 100% of votes at the general meeting of shareholders of acquired company.

TotalMoney.pl Sp. z o.o. is the leading comparison service of banking and insurance products, including loans, deposits, credit cards, accounts, insurance. The revenues of TotalMoney.pl Sp. z o.o. disclosed in the financial statements for 2015 amounted to PLN 5,489 thousand.

The final purchase price of 100% shares amounted to PLN 14,500 thousand. The price was calculated as PLN 12,500 thousand plus PLN 2,000 thousand of cash on bank accounts of TotalMoney.pl Sp. z o.o. as of the last day of the month preceding the month in which the agreement was concluded. The payment was made via bank transfer, of which PLN 9,959 thousand was financed from cash obtained from initial public offering and remaining part from own cash. Thereby, the transaction was closed.

Acquisitions and business combinations in 2016 – Nocowanie.pl Sp. z o.o.

On 7 March 2016 Grupa Wirtualna Polska SA signed preliminary conditional purchase agreement for 75% of shares in Nocowanie.pl Sp. z o.o with its registered office in Lublin. On 7 June 2016 the sale agreement for 75% of shares in Nocowanie.pl Sp. z o.o was concluded as the condition precedent specified in the preliminary agreement fulfilled.

Nocowanie.pl Sp. z o.o. is the owner of portal nocowanie.pl – the domestic leader in accommodation booking market and one of the most frequently visited tourist websites in the network.

The final purchase price of 75% shares amounted to PLN 21,957 thousand.

Additionally, after the end of 2018, the Group will be entitled to purchase and the minority shareholder to sell half of the minority interests in the share capital of Nocowanie.pl. The option exercise price will be calculated as the product of normalized EBITDA for the year 2018 and the multiplier specified in the agreement dependent on the average EBITDA growth ratio in the years 2016-2018 in relation to the EBITDA for the year 2015.

After the end of 2019 the Group will be entitled to purchase and the minority shareholder to sell the remaining minority interests in the share capital of Nocowanie.pl. The option exercise price will be calculated as the product of normalized EBITDA for the year 2019 and the multiplier specified in the agreement dependent on the average EBITDA growth ratio in the years 2016-2019 in relation to the EBITDA for the year 2015.

The terms and conditions for exercising the call and put options referred to above do not transfer the risks and benefits relating to non-controlling interests to the Group and therefore non-controlling interests covered by the options will be disclosed in the financial statements. The liability in respect of the put option of PLN 11,571 thousand was disclosed in correspondence with equity. As of 30 June 2016 these liabilities amounted to PLN 11,618 thousand.

The following table shows the consideration paid and the fair values of acquired assets and liabilities at the acquisition date.

in PLN'000	TotalMoney.pl Sp. z o.o.	Nocowanie.pl Sp. z o.o.	Total
Cash and cash equivalents - payment for the shares	14 500	21 957	36 457
Total	14 500	21 957	36 457
Non-controlling interests measured at the value of share in net assets	-	1 721	1 721
Recognized values of identifiable acquired assets and liabilities			
Cash and cash equivalents	2 067	743	2 810
Property, plant and equipment	-	165	165
Trademark	1 588	3 832	5 420
Client relations	2 631	6 108	8 739
Copyrights and other intangible assets	218	-	218
Trade and other receivables	662	425	1 087
Loans	-	(125)	(125)
Trade and other payables	(719)	(3 172)	(3 891)
Deferred tax	(745)	(1 091)	(1 836)
Provisions for employee benefits	(22)	-	(22)
Total identifiable net assets	5 680	6 885	12 565
Goodwill	8 820	16 793	25 613

For information purposes, the following table presents the unaudited results of TotalMoney.pl Sp. z o.o. and Nocowanie.pl Sp. z o.o. for the period from 1 January 2016 to the day of obtaining control as per separate financial data of both entities.

in PLN'000	TotalMoney.pl Sp. z o.o.	Nocowanie.pl Sp. z o.o.	Total
	For the period from 1 January to 31 March 2016	For the period from 1 January to 31 May 2016	
Sales	1 350	3 507	4 857
Amortization and depreciation	(26)	(51)	(77)
Materials and energy used	(12)	(110)	(122)
Other external services	(921)	(664)	(1 585)
Salary and employee benefit expenses	(289)	(1 108)	(1 397)
Other operating expenses	(13)	(462)	(475)
Other operating income/gains	-	4	4
Operating profit	89	1 116	1 205
Finance income	3	3	6
Finance costs	-	(4)	(4)
Profit before tax	92	1 115	1 207
Income tax	57	120	177
Net profit	149	1 235	1 384

The results of Totalmoney.pl Sp. z o.o. were consolidated for the second quarter of 2016, while Nocowanie.pl Sp. z o.o. is consolidated since June 2016.

21. SHARE CAPITAL

The structure of share capital as of 31 December 2015, as of 30 June 2016 and as of the date of preparation of this report is as follows:

Shareholder	Number of shares	% of share capital	Number of votes	% of votes
European Media Holding SARL	10 869 177	38,47%	10 631 853	26,16%
Orfe S.A.	2 629 903	9,31%	6 838 914	16,83%
10x S.A.	2 629 903	9,31%	6 838 914	16,83%
Albemuth Inwestycje S.A.	2 629 903	9,31%	6 838 914	16,83%
Other	9 493 896	33,60%	9 493 896	23,35%
Total	28 252 782	100,00%	40 642 491	100,00%

Shares in series D and F to the date of the approval of these financial statements have not been registered.

In the first half of 2016 and 2015 the Group did not pay or pass out a dividend to shareholders of the Parent Company.

22. INCENTIVE SCHEME – SHARE-BASED PAYMENTS

First Incentive Scheme

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

In connection with the above arrangements, the Group has an incentive scheme which 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 Group's companies which concluded the management option agreement with the Company or other Group's companies are entitled to acquire Company shares. The right to acquire the Company shares also relates to entities to which the Managers, in accordance with the terms of management option agreement, transferred rights and obligations of management option agreement with the approval of the Company.

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

The scheme was classified as 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 of 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 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 in 20.64%-23.04%, 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 by PLN 341 thousand higher than the valuation of the scheme before the changes to vesting period. The expected total cost of the scheme as of the balance sheet date to be recognised in the financial statements over the following periods of its validity amounted to PLN 2,247 thousand. The total costs recognised in the financial result for the period ending 30 June 2016 in respect of the scheme amounted to PLN 1,176 thousand and the total amount recognised in the previous periods was PLN 3,347 thousand.

	Share options (no. of units)
As of 1 January 2016	793 888
Awarded	153 161
Executed	-
As of 30 June 2016	947 049
Including the number of options vested as of the balance sheet date	448 150

The exercise price of the options outstanding as of 30 June 2016 amounted to PLN 12.17, and the period remaining to the end of contractual life of the option is between 2.5 and 6 years.

New Incentive Scheme

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

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 of 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 of the scheme. The scheme includes a requirement of being currently employed as a condition for the rights to the options vesting. The participants of 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 in 18.6%-19.4%, dividend rate of 0.0%, the expected vesting period and the annual risk-free interest rate of 1.68%-3.18%. The total estimated option value in the scheme amounted to PLN 9,039 thousand. The total expected cost of the scheme as of the balance sheet date to be recognised in the financial statements over the following periods of its validity amounted to PLN 8,854 thousand. The total costs recognised in the financial result for the period ending 30 June 2016 in respect of the scheme amounted to PLN 185 thousand.

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

23. HEDGE ACCOUNTING

The loan agreement signed by the Group on 24 March 2015 obliged the Group to conclude IRS transactions (Interest Rate Swap).

Therefore, on 28 April 2015 the Group concluded four IRS transactions. The IRS floating to fixed transactions were 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 amortisation) are consistent with those deriving from loan agreement.

These financial instruments are treated as hedge accounting and recognised in the financial statements of the Group as cash flow hedge under IAS 39.

On each balance sheet date the Group indicates effective and ineffective part of hedge according to rules of IAS 39.95 in order to note changes in fair value. The effective part of cumulated gain/loss (change of fair value) from the instrument is recognised in other comprehensive income. The ineffective part of cumulated gain/loss

(change of fair value) from the instrument is presented in finance income/costs of the period under consideration.

Since the hedging instruments concluded are in total compliance in respect of both the interest periods and the amortisation, the effectiveness tests conducted in first half of 2016 have shown the full effectiveness of the hedge. The table below shows the presentation of the hedging instruments held by the Group as of 30 June 2016 in consolidated balance sheet.

in PLN'000	As of 30 June 2016
Long-term liabilities from valuation of hedging instrument	1 942
Short-term liabilities from valuation of hedging instrument	870
Deferred tax assets recognized on the valuation of hedging instrument	534
Revaluation reserve	(2 278)

Using the cash flow hedge accounting allows to book the effective part of the financial instrument as other comprehensive income which will adjust the influence on the financial results of both: the valuation of the hedging instrument and the cost generated by hedged instrument. This allows reducing the volatility of the financial results from the valuation of the hedging instrument and achieving the compensation effect in the profit and loss account in the same reporting period. As a result, the economic and accounting effect of the hedging will be reflected in the same period of time.

24. LOANS AND LEASES

in PLN'000	As of 30 June 2016	As of 31 December 2015
Long-term:		
Bank loans	190 860	192 399
Finance leases	726	283
	191 586	192 682
Short-term:		
Bank loans	35 076	35 241
Loans	1 400	2 800
Finance leases	315	358
	36 791	38 399
Total:	228 377	231 081

Bank loans

On 24 March 2015, Grupa Wirtualna Polska SA and mBank and ING Bank Śląski concluded a loan agreement to refinance the current debt, finance capital expenditure and acquisitions, and the bank overdraft, on the basis of which they granted a loan to Grupa Wirtualna Polska SA to the total amount of up to PLN 279.5 million.

From the date of refinancing to the date of preparing these financial statements there were two drawdowns and six repayments of debt under the new loan agreement. In December 2015, the Group used the investment tranche for partial repayment (PLN 50 million) of the purchase price for the shares in Enovatis SA. Additionally, in June 2016 the Group used the investment tranche for partial repayment (PLN 12 million) of the purchase price for the shares in Nocowanie.pl Sp. z o.o.

The first repayment of PLN 20 million took place on 21 May 2015 and was financed with the proceeds obtained from the initial public offering. Moreover, at the end of each calendar quarter since 30 June 2015, the Group made a repayment of loan principal of PLN 6,725 thousand each in accordance with the loan schedule.

The new loan agreement bears an interest rate of 3M WIBOR plus a specified margin depending on the ratio of the Group's net debt to EBITDA.

Grupa Wirtualna Polska SA is obliged to repay the debt as follows:

- tranche A should be repaid in twenty equal quarterly instalments payable over a period of 5 years after the lapse of 3 months of concluding the new loan agreement;
- tranche B should be repaid on the final maturity date which will be the 6th anniversary of the conclusion of the new loan agreement;

- tranche CAPEX should be repaid in twelve equal quarterly instalments payable after the lapse of two and a half years after concluding the new loan agreement.

Receivables of the new lenders in respect of the loan granted are secured as follows:

- financial and registered pledges on shares in Grupa Wirtualna Polska, http Sp. z o.o., Dobreprogramy Sp. z o.o., Business Ad Network Sp. z o.o., BusinessClick Sp. z o.o., Money.pl Sp. z o.o., Domodi Sp. z o.o., WP Shopping Sp. z o.o. and WP1 Sp. z o.o. and Blomedia.pl and Enovatis SA;
- registered pledges on items and rights of Wirtualna Polska Holding SA, Grupa Wirtualna Polska SA, Money.pl Sp. z o.o., Business Ad Network Sp. z o.o.; WP1 Sp. z o.o.; Blomedia.pl Sp. z o.o.; Enovatis SA;
- ordinary and registered pledges on the rights to trademarks of Grupa Wirtualna Polska SA, Money.pl Sp. z o.o. and Blomedia.pl Sp. z o.o.; Enovatis SA;
- financial and registered pledges on bank accounts maintained for Wirtualna Polska Holding SA, Grupa Wirtualna Polska SA, Money.pl Sp. z o.o., Business Ad Network Sp. z o.o., WP Shopping Sp. z o.o., WP1 Sp. z o.o., Blomedia.pl Sp. z o.o., Enovatis SA together with powers of attorney to those bank accounts;
- transfer of rights from agreements mentioned in the new loan agreement (including insurance policies, commercial contracts, intercompany loans) Wirtualna Polska Holding SA and Grupa Wirtualna Polska SA; Money.pl Sp. z o.o.; Business Ad Network Sp. z o.o., WP Shopping Sp. z o.o., WP1 Sp. z o.o., Blomedia.pl Sp. z o.o., Enovatis SA;
- declarations on submission to enforcement procedures by Wirtualna Polska Holding SA, Grupa Wirtualna Polska SA and WP Shopping Sp. z o.o., Money.pl Sp. z o.o.; Business Ad Network Sp. z o.o., WP1 Sp. z o.o., Blomedia.pl Sp. z o.o., Enovatis SA and
- a subordination agreement for the repayment of indicated existing and future dues in respect of Grupa Wirtualna Polska SA to the dues of the new borrowers.

The debt from loan agreement was presented in the balance sheet as of 30 June 2016 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.

Loans

On 6 October 2015, non-controlling shareholders granted a loan to Domodi of PLN 4,000 thousand for the purchase of shares in Allani Sp. z o.o. The loan bears an interest of 3M WIBOR plus the margin specified in the agreement. The loan may be repaid at any time but no later than 31 December 2017. As of 30 June 2016 the outstanding amount of the loan was PLN 1,400 thousand.

25. CONTINGENT LIABILITIES

As of 30 June 2016, contingent liabilities following from acquisitions of subsidiaries result from the arrangements made with the previous owners of Allani Sp. z o.o. and NextWeb Media Sp. z o.o. As of 30 June 2016, estimated non-discounted amount of all future payments which the Group may be obliged to make based on the arrangements accepted amounted to PLN 20,014 thousand. The fair value of the contingent consideration of PLN 16,492 thousand was estimated in all cases under the income method. Both liabilities are measured at the 3rd level of the fair value hierarchy; further information is presented in note 29.

26. PROVISIONS

in PLN'000	As of 30 June 2016	As of 31 December 2015
Provision for employee benefits	3 782	2 891
provision for pension benefits	316	327
holiday pay provision	3 466	2 564
Other provisions, including:	1 324	1 661
Provisions for litigation	1 042	1 114
Onerous contracts	-	233
Other	282	314
Total	5 106	4 552

in PLN'000	As of 30 June 2016	As of 31 December 2015
Provision for employee benefits		
At the beginning of the period	2 891	2 096
Recorded during the year	869	771
Utilized	-	-
Released	-	(218)
Business combinations	22	242
At the end of the period	3 782	2 891
Other provisions:		
At the beginning of the period	1 661	2 115
Recorded during the year	165	685
Utilized	(384)	(1 142)
Released	(143)	(301)
Business combinations	25	304
At the end of the period	1 324	1 661

27. TRADE AND OTHER PAYABLES

The table below presents the structure of trade and other payables as of 30 June 2016 and 31 December 2015.

in PLN'000	As of 30 June 2016	As of 31 December 2015
Long-term:		
Contingent liabilities related to business combinations	9 767	11 582
Interest rate swaps - cash flow hedges	1 942	1 322
Liabilities with respect to put option for non-controlling interests	77 143	62 762
Liabilities in respect of purchase of property, plant and equipment and intangible assets	10 985	-
	99 837	75 666
Short-term:		
Trade payables	27 130	30 335
Contingent liabilities related to business combinations	6 725	4 008
Liabilities related to business combinations (other than earn-out)	-	2 243
Interest rate swaps - cash flow hedges	870	954
Dividend liability	1 019	-
State liabilities	7 278	5 346
Barter liabilities	3 858	12
Wages and salaries payables	4 146	3 565
Liabilities in respect of purchase of property, plant and equipment and intangible assets	4 681	1 593
Deferred income	5 345	2 943
Other	4 833	3 669
Total	65 885	54 668

28. LITIGATION

Due to the specific nature of its operations, mainly operating internet portals, the Group is exposed to lawsuits in cases related to protection of personal rights. As of 30 June 2016, a several dozen such cases were in progress. The Group recorded a provision for pending litigation based on the actual status of cases and cost estimates prepared by the Legal Department conducting the cases. The provisions were recorded in the amount of the claims and court fees, whose adjudgement is probable in the Group's opinion. Currently, there are no pending court proceedings, arbitration or proceedings before the administrative authority in respect of liabilities or receivables of Wirtualna Polska Holding SA and its subsidiaries in the total amount of at least 10% of the Wirtualna Polska Holding SA 's equity.

In the first half of 2016, the Capital Group paid the total of PLN 127 thousand as compensation in cases concerning the protection of personal rights. Additionally, in the analysed period, the provision for court proceedings decreased by PLN 73 thousand.

29. 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 liabilities measured at fair value as of 30 June 2016:

in PLN'000	Level 2	Level 3	Total
Liabilities measured at fair value through profit or loss			
Contingent liabilities related to business combinations	-	16 492	16 492
Total	-	16 492	16 492
Liabilities measured at fair value through equity			
Interest rate contracts	2 812	-	2 812
Total	2 812	-	2 812

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 optimise 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.

In measuring the fair value of interest rate swaps, the Group uses the present value of future cash flow based on observable income curves. Analyses of discounted cash flow are used to determine fair value for the remaining financial instruments.

Level 3 financial instruments

The following table presents changes in level 3 instruments for the period of 6 months ending 30 June 2016:

in PLN'000	Contingent consideration under business combinations	
	As of 30 June 2016	As of 31 December 2015
At the beginning of the period	15 590	4 380
Acquisition of NextWeb Media Sp. z o.o.	-	12 069
Acquisition of Allani Sp. z o.o.	-	1 752
Calculation of consideration paid as earn-out	-	457
Repayment of liability related to acquisition of Sportowefakty	(336)	(1 344)
Revaluation of liability related to acquisition of Sportowefakty	56	224
Revaluation of earn-out Domodi Sp. z o.o.	-	720
Revaluation of earn-out Allani Sp. z o.o.	2 984	-
Repayment of liability related to acquisition of Allani Sp. z o.o.	(2 785)	-
Repayment of liability related to acquisition of Domodi Sp. z o.o.	-	(4 000)
Gains and losses recognized in profit or loss	983	1 332
At the end of the period	16 492	15 590

The following table presents the fair and carrying values of financial instruments:

in PLN'000	Carrying amount	Fair value
Loans	227 336	232 298
Finance leases liabilities	1 041	1 041
Total	228 377	233 339

30. 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. As of 30 June 2016, the Group's operations were not subject to significant currency risk due to an insignificant share of currency transactions in the Group's total transactions. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group utilises derivative financial instruments to hedge against some risks. Until the end of 2013, the Group applied the principle of not trading in financial instruments. From 2014, The Group has swap instruments to economically hedge against interest rate risk arising from loan agreements concluded.

Risk is managed by the centralised 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.

- **Cash in the bank**

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

in PLN'000	As of 30 June 2016	As of 31 December 2015
Banks with high rating	37 106	48 961
Total cash at banks	37 106	48 961

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

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 advances. Loans and advances 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 – using interest 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. Based on the agreements relating to interest rate swaps, the Group undertakes, together with the other parties, to swap at specific intervals (usually on a quarterly basis) the difference between the fixed and floating interest rates established based on the agreed basis principal. As of 30 June 2016, the Group was a party in four swap agreements converting floating interest rates into fixed, which in total hedged PLN 113 million of debt, which was 49.5% of the nominal value of the Group's bank loan.

In 2016 and 2015, all Group's loans and advances were denominated in PLN.

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.

31. RELATED PARTY DISCLOSURES

As of 30 June 2016 no individual entity can control the Group independently. Nevertheless, in view of the share in the overall number of votes at the General Meeting, the Founders and Founding Companies (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. The ultimate parent of the Capital Group is Wirtualna Polska Holding SA.

The following transactions were concluded with related entities:

in PLN'000	Six months ending 30 June 2016	Six months ending 30 June 2015	Three months ending 30 June 2016	Three months ending 30 June 2015
Purchases:				
Subsidiary of a member of the Management Board of the Parent Company	67	77	(16)	20
Total	67	77	(16)	20

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

in PLN'000	As of 30 June 2016	As of 31 December 2015
Liabilities:		
Subsidiary of a member of the Management Board of the Parent Company	67	13
Total	67	13
Receivables:		
Subsidiary of a member of the Management Board of the Parent Company	6	6
Total	6	6

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

in PLN'000	Six months ending 30 June 2016	Six months ending 30 June 2015	Three months ending 30 June 2016	Three months ending 30 June 2015
Short-term employee costs (salaries and related benefits)	2 942	2 746	1 964	1 489
Incentive scheme – share-based payments	1 018	477	492	238
Total	3 960	3 223	2 456	1 727

32. EXPLANATIONS TO THE CASH FLOW STATEMENTS

in PLN'000	As of 30 June 2016	As of 30 June 2015
Change in receivables and other short-term assets arises from the following items:	(11 322)	(4 923)
Change in receivables and other short-term assets per balance sheet	(12 658)	(7 800)
Receivables and other assets of companies as of the date of obtaining control	694	2 253
Change in option scheme receivables	-	108
Change in assets relating to financing activities	21	695
Change in income tax receivables	618	(179)
Other	3	-
Change in short-term liabilities arises from the following items:	2 690	(5 185)
Change in short-term liabilities per balance sheet	11 217	(4 616)
Adjustment for a change in liabilities in respect of financing activities	(253)	-
Adjustment for a change in the liability in respect of swap instruments	84	2 237
Adjustment for a change in the liability in respect of outstanding dividend	(1 019)	(50)
Adjustment for a change in investment liabilities	(3 562)	(695)
Operating liabilities taken over as a result of obtaining control	(3 745)	(2 061)
Other	(32)	-
Change in provisions arises from the following items:	509	(164)
Change in short-term provisions per balance sheet	554	(107)
Provision taken over as a result of obtaining control	(45)	(57)
Purchase of shares in a subsidiary	(35 890)	(20 471)
Nominal purchase price	(36 457)	(19 300)
Repayment of liability due to purchase of shares in previous periods	(2 243)	-
Advance payment on contingent consideration	-	(1 219)
Cash and cash equivalents in subsidiaries as of the date of the acquisition's settlement	2 810	48

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

33. EVENTS AFTER BALANCE SHEET DATE

Until the date of preparation of this report, there were no other significant events after the balance sheet date.

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

Guarantees granted to non-Group entities

In the period under analysis none of the Group's companies granted any warranties in respect of loans or advances 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 Wirtualna Polska Holding Group's equity.

Inter-company guarantees

The companies: Wirtualna Polska Holding SA, WP Shopping Sp. z o.o., Business Ad Network Sp. z o.o., WP1 Sp. z o.o., Money.pl Sp. z o.o., Blomedia Sp. z o.o. and Enovatis SA are guarantors of the loan agreement concluded by and between Grupa Wirtualna Polska SA and mBank and ING Bank Śląski. The Management Board assumes that all companies that are currently guarantors of the loan agreement will remain as such

until the end of the credit agreement. The total guarantee amount corresponds to the current balance of the Group's debt of the credit agreement.

Loans granted

As of 30 June 2016 Wirtualna Polska Holding SA and Grupa Wirtualna Polska SA have granted loans to other Group members in order to finance their acquisitions and current operations. The parent company does not have any loans granted by other Group's entities.

35. SELECTED CONSOLIDATED FINANCIAL DATA CONVERTED INTO EURO

Consolidated income statement and other comprehensive income

	Six months ending 30 June 2016	Six months ending 30 June 2015	Six months ending 30 June 2016	Six months ending 30 June 2015
	in PLN'000		in EUR'000	
Sales	189 217	145 274	43 195	35 140
Cash sales	171 566	128 004	39 166	30 963
Operating profit	36 825	27 071	8 407	6 548
Profit before tax	27 496	13 450	6 277	3 253
Net profit	20 994	9 600	4 793	2 322
EBITDA	56 781	41 556	12 962	10 052
Adjusted EBITDA	61 464	49 320	14 031	11 930

	Three months ending 30 June 2016	Three months ending 30 June 2015	Three months ending 30 June 2016	Three months ending 30 June 2015
	in PLN'000		in EUR'000	
Sales	100 768	77 775	22 889	18 871
Cash sales	91 706	68 369	20 832	16 589
Operating profit	22 273	16 348	5 066	3 963
Profit before tax	16 936	13 406	3 853	3 242
Net profit	12 809	10 095	2 914	2 441
EBITDA	32 385	23 781	7 361	5 768
Adjusted EBITDA	35 607	27 781	8 095	6 739

Consolidated statement of financial position

	As of 30 June 2016	As of 31 December 2015	As of 30 June 2016	As of 31 December 2015
	in PLN'000		in EUR'000	
Total assets	801 372	749 879	181 081	175 966
Non-current assets	688 885	638 195	155 663	149 758
Current assets	112 487	111 684	25 418	26 208
Long-term liabilities	324 789	293 426	73 390	68 855
Short-term liabilities	107 952	98 874	24 393	23 202
Equity	368 631	357 579	83 297	83 909
Share capital	1 413	1 413	319	332
Non-controlling interests	16 031	15 676	3 622	3 679

Consolidated cash flow statement

	Six months ending 30 June 2016	Six months ending 30 June 2015	Six months ending 30 June 2016	Six months ending 30 June 2015
	in PLN'000		in EUR'000	
Net cash flows from operating activities	51 397	27 090	11 733	6 529
Net cash flows from investing activities	(54 501)	(35 675)	(12 442)	(8 599)
Net cash flows from financing activities	(8 751)	59 952	(1 998)	14 450
Total net cash flows	(11 855)	51 367	(2 706)	12 381

Conversion into euro was performed based on the following principles:

- amounts presented in zloty as of 30 June 2016 were converted into euro at the exchange rate of 4.4255 (the NBP exchange rate as of 30 June 2016),
- amounts presented in zloty as of 31 December 2015 were converted into euro at the exchange rate of 4.2615 (the NBP exchange rate as of 31 December 2015),
- amounts presented in zloty for the period of six months ending 30 June 2016 were converted into euro at the exchange rate of 4.3805 (the arithmetic mean of the NBP exchange rates as of the last day of each month of the first half of 2016),
- amounts presented in zloty for the period of six months ending 30 June 2015 were converted into euro at the exchange rate of 4.1341 (the arithmetic mean of the NBP exchange rates as of the last day of each month of the first half of 2015).

36. 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 date of publication of this report no other events occurred which would be material to the assessment of the Group's ability to discharge its liabilities.

In the opinion of the Management Board of Wirtualna Polska Holding SA the presented information 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.

Jacek Świdorski, President of the Management Board

Michał Brański, Management Board Member

Krzysztof Sierota, Management Board Member

Elżbieta Bujniewicz-Belka, Management Board Member

Warsaw, 30 August 2016

CONDENSED INTERIM STANDALONE FINANCIAL STATEMENTS

as of 30 June 2016
and
for the period of 3 and 6 months ending
30 June 2016

Interim standalone income statement and other comprehensive income

in PLN'000	Six months ending 30 June 2016	Six months ending 30 June 2015	Three months ending 30 June 2016	Three months ending 30 June 2015
Sales	4 482	2 574	2 237	1 287
Amortization and depreciation	(7)	(2)	(4)	(2)
Materials and energy used	(3)	-	(1)	-
Costs of the employee option scheme	(1 203)	(477)	(677)	(238)
Other external services	(726)	(4 291)	(405)	(3 771)
Other salary and employee benefit expenses	(3 501)	(2 424)	(1 725)	(1 451)
Other operating expenses	(131)	(52)	(90)	(38)
Other operating income/gains	-	-	-	(1)
Operating loss	(1 089)	(4 672)	(665)	(4 214)
Finance income	5 996	6 270	3 028	2 495
Finance costs	(954)	(2)	(485)	(1)
Dividends received	360	633	360	633
Profit/(loss) before tax	4 313	2 229	2 238	(1 087)
Income tax	(989)	(308)	(491)	276
Net profit/(loss)	3 324	1 921	1 747	(811)
Other comprehensive income/(losses)	-	-	-	-
Comprehensive income	3 324	1 921	1 747	(811)

Interim standalone statement of financial position

in PLN'000	Note	As of 30 June 2016	As of 31 December 2015
Non-current assets			
Intangible assets		53	59
Other financial assets	8	483 462	466 247
		483 515	466 306
Current assets			
Trade and other receivables		5 540	1 524
Cash and cash equivalents		3 448	18 144
		8 988	19 668
TOTAL ASSETS		492 503	485 974
Equity			
Share capital		1 413	1 413
Supplementary capital		310 454	310 454
Other reserves		4 708	3 347
Retained earnings		157 283	153 959
		473 858	469 173
Long-term liabilities			
Other long-term liabilities	10	7 331	9 373
Deferred tax liability		3 615	2 625
		10 946	11 998
Short-term liabilities			
Trade and other payables		7 682	4 665
Provisions for employee benefits		17	17
Current income tax liabilities		-	121
		7 699	4 803
TOTAL EQUITY AND LIABILITIES		492 503	485 974

Interim standalone statement of changes in equity

in PLN'000	Equity				
	Share capital	Supplementary capital	Other reserves	Retained earnings	Total
Equity as of 1 January 2016	1 413	310 454	3 347	153 959	469 173
Net profit	-	-	-	3 324	3 324
Total comprehensive income	-	-	-	3 324	3 324
Incentive scheme - share-based payments	-	-	1 361	-	1 361
Distribution of net profit	-	-	-	-	-
Equity as of 30 June 2016	1 413	310 454	4 708	157 283	473 858

in PLN'000	Equity				
	Share capital	Supplementary capital	Other reserves	Retained earnings	Total
Equity as of 1 January 2015	1 231	206 664	1 954	149 583	359 432
Net profit	-	-	-	4 376	4 376
Total comprehensive income	-	-	-	4 376	4 376
Share capital increase from initial public offering	167	106 705	-	-	106 872
Cost of share issue	-	(4 916)	-	-	(4 916)
Incentive scheme - share-based payments	15	2 001	1 393	-	3 409
Distribution of net profit	-	-	-	-	-
Equity as of 31 December 2015	1 413	310 454	3 347	153 959	469 173

in PLN'000	Equity				
	Share capital	Supplementary capital	Other reserves	Retained earnings	Total
Equity as of 1 January 2015	1 231	206 664	1 954	149 583	359 432
Net profit	-	-	-	1 921	1 921
Total comprehensive income	-	-	-	1 921	1 921
Share capital increase from initial public offering	167	106 705	-	-	106 872
Cost of share issue	-	(4 916)	-	-	(4 916)
Incentive scheme - share-based payments	15	2 001	696	-	2 712
Distribution of net profit	-	-	-	-	-
Equity as of 30 June 2015	1 413	310 453	2 650	151 503	466 019

Interim standalone cash flow statement

in PLN'000	Six months ending 30 June 2016	Six months ending 30 June 2015
Cash flows from operating activities		
Profit before tax	4 313	2 229
Adjustments for:	(4 190)	(6 427)
Amortization and depreciation	7	2
Finance income and costs	(5 042)	(6 265)
Dividends received	(360)	(633)
Gain/loss on disposal of other financial assets	-	(6)
Costs of the employee option scheme	1 203	477
Other adjustments	2	(2)
Change in working capital	(3 000)	(3 837)
Change in trade and other receivables	(3 020)	1 169
Change in trade and other payables	20	(259)
Paid IPO costs recognized in equity	-	(4 747)
Income tax paid	(121)	-
Net cash flows from operating activities	(2 998)	(8 035)
Cash flows from investing activities		
Sale of other financial assets	-	2
Dividends received	-	635
Repayment of guarantees granted	-	792
Purchase of intangible assets and property, plant and equipment	(1)	-
Loans granted	(11 759)	(32 300)
Repayment of loans granted	-	6 725
Purchase of shares in subsidiary	-	(20 724)
Net cash flows from investing activities	(11 760)	(44 870)
Net cash flows from financing activities		
Payments due to share capital increase	-	108 779
Interest received	62	170
Net cash flows from financing activities	62	108 949
Total net cash flows	(14 696)	56 044
Cash and cash equivalents at the beginning of the period	18 144	514
Cash and cash equivalents at the end of the period	3 448	56 558

Impairment tests The value of shares held by the Company was subject to an impairment test as of 31 December 2015. At the end of June 2016 the Management Board analysed potential triggers of impairment of these assets and did not identify the need for write-downs.

5. INFORMATION ON SEASONALITY IN COMPANY'S OPERATIONS

The Company's revenues do not show seasonality.

6. CHANGES IN ALLOWANCES FOR ASSETS

In the period from 1 January 2016 to 30 June 2016 no changes in allowances for non-current and current assets were recorded.

7. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

In the period from 1 January 2016 to 30 June 2016 the Company purchased intangible assets of PLN 1 thousand. In the analysed period the Company did not purchase any property, plant and equipment.

8. OTHER FINANCIAL ASSETS

As of 30 June 2016 and as of 31 December 2015 other financial assets consisted of the following positions:

in PLN'000	As of 30 June 2016	As of 31 December 2015
Shares	203 281	203 123
Loans granted	280 181	263 124
TOTAL	483 462	466 247

The structure of shares is as follows:

Name of the company	Value of shares at purchase price	Adjustments	Carrying value of shares	Percentage of shares held	Percentage of votes held
Grupa Wirtualna Polska S.A.	196 555	-	196 555	100%	100%
http Sp. z o.o.	24	-	24	100%	100%
dobreprogramy Sp. z o.o.	6 697	-	6 697	51%	51%
WP1 Sp. z o.o.	5	-	5	100%	100%
As of 30 June 2016	203 281	-	203 281		

9. RELATED PARTY DISCLOSURES

The following table presents the value of transactions concluded with related entities:

in PLN'000	Six months ending 30 June 2016	Six months ending 30 June 2015	Three months ending 30 June 2016	Three months ending 30 June 2015
Purchases				
Subsidiaries	405	590	212	554
Total	405	590	212	554
Sales of services				
Subsidiaries	4 482	2 568	2 237	1 281
Total	4 482	2 568	2 237	1 281
Interest income, guarantees and dividends				
Subsidiaries	6 293	6 098	3 375	2 523
Total	6 293	6 098	3 375	2 523

The table below presents balances of receivables and payables with related entities as of the balance sheet date:

in PLN'000	As of 30 June 2016	As of 31 December 2015
Receivables		
Subsidiaries	5 490	716
Total	5 490	716
Loans granted		
Subsidiaries	280 181	263 124
Total	280 181	263 124

During the 6 months ending 30 June 2016 the Company granted additional financing to its two subsidiaries i.e. WP1 Sp. z o.o. of PLN 1,800 thousand and Grupa Wirtualna Polska SA of PLN 9,959 thousand. The remaining amount of the increase relates to interest accrued for the first half of 2016.

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

in PLN'000	Six months ending 30 June 2016	Six months ending 30 June 2015	Three months ending 30 June 2016	Three months ending 30 June 2015
Short-term employee costs (salaries and related benefits)	2 942	2 746	1 964	1 489
Incentive scheme - share-based payments	1 018	477	492	238
Total	3 960	3 223	2 456	1 727

10. CONTINGENT LIABILITIES

The contingent liabilities following from acquisitions of subsidiary result from the arrangements made with the previous owners of NextWeb Media Sp. z o.o. As of 30 June 2016, estimated non-discounted amount of all future payments which the Wirtualna Polska Holding may be obliged to make based on the arrangements accepted amounted to PLN 16,635 thousand. The fair value of the contingent consideration of PLN 14,055 thousand was estimated in all cases under the income method. The liability is measured at the 3rd level of the fair value hierarchy (further information is presented in note 29 to the condensed consolidated financial statements).

11. EQUITY

Detailed information about the structure and changes in Company's equity is presented in Note 21 to the condensed consolidated financial statements.

12. SELECTED STANDALONE FINANCIAL DATA CONVERTED INTO EURO

Income statement and other comprehensive income

	Six months ending 30 June 2016	Six months ending 30 June 2015	Six months ending 30 June 2016	Six months ending 30 June 2015
	in PLN'000		in EUR'000	
Sales	4 482	2 574	1 023	623
Operating profit/(loss)	(1 089)	(4 672)	(249)	(1 130)
Profit/(loss) before tax	4 313	2 229	985	539
Net profit/(loss)	3 324	1 921	759	465

	Three months ending 30 June 2016	Three months ending 30 June 2015	Three months ending 30 June 2016	Three months ending 30 June 2015
	in PLN'000		in EUR'000	
Sales	2 237	1 287	508	311
Operating profit/(loss)	(665)	(4 214)	(152)	(1 019)
Profit/(loss) before tax	2 238	(1 087)	509	(263)
Net profit/(loss)	1 747	(811)	397	(196)

Statement of financial position

	As of 30 June 2016	As of 31 December 2015	As of 30 June 2016	As of 31 December 2015
	in PLN'000		in EUR'000	
Total assets	492 503	485 974	111 288	114 038
Non-current assets	483 515	466 306	109 257	109 423
Current assets	8 988	19 668	2 031	4 615
Long-term liabilities	10 946	11 998	2 473	2 815
Short-term liabilities	7 699	4 803	1 740	1 127
Equity	473 858	469 173	107 074	110 096
Share capital	1 413	1 413	319	332

Cash flow statement

	Six months ending 30 June 2016	Six months ending 30 June 2015	Six months ending 30 June 2016	Six months ending 30 June 2015
	in PLN'000		in EUR'000	
Net cash flows from operating activities	(2 998)	(8 035)	(684)	(1 944)
Net cash flows from investing activities	(11 760)	(44 870)	(2 685)	(10 854)
Net cash flows from financing activities	62	108 949	14	26 354
Total net cash flows	(14 696)	56 044	(3 355)	13 557

Conversion into euro was performed based on the following principles:

- amounts presented in zloty as of 30 June 2016 were converted into euro at the exchange rate of 4.4255 (the NBP exchange rate as of 30 June 2016),
- amounts presented in zloty as of 31 December 2015 were converted into euro at the exchange rate of 4.2615 (the NBP exchange rate as of 31 December 2015),
- amounts presented in zloty for the period of six months ending 30 June 2016 were converted into euro at the exchange rate of 4.3805 (the arithmetic mean of the NBP exchange rates as of the last day of each month of the first half of 2016),
- amounts presented in zloty for the period of six months ending 30 June 2015 were converted into euro at the exchange rate of 4.1341 (the arithmetic mean of the NBP exchange rates as of the last day of each month of the first half of 2015).

13. EVENTS AFTER BALANCE SHEET DATE

Until the date of preparation of this report, there were no other significant events after the balance sheet date.

Jacek Świdorski, President of the Management Board

Michał Brański, Management Board Member

Krzysztof Sierota, Management Board Member

Elżbieta Bujniewicz-Belka, Management Board Member

Warsaw, 30 August 2016