Financial Report

for the period of 3 and 6 months ending
30 June 2017

WP Holding SA

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MANAGEMENT'S REPORT ON THE ACTIVITIES OF WIRTUALNA POLSKA HOLDING S.A. CAPITAL GROUP

FOR THE PERIOD OF 3 AND 6 MONTHS
ENDING 30 JUNE 2017

MANAGEMENT TEAM OF WIRTUALNA POLSKA HOLDING S.A. CAPITAL GROUP

JACEK ŚWIDERSKI

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KRZYSZTOF SIEROTA

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VP HR

ADAM PLONA

VP MEDIA PRODUCT

JOANNA PAWLAK

VP SALES

JERZY DĄBRÓWKA

VP COMMUNICATION PRODUCT

1. SELECTED FINANCIAL DATA

The following tables set out selected consolidated financial data for the 3 and 6-month period ending 30 June 2017 and 2016. 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 2017 as well as the information included in point 3 of this report.

	Six months ending 30 June 2017	Six months ending 30 June 2016	Six months ending 30 June 2017	Six months ending 30 June 2016
	in PLN'000		in EUR'000	
ONLINE segment				
Sales	211 883	189 217	49 885	43 195
Cash sales	195 754	171 566	46 088	39 166
Adjusted EBITDA	68 142	61 846	16 043	14 118
EBITDA	63 212	57 164	14 883	13 050

	Six months ending 30 June 2017	Six months ending 30 June 2016	Six months ending 30 June 2017	Six months ending 30 June 2016
	in PLN'000		in EUR'000	
TV segment				
Sales	2 545	-	599	-
Cash sales	2 545	-	599	-
Adjusted EBITDA	(7 806)	(382)	(1 838)	(87)
EBITDA	(7 837)	(383)	(1 845)	(87)

	Six months ending 30 June 2017	Six months ending 30 June 2016	Six months ending 30 June 2017	Six months ending 30 June 2016
	in PLN'000		in EUR'000	
Segments total				
Sales	214 428	189 217	50 485	43 195
Cash sales	198 299	171 566	46 687	39 166
Adjusted EBITDA	60 336	61 464	14 205	14 031
EBITDA	55 375	56 781	13 037	12 962
Amortization and depreciation of fixed assets and intangibles	(24 735)	(19 956)	(5 824)	(4 556)
Operating profit	30 640	36 825	7 214	8 407
Result on financial activities	(8 734)	(8 068)	(2 056)	(1 842)
Profit before tax	21 906	27 496	5 158	6 277
Net profit	16 778	20 994	3 950	4 793

	Three months ending 30 June 2017	Three months ending 30 June 2016	Three months ending 30 June 2017	Three months ending 30 June 2016
	in PLN'000		in EUR'000	
Segment ONLINE				
Sales	109 218	100 768	25 949	22 889
Cash sales	101 287	91 706	24 063	20 832
Adjusted EBITDA	39 128	35 906	9 278	8 163
EBITDA	38 416	32 685	9 102	7 430

	Three months ending 30 June 2017	Three months ending 30 June 2016	Three months ending 30 June 2017	Three months ending 30 June 2016
	in PLN'000		in EUR'000	
Segment TV				
Sales	1 666	-	394	-
Cash sales	1 666	-	394	-
Adjusted EBITDA	(3 846)	(299)	(915)	(68)
EBITDA	(3 877)	(299)	(922)	(68)

	Three months ending 30 June 2017	Three months ending 30 June 2016	Three months ending 30 June 2017	Three months ending 30 June 2016
	in PLN'000		in EUR'000	
Segments total				
Sales	110 884	100 768	26 344	22 889
Cash sales	102 953	91 706	24 457	20 832
Adjusted EBITDA	35 282	35 607	8 364	8 095
EBITDA	34 539	32 385	8 179	7 361
Amortization and depreciation of fixed assets and intangibles	(12 621)	(10 112)	(3 000)	(2 296)
Operating profit	21 918	22 273	5 180	5 066
Result on financial activities	(4 253)	(4 076)	(1 011)	(926)
Profit before tax	17 665	16 936	4 169	3 853
Net profit	13 796	12 809	3 255	2 914

	As of 30 June 2017	As of 31 December 2016	As of 30 June 2017	As of 31 December 2016
	in PLN'000		in EUR'000	
Total assets	866 724	852 196	205 069	192 630
Non-current assets	735 209	729 742	173 952	164 951
Current assets	131 515	122 454	31 117	27 679
Long-term liabilities	333 137	330 132	78 821	74 623
Short-term liabilities	138 564	113 339	32 785	25 619
Equity	395 023	408 725	93 463	92 388
Share capital	1 441	1 434	341	324
Non-controlling interests	16 280	16 467	3 852	3 722

	Six months ending 30 June 2017	Six months ending 30 June 2016	Six months ending 30 June 2017	Six months ending 30 June 2016
	in PLN'000		in EUR'000	
Net cash flows from operating activities	49 377	51 397	11 625	11 733
Net cash flows from investing activities	(40 792)	(54 501)	(9 604)	(12 442)
Net cash flows from financing activities	(5 411)	(8 751)	(1 274)	(1 998)
Total net cash flows	***3 174***	***(11 855)***	***747***	***(2 706)***

Conversion into euro was performed based on the following principles:

- amounts presented in zloty as of 30 June 2017 were converted into euro at the exchange rate of 4.2265 (the NBP exchange rate as of 30 June 2017),

- amounts presented in zloty as of 31 December 2016 were converted into euro at the exchange rate of 4.4240 (the NBP exchange rate as of 31 December 2016),
- amounts presented in zloty for the period of six months ending 30 June 2017 were converted into euro at the exchange rate of 4.2474 (the arithmetic mean of the NBP exchange rates as of the last day of each month of the first two quarters of 2017),
- 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 two quarters of 2016).

2. Operations of the Wirtualna Polska Holding Capital Group

2.1. The Scope of Group's operations

The Group is pursuing a mission of being the partner of first choice for the Poles, providing opinion-forming information, entertainment and services as well as inspiration in daily decisions. It wants to be a trustworthy brand both in terms of content and offer for all its users and contractors.

The Group owns the horizontal internet portal, the leader on the Polish internet market – Wirtualna Polska. It comprises numerous specialist vertical portals with a variety of topics including entertainment (Pudelek, WP Gwiazdy and Teleshow), health, parenting and lifestyle portals (WP abcZdrowie, WP Parenting, WP Kobieta and Kafeteria), business (WP money), sport (WP SportoweFakty) or technology (WP Tech). Portals are visited by 5.7 million users daily*.

The Group runs also o2 portal, WP terrestrial television channel (MUX8, available also on the Internet, via cable and satellite) and Internet radio stations – OpenFM and PolskaStacja.

The Group conducts operations on the Polish market in terms of online advertising, offering a wide range of communication products, including modern display, online video ads, mailings, ads for mobile devices and lead generation, performance marketing. Thanks to the high reach, the Group is able to reach a wide range of internet users with its advertising message.

The Group develops its business on the rapidly growing e-commerce market - it owns Domodi and Allani (fashion), Homebook (home and interior design), Wakacje.pl (tourism) and Money.pl, TotalMoney.pl, Finansowysupermarket.pl (financial services). In the area of e-commerce, the Group offers modern advertising tools that guide the user from advertising the product to a purchasing decision.

In accordance with the latest available data from Gemius/PBI research as of June 2017, portals of Wirtualna Polska Group were visited by 20 million users who made 3 billion hits. The total time spent on portals amounted to more than 104 million hours. The Group's reach is 74%.**

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

No	Name	Real Users (mln)	Page views (bln)	Time spent (mln h)
1	Grupa Google	26,1	7,4	285
2	facebook.com	22,0	5,4	186
3	Grupa Onet - RASP	20,5	2,6	82
4	***Grupa Wirtualna Polska***	***20,0***	***3,0***	***104***
5	youtube.com	19,5	1,1	51
6	Grupa Interia.pl	18,0	1,2	50
7	Grupa OLX	15,8	1,2	23
8	Grupa Allegro	15,3	1,3	24
9	Grupa Gazeta.pl	15,1	0,7	14
10	Grupa Polska Press	14,3	0,4	3

Source: Gemius/ PBI research, June 2017

The table below presents the Group's position in various categories, according to published Megapanel PBI/Gemius data of June 2017:

Category	Real Users (RU)	Place
Business, finance, law	6 673 426	1
Children, family	2 971 328	1
New Technologies	5 658 811	1
Email services	9 131 073	1
Lifestyle	11 562 414	1
Tourism	5 123 361	1
Health and medicine	6 266 148	1
Motorization	2 942 039	2
Sport	5 951 528	2
E-commerce	4 307 982	4
Information and journalism	7 326 889	5
Culture and Entertainment	6 324 774	6

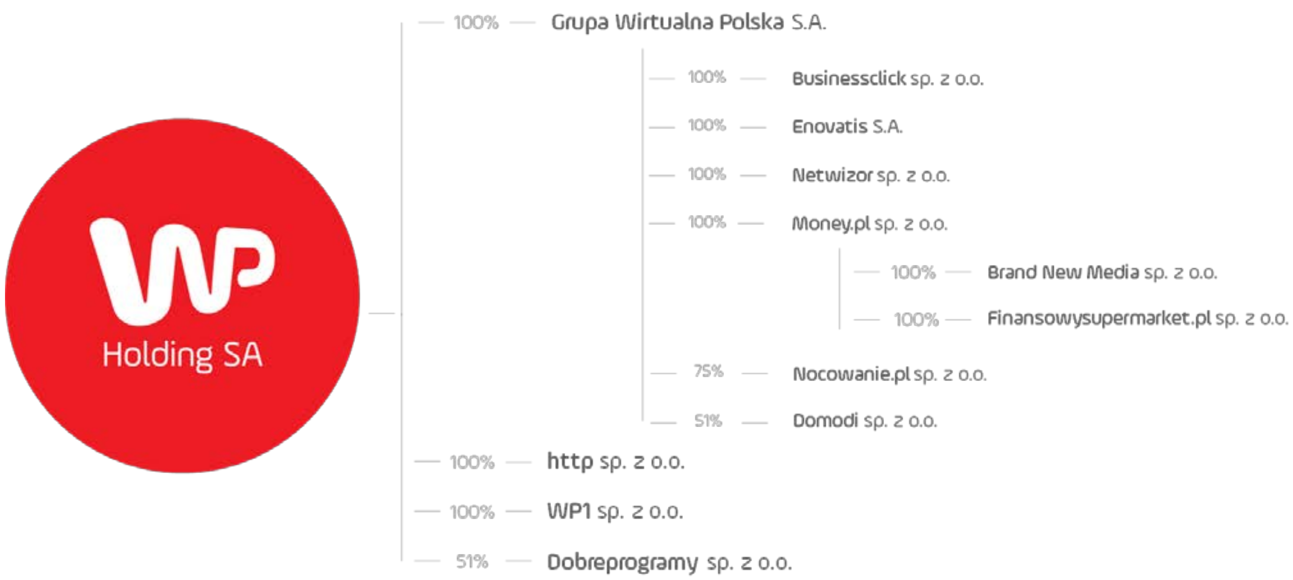
Source: Gemius/ PBI research, June 2017

The Group has one of the largest bases of electronic mail users in Poland that, as of June 2017, amounted to 9.1 million real users*** (whereas Google had 8.4 million****, Onet-RASP Group had 5.0 million).
According to the Group's internal data as of June 2017, the Group had 10.4 million active e-mail accounts (including 7.1 million active WP e-mail accounts and 3.3 million active o2 e-mail accounts).

* Gemius/ PBI research, daily data, June 2017
**aggregate data for desktop and mobile
***according to Megapanel PBI/Gemius research
****in case of non-audited Google, Megapanel PBI/Gemius data relate to email access via the website only. Additionally, Gemius reports the number of RU for Google apps at the level of 8.6 million RU, but there is no audited data on the total number of real users of Gmail for both the apps and the website.

2.2. Structure of the Wirtualna Polska Holding S.A. Capital Group

The following diagram presents the structure of the Group as of 30 June 2017, including the percentage of voting rights at the General Shareholders' Meeting to which the shareholder is entitled



Changes in the Group's structure in 2017

On 2 January 2017, Business Ad Network Sp. z o.o. and Wirtualna Polska Media S.A. (former Grupa Wirtualna Polska S.A.) merged pursuant to article 492 section 1 item 1 of the Polish Commercial Companies Code, by transferring all assets of Business Ad Network Sp. z o.o. to Wirtualna Polska Media S.A. (former Grupa Wirtualna Polska S.A.).

On 2 January 2017, Totalmoney.pl Sp. z o.o. and Money.pl Sp. z o.o. merged pursuant to article 492 section 1 item 1 of the Polish Commercial Companies Code, by transferring all assets of Totalmoney.pl Sp. z o.o. to Money.pl Sp. z o.o.

On 31 January 2017, Blomedia.pl Sp. z o.o. and Wirtualna Polska Media S.A. (former Grupa Wirtualna Polska S.A.) merged pursuant to article 492 section 1 item 1 of the Polish Commercial Companies Code, by transferring all assets of Blomedia.pl Sp. z o.o. to Wirtualna Polska Media S.A. (former Grupa Wirtualna Polska S.A.)

On 31 May 2017, Allani Sp. z o.o. and Domodi Sp. z o.o. merged pursuant to article 492 section 1 item 1 of the Polish Commercial Companies Code, by transferring all assets of Allani Sp. z o.o. to Domodi Sp. z o.o.

On 3 August 2017 Grupa Wirtualna Polska S.A. changed its name to Wirtualna Polska Media S.A.

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

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

The financial data for the periods of three and six months ending 30 June 2017 and 30 June 2016 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 THE CONSOLIDATED INCOME STATEMENT

The following table presents the main positions of the income statement for the first six months of 2017 and 2016.

in PLN'000	Six months ending 30 June 2017	Six months ending 30 June 2016	Change	Change %
ONLINE segment				
Sales	211 883	189 217	22 666	12,0%
Cash sales	195 754	171 566	24 188	14,1%
Adjusted EBITDA	68 142	61 846	6 296	10,2%
EBITDA	63 212	57 164	6 048	10,6%
TV segment				
Sales	2 545	-	2 545	-
Cash sales	2 545	-	2 545	-
Adjusted EBITDA	(7 806)	(382)	(7 424)	-
EBITDA	(7 837)	(383)	(7 454)	-
Segments total				
Sales	214 428	189 217	25 211	13,3%
Cash sales	198 299	171 566	26 733	15,6%
Adjusted EBITDA	60 336	61 464	(1 128)	(1,8%)
EBITDA	55 375	56 781	(1 406)	(2,5%)
Amortization and depreciation of fixed assets and intangibles	(24 735)	(19 956)	(4 779)	23,9%
Operating profit	30 640	36 825	(6 185)	(16,8%)
Result on financial activities	(8 734)	(8 068)	(666)	8,3%
Profit before tax	21 906	27 496	(5 590)	(20,3%)
Net profit	16 778	20 994	(4 216)	(20,1%)

The following table presents the main positions of the income statement for the second quarter of 2017 and 2016:

in PLN'000	Three months ending 30 June 2017	Three months ending 30 June 2016	Change	Change %
Segment ONLINE				
Sales	109 218	100 768	8 450	8,4%
Cash sales	101 287	91 706	9 581	10,4%
Adjusted EBITDA	39 128	35 906	3 222	9,0%
EBITDA	38 416	32 685	5 731	17,5%
TV segment				
Sales	1 666	-	1 666	-
Cash sales	1 666	-	1 666	-
Adjusted EBITDA	(3 846)	(299)	(3 547)	-
EBITDA	(3 877)	(299)	(3 578)	-
Segments total				
Sales	110 884	100 768	10 116	10,0%
Cash sales	102 953	91 706	11 247	12,3%
Adjusted EBITDA	35 282	35 607	(325)	(0,9%)
EBITDA	34 539	32 385	2 154	6,7%
Amortization and depreciation of fixed assets and intangibles	(12 621)	(10 112)	(2 509)	24,8%
Operating profit	21 918	22 273	(355)	(1,6%)
Result on financial activities	(4 253)	(4 076)	(177)	4,3%
Profit before tax	17 665	16 936	729	4,3%
Net profit	13 796	12 809	987	7,7%

The consolidated results of the Group for the first six months of 2017 and 2016 included the results of the following subsidiaries:

No.	Name of subsidiary	Date of taking control	% of shares held	Period covered by consolidation	
				30 June 2017	30 June 2016
1	Wirtualna Polska Media S.A. (previously Grupa Wirtualna Polska S.A.) (1)	22 December 2010	100%	full period	full period
2	WP Shopping Sp. z o.o. (previously Wirtualna Polska S.A.)	13 February 2014	100%	-	full period
3	http Sp. z o.o.	23 March 2009	100%	full period	full period
4	Money.pl Sp. z o.o.	1 December 2014	100%	full period	full period
5	Business Ad Network sp. z o.o. (2)	1 December 2014	100%	-	full period
6	Businessclick Sp. z o.o.	1 December 2014	100%	full period	full period
7	Favore Sp. z o.o.	1 December 2014	100%	-	full period
8	Legalsupport Sp. z o.o.	1 December 2014	100%	-	full period
9	Brand New Media Sp. z o.o.	1 December 2014	100%	full period	full period
10	dobreprogramy Sp. z o.o.	14 November 2013	51%	full period	full period
11	Domodi Sp. z o.o.	12 September 2014	51%	full period	full period
12	Blomedia.pl Sp. z o.o. (3)	3 June 2015	100%	-	full period
13	WP1 Sp. z o.o.	21 August 2015	100%	full period	full period
14	Finansowysupermarket.pl Sp. z o.o.	16 September 2015	100%	full period	full period
15	Web Broker Sp. z o.o. (4)	16 September 2015	100%	-	full period
16	Allani Sp. z o.o. (5)	6 October 2015	100%	-	full period
17	Enovatis S.A.	23 December 2015	100%	full period	full period
18	TotalMoney.pl Sp. z o.o. (6)	16 March 2016	100%	-	from 16 March 2016
19	Nocowanie.pl Sp. z o.o.	7 June 2016	75%	full period	from 7 June 2016
20	Netwizor Sp. z o.o.	13 December 2016	100%	full period	not consolidated

(1) On 3 August 2017 Grupa Wirtualna Polska S.A. changed its name to Wirtualna Polska Media S.A.
(2) On 2 January 2017 Business Ad Network Sp. z o.o. and Grupa Wirtualna Polska S.A merged.

(3) On 31 January 2017 Blomedia.pl Sp. z o.o. and Grupa Wirtualna Polska S.A. merged. Results of Blomedia.pl Sp. z o.o. for first month of 2017 is included in results of Grupa Wirtualna Polska S.A.
(4) On 1 July 2016 Web Broker Sp. z o.o. merged with Finansowysupermarket.pl Sp. z o.o.
(5) On 31 May 2017 Allani Sp. z o.o. merged with Domodi Sp. z o.o. Results of Allani Sp. z o.o. for first five months of 2017 is included in results of Domodi Sp. z o.o.
(6) On 2 January 2017 TotalMoney.pl Sp. z o.o. merged with Money.pl Sp. z o.o.

ONLINE SEGMENT

The sales of services in the online segment increased in the six months of 2017 by PLN 22,666 thousand i.e. by 12,0% compared to the sales for the corresponding period of the previous year, whereas the cash sales increased by PLN 24,188 thousand, i.e. by 14,1%.

The revenue growth in the second quarter alone amounted to PLN 8,450 thousand, i.e. 8,4% compared to sales for the corresponding period of 2016. At the same time cash sales increased by PLN 9,581 thousand, i.e. 10,4%

In both periods, cash-settled transactions represented the majority of the Group's sales and amounted to 92,39% of the Group's sales in the six months of 2017 and 90.67% in the same period of 2016.

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

The Group's business model of the online segment is characterized by the high operating profitability of its business activities. In the period of six months of 2017 the adjusted EBITDA of the online segment amounted to PLN 68,142 thousand which was by PLN 6,296 thousand (i.e. by 10,2%) higher compared to the value of this ratio in the six months of the previous year.

In the analyzed period, the total costs normalizing the Group's EBITDA amounted to PLN 4.9 million and was by PLN 0.2 million higher than in the same period of the previous year. The Group's EBITDA in the first two quarters of 2017 was adjusted by, among other things, restructuring and integration costs (PLN 1.9 million), non-cash employee option scheme costs (PLN 0.7 million) and costs of revaluation and liquidation of non-financial assets (PLN 0.3 million).

Moreover, EBITDA for the period was adjusted by temporary result on barter transactions (PLN 2 million). Due to the equivalence of mutual benefits arising from barter transactions, such transactions are offset over a longer period, although temporarily a positive or a negative result might be recorded.

TV SEGMENT

In the period of six months of 2017, the total results of the Group were significantly affected by costs connected with the WP Television launched in December 2016. The TV segment is at an early stage of development, therefore the costs incurred in the current period on the development of this segment are higher than the revenues generated. In the Management Board's opinion in long-term perspective, the expenditures currently incurred should result in the market share increase, and consequently in revenue and profitability increase of this segment.

In the analyzed period, total sales of TV segment of PLN 2,545 thousand comprised of cash sales. This segment generated a negative EBITDA of PLN 7,8 million in the first two quarters.

JOINT PERFORMANCE OF SEGMENTS

The overall deterioration in the financial results of both segments of the Capital Group is mainly related to negative operating results of the TV segment, resulting in the total Group's adjusted EBITDA decrease by PLN 1,128 thousand and EBITDA by PLN 1,406 thousand.

The total Group's operating profit decreased by PLN 6,185 thousand which was connected with decrease in EBITDA described above, as well as in increase in depreciation and amortization by PLN 4,779 thousand. Additional amortization and depreciation is mainly due to the Group's expenditure incurred during the last quarter of 2016 (including the construction of a new TV studio and adaptation works in offices), as well as additional depreciation and amortization of fixed and intangible assets (including customer relations and trademarks) of entities which joined the Group during the year 2016 (a total of PLN 1,003 thousand of additional depreciation).

3.2. *Explanations regarding the consolidated sales and results of the entities acquired in 2016*

The following table presents sales and EBITDA of the entities acquired in 2016 for the period from the beginning of the year to the acquisition date or 30 June 2016, which were not included in the comparative data

in PLN'000	For the period from the beginning of 2016 to the day of obtaining control			
	TotalMoney.pl Sp. z o.o.	Nocowanie.pl Sp. z o.o.	Netwizor.pl Sp. z o.o.	Total
Sales	1 350	3 507	289	5 146
Cash Sales	1 350	3 494	289	5 133
EBITDA	115	1 167	8	1 290
Adjusted EBITDA	115	1 497	26	1 638

3.3. *Financial position of the Group*

The following table presents the consolidated statement of the Group's financial position as of the end of June 2017 and 31 December 2016

in PLN'000	As of 30 June 2017	As of 31 December 2016	Change PLN'000	Change %
Non-current assets	735 209	729 742	5 467	0,7%
Current assets	131 515	122 454	9 061	7,4%
Long-term liabilities	333 137	330 132	3 005	0,9%
Short-term liabilities	138 564	113 339	25 225	22,3%
Equity attributable to equity holders of the Parent Company	378 743	392 258	(13 515)	(3,4%)
Share capital	1 441	1 434	7	0,5%
Non-controlling interests	16 280	16 467	(187)	(1,1%)

The analysis of changes in the Group's balance sheet has been prepared as of 30 June 2017 compared to 31 December 2016. The composition of the Group has not changed in the current period. Changes in the individual balance sheet items are discussed below.

Non-current assets

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

in PLN'000	As of 30 June 2017	Structure 2017	As of 31 December 2016	Structure 2016	Change PLN'000	Change %
Property, plant and equipment	59 282	8,1%	57 899	7,9%	1 383	2,4%
Goodwill	246 472	33,5%	246 472	33,8%	-	0,0%
Other intangible assets	381 493	51,9%	388 268	53,2%	(6 775)	(1,7%)
Non-current programming assets	5 564	0,8%	5 358	0,7%	206	3,8%
Long-term receivables	104	0,0%	-	0,0%	104	n/a
Other financial assets	19 330	2,6%	2 470	0,3%	16 860	682,6%
Deferred tax assets	22 964	3,1%	29 275	4,0%	(6 311)	(21,6%)
Non-current assets	***735 209***	***100,0%***	***729 742***	***100,0%***	***5 467***	***0,7%***

In the analyzed period, the net value of the property, plant and equipment slightly increased. The capital expenditure for the period amounted to PLN 9,551 thousand and were related mainly to equipment for the development of mail and portals infrastructure (PLN 1,711 thousand), sales and advertising systems (PLN 543 thousand), equipment for employees (PLN 945 thousand) and expenses incurred for adaptation of office space (PLN 5,188 thousand).

In the analyzed period, the Group recorded a decrease in other intangible assets mainly due to depreciation and liquidation costs (PLN 16,924 thousand) higher than capital expenditure (PLN 10,149 thousand). In the first six months the

Group mainly incurred expenditures on capitalized development projects (PLN 8,578 thousand) and the purchase of licenses (PLN 666 thousand).

Non-current programming assets increased by PLN 206 thousand due to expenditure incurred in the period of PLN 1,922 thousand and the amortization and depreciation costs of PLN 1,716 thousand.

Other long term assets increased by PLN16,860 thousand, mainly due to the acquisition of 625,000 shares of eSky.pl S.A. by Wirtualna Polska Media S.A. (former Grupa Wirtualna Polska S.A.) on 19 June 2017 for the acquisition price of PLN 15,625 thousand. Additionally, the increase in other long-term assets was significantly influenced by the change of the fair value of the shares of Fachowcy Ventures S.A. owned by Wirtualna Polska Media S.A.

Current assets

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

in PLN'000	As of 30 June 2017	Structure 2017	As of 31 December 2016	Structure 2016	Change PLN'000	Change %
Cash trade receivables	63 989	48,7%	65 944	53,9%	(1 955)	(3,0%)
Barter receivables	4 795	3,6%	724	0,6%	4 071	562,3%
State receivables	7 934	6,0%	5 585	4,6%	2 349	42,1%
Other current assets	6 473	4,9%	5 051	4,1%	1 422	28,2%
Cash and cash equivalents	48 324	36,7%	45 150	36,9%	3 174	7,0%
Current assets	***131 515***	***100,0%***	***122 454***	***100,0%***	***9 061***	***7,4%***

The increase in current assets was, among other factors, caused by cash level higher by PLN 3,174 thousand. The detailed analysis of changes in cash is presented in the following part of the report describing the cash flow statement.

Cash trade receivables slightly decreased, while the turnover ratio remained at the similar level.

The increase in barter receivables results mainly from the character of these settlements. The balances of barter receivables and payables during the year are usually higher than at the end of the year when most of the barter agreements are settled on an annual basis and balances are offset at the end of the year.

The increase in state receivables of PLN 2,349 thousand is mainly due to the increasing VAT receivables in the company operating the television business.

Long-term liabilities

in PLN'000	As of 30 June 2017	Structure 2017	As of 31 December 2016	Structure 2016	Change PLN'000	Change %
Loans and leases	180 007	54,0%	174 572	52,9%	5 435	3,1%
Contingent liabilities related to business combinations	5 846	1,8%	6 075	1,8%	(229)	(3,8%)
Interest rate swaps - cash flow hedges	420	0,1%	522	0,2%	(102)	(19,5%)
Liabilities with respect to the put option for non-controlling interests	128 912	38,7%	125 890	38,1%	3 022	2,4%
Liabilities in respect of purchase of property, plant and equipment and intangible assets	9 941	3,0%	11 201	3,4%	(1 260)	(11,2%)
Deferred tax liability	7 359	2,2%	10 993	3,3%	(3 634)	(33,1%)
Deferred income	652	0,2%	879	0,3%	(227)	(25,8%)
Long-term liabilities	***333 137***	***100,0%***	***330 132***	***100,0%***	***3 005***	***0,9%***

In the analyzed period, long-term liabilities increased by PLN 3,005 thousand mainly due to the increase in in long-term bank debt of the Group (PLN 5,435 thousand). The Group refinanced part of its investment expenditures i.e. PLN 12,940 through the use of the CAPEX facility available under the credit agreement. Additionally the Group amended its credit agreement. Part of the bank debt was transferred from short to long-term liability due to the fact that the first repayment of the CAPEX facility (used for the acquisition of Enovatis S.A. and Nocowanie.pl Sp. z o.o.) was postponed for successive periods. The total value of principal and interest repaid during the six months of 2017 amounted to PLN 17,140 thousand.

In March 2017, the Group also paid the secpndinstallment of the liability on the television broadcasting license. In January 2016 the Group recognized in its balance sheet the liability on the television broadcasting license, which is effective from 14 January 2016 to 13 January 2026. The total fee for the license amounted to PLN 13,545 thousand and is paid in 10 annual installments of PLN 1,355 thousand each. As of 30 June 2017, after the repayment of the two installments, the

Group's liability valued at the amortized cost amounted to PLN 11,404 thousand, out of which PLN 9,941 thousand is presented as long-term.

The Group presents long-term liabilities with respect to the put option for non-controlling interests in Domodi Sp. z o.o. and Nocowanie.pl Sp. z o.o. in the balance sheet. The reversal of discount on these liabilities increased their value in the analyzed period by PLN 3,022 thousand.

Short-term liabilities

in PLN'000	As of 30 June 2017	Structure 2017	As of 31 December 2016	Structure 2016	Change PLN'000	Change %
Loans and leases	33 666	24,3%	39 202	34,6%	(5 536)	(14,1%)
Interest rate swaps - cash flow hedges	649	0,5%	694	0,6%	(45)	(6,5%)
Cash trade and other payables	31 736	22,9%	34 778	30,7%	(3 042)	(8,7%)
Barter trade and other payables	6 619	4,8%	875	0,8%	5 744	656,5%
Contingent liabilities related to business combinations	587	0,4%	-	0,0%	587	-
Dividend liabilities	32 116	23,2%	-	0,0%	32 116	-
State liabilities	7 286	5,3%	4 821	4,3%	2 465	51,1%
Wages and salaries payables	3 836	2,8%	5 947	5,2%	(2 111)	(35,5%)
Deferred income	5 916	4,3%	4 567	4,0%	1 349	29,5%
Liabilities in respect of purchase of property, plant and equipment and intangible assets	5 279	3,8%	12 436	11,0%	(7 157)	(57,6%)
Other short term payables	4 934	3,6%	4 727	4,2%	207	4,4%
Provision for employee benefits	3 940	2,8%	3 276	2,9%	664	20,3%
Other provisions	1 654	1,2%	1 511	1,3%	143	9,5%
Current income tax liabilities	346	0,2%	505	0,4%	(159)	(31,5%)
Short-term liabilities	***138 564***	***100,0%***	***113 339***	***100,0%***	***25 225***	***22,26%***

In the analyzed period, short-term liabilities increased by PLN 25,225 thousand. The increase resulted mainly from the recognition of dividend liability towards shareholders of the Wirtualna Polska Holding S.A. in the amount of PLN 31,693 thousand and towards non-controlling shareholders of dobreprogramy Sp. z o.o. and Nocowanie.pl Sp. z o.o. in the amount of PLN 423 thousand.

The increase in short-term liabilities also results from an increase in barter liabilities by PLN 5,744 thousand due to a temporary negative result on barter transactions in the first six months of 2017. The balances of barter receivables and payables during the year are usually higher than at the end of the year when most of the barter agreements are settled and balances are offset.

Short-term loans and leases decreased by PLN 5,536 thousand manly due to the changes in the repayment schedule described in the long-term liabilities part of this report.

Trade payables decreased by PLN 7,932 thousand. The decrease compared to the end of 2016 results mainly from the process of settlement of annual rebates for the year 2016 as a result of which some of the customers, after taking the rebates invoices, had a negative balance of receivables as of 31 December 2016 which is presented as liabilities in the financial statements. In addition, in the first six months of 2017 the balance of Enovatis's liabilities related to the accrued first minute travel commissions income due to its franchisees increased by PLN 5 million.

In the first half of 2017, liabilities in respect of purchase of property, plant and equipment as well as intangible assets decreased significantly, mainly as a result of the repayment of liabilities on purchases made in 2016 on the launch of WP television (acquisition of programming assets and adaptation and equipment for the TV studio), as well as the repayment of liabilities due to the purchase of server equipment in previous period. The balance of this item also includes the short-term part of the liability on the television broadcasting license (PLN 1,463 thousand) – the license was further described in the long-term liabilities section.

Equity

in PLN'000	As of 30 June 2017	Structure 2017	As of 31 December 2016	Structure 2016	Change PLN'000	Change %
Equity attributable to equity holders of the Parent Company, including:	378 743	95,9%	392 258	96,0%	(13 515)	(3,4%)
Share capital	1 441	0,4%	1 434	0,4%	7	0,5%
Supplementary capital	317 801	80,5%	315 830	77,3%	1 971	0,6%
Revaluation reserve	280	0,1%	(839)	(0,2%)	1 119	(133,4%)
Other reserves	(37 603)	(9,5%)	(38 310)	(9,4%)	707	(1,9%)
Retained earnings	96 824	24,5%	114 143	27,9%	(17 319)	(15,2%)
Non-controlling interests	16 280	4,1%	16 467	4,0%	(187)	(1,1%)
Equity	***395 023***	***100,0%***	***408 725***	***100,0%***	***(13 702)***	***(3,35%)***

In the first six months of 2017, the equity attributable to the parent company's shareholders decreased by PLN 13,515 thousand in total. The change in equity attributable to the parent company's shareholders resulted from the following events:

- PLN 1,978 thousand in relation to admission to the deposit of the securities, introduction to trading and entering into the accounts of the entitled within the existing stock option plan, out of which PLN 7 thousand increased share capital and the remaining part was booked as supplementary capital;
- PLN 1,119 thousand recognized as other comprehensive income due to the valuation of interest rate swap, hedging the interest payments due to the bank loan of PLN 118 thousand and the positive valuation of financial assets available for sale by PLN 1,001 thousand;
- the increase in other reserves of PLN 707 thousand due to vesting of the rights to the consecutive tranche of share options under the existing incentive scheme;
- the net profit attributable to the parent company's shareholders for the six months ending 30 June 2017 of PLN 14,374 thousand.
- decrease by PLN 31,693 thousand in connection with a resolution of the Ordinary General Meeting of the Company to pay dividend to shareholders, of which PLN 4,608 thousand is attributable to the distribution of net profit disclosed in the separate financial statements for the financial year 2016 and PLN 27,085 thousand comes from the company's profits from previous years. The dividend payment date was set for 20 July 20 2017.

In the first six months of 2017, the non-controlling interests decreased by PLN 187 thousand. This change resulted from the allocation to non-controlling shareholders of an appropriate part of the result for the period earned by Domodi Sp. z o.o., Allani Sp. z o.o., Dobreprogramy Sp. z o.o. and Nocowanie.pl Sp. z o.o. in the amount of PLN 2,404 thousand. At the same time, the dividend assigned to those shareholders amounted to PLN 2,591 thousand.

3.4. *Cash flows of the Group*

in PLN'000	Six months ending 30 June 2017	Six months ending 30 June 2016
Net cash flows from operating activities	49 377	51 397
Net cash flows from investing activities	(40 792)	(54 501)
Net cash flows from financing activities	(5 411)	(8 751)
Total net cash flows	***3 174***	***(11 855)***

The Group's business model is characterized by the generation of a stable cash flow from operating activities due to the high profitability of its operations. During the six months of 2017, the EBITDA generated by the Group of PLN 55,375 thousand contributed to generating a positive cash flow of PLN 49,377 thousand from operating activities.

Cash flows from investing activities were negative and amounted to PLN (40,792) thousand in the analyzed period which was mainly due to expenditure incurred (CAPEX) on the purchase of intangibles and fixed assets (PLN 25,250 thousand) and acquisition of 6,31% shares of eSky S.A. (PLN 15,625 thousand).

Cash flows from financing activities in the first six months of 2017 amounted to PLN (5,411) thousand. During the period the Group refinanced part of its investment expenditure in the total amount of PLN 12,940 thousand by the use of the CAPEX facility available under the credit agreement. At the same time, the Group repaid its loan principal (PLN 13,477 thousand), interest and bank commissions (PLN 4,469 thousand) and paid dividend to the non-controlling shareholders

(PLN 2,168 thousand). As part of financing activities the Group recognized financial lease repayment of PLN (215) thousand and PLN 1,978 thousand paid for the share capital increase by the participants of the employee option scheme.

3.5. Selected financial ratios of the online segment

Financial ratios ONLINE SEGMENT	Six months ending 30 June 2017	Six months ending 30 June 2016
Sales (PLN'000)	211 883	189 217
Sales (YoY increase)	12,0%	-
Cash sales	195 754	171 566
Cash sales (YoY increase)	14,1%	-
Adjusted EBITDA margin (on cash sales)	35%	36%
Financial leverage ratio (Net debt//Adjusted EBITDA LTM)	1,16	-

The main financial ratios analyzed by the Group's Management Board comprise cash proceeds from sales and their growth, the adjusted EBITDA margin and adjusted gross margin. The cash sales for the six months of 2017 were 14,1% higher than the sales calculated on the basis of the financial data for the corresponding period of the previous year.

In the analyzed period, the EBITDA margin of the online segment remained at comparable level to 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 the preparation of this report, these ratios were satisfactory and there were no indications of a risk of not complying with the requirements concerning their value as defined in the loan agreement.

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

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

- 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;
- launch of activities in the TV sector.

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 the following companies: NextWeb Media sp. z o.o., Blomedia.pl Sp. z o.o., Finansowysupermarket.pl Sp. z o.o., Web Broker Sp. z o.o., Allani Sp. z o.o. and Enovatis S.A. In 2016, the Group’s purchased Totalmoney.pl Sp. z o.o., Nocowanie.pl Sp. z o.o. and Netwizor Sp. z o.o. The acquisitions in 2016 mentioned above had a significant impact on the increase in revenues and EBITDA compared with the same period of the previous year. They also had a significant impact on the amount of depreciation in the consolidated financial statements of the Group, as in the process of purchase price allocation of these entities a number of trademarks and customer relations have been identified which are currently depreciated and the cots are included in the consolidated financial results of the Group.

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

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 the loan financing of part of the purchase price (PLN 175 million) of shares in Wirtualna Polska S.A., purchase price of the shares in Money.pl Sp. z o.o. (PLN 47 million), part of the purchase price of the shares in Enovatis S.A. (PLN 50 million), part of the purchase price of the shares in Nocowanie.pl Sp. z o.o. (PLN 12 million) and refinancing part of the investment expenditure to purchase fixed and intangible assets (PLN 13 mln).

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

Additionally, on 28 April 2015 Grupa Wirtualna Polska S.A. 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 24,7 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 recognized in the financial statements of the Group as a cash flow hedge under IAS 39. Details concerning the valuation and recognition of these instruments are presented in note 24 to the condensed interim consolidated financial statements.

As of 30 June 2017 the balance of the Group's liability resulting from loan agreement amounted to PLN 212,7 million.

During the six months of 2017, the Group's interest and commissions expenses, the bulk of which resulted from interest on the bank loan, amounted to PLN 4,927 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 1.73% as of 30 June 2017.

4.4. *The launch of activities in the television advertising market*

In the first six months of 2017, the results of the Capital Group were significantly influenced by costs connected to the development of the WP Television launched in December 2016. This project is at an early stage of development, therefore the expenditures incurred in the current period on the development of this activity are higher than the revenue generated. In the opinion of the Management Board, the expenditures currently incurred should result in the increase in market share in the long-term perspective, and consequently into the increase in the value of revenues and the increase in profitability of this segment.

In the analyzed period television advertising revenue amounted to PLN 2,545 thousand. At the same time, this segment generated a negative EBITDA of PLN 7,837 thousand in the first six months.

Apart from the factors referred to above during the period of six months ending 30 June 2017 there were no extraordinary factors or events which would have a significant impact on the financial results achieved.

5. *FACTORS THAT, IN MANAGEMENT BOARD'S OPINION, WILL HAVE AN IMPACT ON THE FINANCIAL RESULTS OF THE CAPITAL GROUP IN SUBSEQUENT 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;
- entry into the TV advertising market.

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 market

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

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

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

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 popularization 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 on 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 S.A., Nocowanie.pl Sp. z o.o., Domodi Sp. z o.o., Allani 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. Potential acquisitions may have a material impact on the results achieved by the Group in consecutive periods.

5.5. Entry into the TV advertising market

Having obtained a broadcasting license for the transmission of a television program in Multiplex 8, in December 2016 the Group started operating on the television advertising market. This activity will have a significant impact on the cash revenue generated by the Group as well as on the costs incurred in the subsequent periods, including the costs of the programming assets and fees incurred in connection with the streaming of the program. Advertising revenue is obtained through an advertising broker – i.e. TVN Media.

6. SIGNIFICANT EVENTS WHICH TOOK PLACE IN THE FIRST QUARTER OF 2017

6.1. Acquisition of eSky S.A.

On 9 June 2017 Wirtualna Polska Media S.A. (former Grupa Wirtualna Polska S.A.) concluded a conditional share purchase agreement regarding acquisition of 625,000 ordinary series B bearer shares in a company eSky.pl S.A. The acquired shares represent 6.31% of the share capital of the company and entitle to 6.31% of votes on the General Meeting of the

Company. The purchase price for the shares amounts to PLN 15,625,000. On June 19, 2017, the suspending condition specified in the agreement has been fulfilled, the transaction has been finalized

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

6.2. Launch of CAPEX loan tranche

On 22 May 2017 Wirtualna Polska Media S.A. (former Grupa Wirtualna Polska S.A.) refinanced investment expenditures of approximately PLN13 million through the use of the CAPEX facility available under the credit agreement concluded on March 24, 2015 by Grupa Wirtualna Polska S.A. and mBank S.A. / ING Bank Śląski S.A..

6.3. Other

Additionally, during the six months of 2017 there were several changes in the group structure due to mergers (described in detail in point 2.2. of this report) and changes in the ownership structure of the Company's capital, described in detail in note 22 of the condensed consolidated financial statement

7. SHARES AND SHAREHOLDERS

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

As of 30 June 2017 and as of the date of preparing this report the composition of the Management Board was as follows:

Jacek Świderski	- 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.

On 26 April 2017, the Management Board's term of office ended. On the same day, on the Ordinary Shareholders' Meeting, Jacek Świderski was appointed President of the Management Board for the second term. The remaining part of the Board was re-appointed for the second term of office on the Supervisory Board Meeting held on 16 May 2017.

As of 30 June 2017 the composition of 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
Mariusz Jarzębowski	- Member of the Supervisory Board
Piotr Walter	- Member of the Supervisory Board
Aleksander Wilewski	- Member of the Supervisory Board

On 26 April 2017, due to the end of the term of office, Magdalena Magnuszewska and Krzysztof Rozen ceased to be members of the Supervisory Board. On the same day new members were appointed to the Supervisory Board i.e. Piotr Walter and Aleksander Wilewski. Moreover, Jarosław Mikos, Krzysztof Krawczyk, Beata Barwińska-Piotrowska and Mariusz Jarzębowski were appointed for the next term of office.

7.2. Structure of share capital

As of 30 June 2017 the share capital of the Company amounted PLN 1,440,487,60 and consisted of 28,809,752 shares with a par value of PLN 0.05 each, entitling 40,099,461 votes at the General Meeting, including:

- 11,289,709 A series registered preference shares; preference of 11,289,709 A series shares relates to voting rights at the General Meeting in such way that one share gives two votes;
- 1,100,000 A series ordinary bearer shares;
- 12,221,811 B series ordinary bearer shares;
- 301,518 C series ordinary bearer shares;
- 526,841 D series ordinary bearer shares;
- 3,339,744 E series ordinary bearer shares;
- 30,129 F series ordinary bearer shares.

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

7.3. Dividend policy

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

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

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

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

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

7.4. Shareholders with at least 5% of the total voting rights

In accordance with notifications received by the Company Wirtualna Polska Holding S.A. and to the best of its knowledge, as of 30 June 2017 and as of the date 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 as follows:

Shareholder	Number of shares	% of share capital	Number of votes	% of votes
Jacek Świderski through subsidiaries:	3 763 237	13,06%	7 526 474	18,77%
Orfe S.A.	3 763 237	13,06%	7 526 474	18,77%
Michał Brański through subsidiaries:	3 763 236	13,06%	7 526 472	18,77%
10X S.A.	3 763 236	13,06%	7 526 472	18,77%
Krzysztof Sierota through subsidiaries:	3 763 236	13,06%	7 526 472	18,77%
Albemuth Inwestycje S.A.	3 763 236	13,06%	7 526 472	18,77%
Founders together*	11 289 709	39,19%	22 579 418	56,31%
Other	17 520 043	60,81%	17 520 043	43,69%
Total	***28 809 752***	***100,00%***	***40 099 461***	***100,00%***

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

7.5. Number of shares held by members of the management and supervisory bodies

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

- Jacek Świderski is indirectly entitled to exercise voting rights attached to 3,763,237 series A registered shares in the Company having preferential rights as to voting, so that one share entitles two votes at the general meeting (including 3,763,237 shares held by Orfe S.A.), which constitutes a 13.06% interest in the Company's share capital, representing 7,526,474 votes at the general shareholders meeting of the Company and constituting 18.77% of the overall number of votes;

- Krzysztof Sierota is indirectly entitled to exercise voting rights attached to 3,763,236 series A registered shares in the Company having preferential rights as to voting, so that one share entitles two votes at the general meeting (including 3,763,236 shares held by Albemuth Inwestycje S.A.), which constitutes a 13.06% interest in the Company's share capital, representing 7,526,472 votes at the general shareholders meeting of the Company and constituting 18.77% of the overall number of votes; and
- Michał Brański is indirectly entitled to exercise voting rights attached to 3,763,236 series A registered shares in the Company having preferential rights as to voting, so that one share entitles two votes at the general meeting (including 3,763,236 shares held by 10X S.A.), which constitutes a 13.06% interest in the Company's share capital, representing 7,526,472 votes at the general shareholders meeting of the Company and constituting 18.77% of the overall number of votes.
- In addition, under the first phase of the implementation of the incentive plan, Elżbieta Bujniewicz-Belka (Member of the Management Board) 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. In the next phase of the implementation of the incentive plan Jarosław Mikos acquired 287,133 (nominal value of PLN 14,356.65) D series ordinary bearer shares issued based on the resolution approving the issue of D series shares. Thus Jarosław Mikos acquired all shares under the incentive scheme. In the next phase of the implementation of the incentive plan Elżbieta Bujniewicz-Belka acquired 83,466 D series ordinary bearer shares issued based on the resolution approving the issue of D series shares. Elżbieta Bujniewicz-Belka is entitled to participate in the next phase of the implementation of the incentive plan.
- On 5 December 2016, the Company received from the person performing managerial responsibilities in the Company – i.e. Jarosław Mikos, Chairman of Supervisory Board of the Company – notification of transactions on Company's shares concluded on 1 December 2016, i.e. the sale of 324,052 shares of the Company.

Additional information on the structure and changes in equity and voting rights are described in note 22 to the condensed interim consolidated financial statements.

7.6. 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 Świderski (the"Founders"), Borgosia Investments Limited, Jadhave Holdings Limited, Bridge 20 Enterprises Limited, Grupa o2 S.A. and o2 sp. z o.o. executed an investment agreement (the "Investment Agreement"). The rights and duties of Borgosia Investments Limited, Jadhave Holdings Limited and Bridge 20 Enterprises Limited under the Investment Agreement were assumed by 10x SA, Albemuth Inwestycje S.A. and Orfe SA, respectively, in relation to the transfer of the shares in the Company.

Grupa Wirtualna Polska S.A. and Wirtualna Polska Holding S.A. are no longer parties of the Investment Agreement since the annex to the contract concluded on 15 February 2016.

Pursuant to the Investment Agreement, the Founders were entitled to a bonus on account of the increase in 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.

As a consequence of the Company's IPO in 2015 and the sale of shares of EMH in the process of an accelerated book-building in December 2016, the Parties decided to settle the EMH bonus. As a result of the concluded agreements, the EMH bonus was settled by a contribution from the EMH subsidiary (Innova Noble S.à r.l.) of the shares of the Company as contributions in-kind to cover the new shares in the increased share capital of Orfe S.A., Albemuth Inwestycje S.A. and 10X S.A. Michał Brański, Jacek Świderski and Krzysztof Sierota acting through their subsidiaries 10X S.A., Albemuth Inwestycje S.A. and Orfe S.A. have also acquired from EMH shares in Liceia Sp. z o.o., Palaja Sp. z o.o. i Silveira Sp. z o.o. – companies in which shares of the Company had been contributed by EMH as in-kind contributions beforehand. As a result of those transactions, the pledge agreements dated 6 November 2015 (described in the consolidated financial report for 2015) were terminated.

Thereby, as of 9 February 2017 the process of exit of EMH from the investment in the shares of the company was finalized and the final settlement of the Investment Agreement was executed.

Incentive scheme – share-based payments and its control system

First incentive scheme

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

Detailed information on the first incentive scheme is described in note 23 to the condensed interim consolidated financial statements of the Group for the period of 6 months ending 30 June 2017.

Second incentive scheme

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

Detailed information on the second incentive scheme is described in note 23 to the condensed interim consolidated financial statements of the Group for the period of 6 months ending 30 June 2017.

7.7. Purchase of own shares

As of the date of preparing this report, the Company does not hold any own 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 2017.

8.2. Events after the balance sheet date

Detailed information of post- balance sheet events is provided in note 33 to the condensed interim consolidated financial statements for the period of 6 months ending 30 June 2017.

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 protection of personal rights. As of 30 June 2017, 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 adjudgment 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 S.A. and its subsidiaries in the total amount of at least 10% of the Wirtualna Polska Holding S.A. 's equity.

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 are presented in note 32 to the condensed interim consolidated financial statements for the period of 6 months ending 30 June 2017.

8.5. Information on guarantees and warranties granted in respect of loans, borrowings and loans granted.

Guarantees granted to third-party entities

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

Inter-company guarantees

The companies: Wirtualna Polska Holding S.A., WP1 Sp. z o.o., Money.pl Sp. z o.o., Enovatis S.A. and Nocowanie.pl Sp. z o.o. are guarantors of the bank loan agreement concluded by and between Grupa Wirtualna Polska S.A. and mBank i ING Bank Śląski.

In accordance with the annex to the loan agreement signed on 30 June, funding banks have agreed to take remove the collateral and remove WP 1 Sp. z o.o. and Nocowanie.pl Sp. z o.o. from the list of guarantors. The total guarantee amount corresponds to the current balance of the debt of Grupa Wirtualna Polska S.A. of the credit agreement.

Loans granted

As of 30 June 2017 Wirtualna Polska Holding S.A. and Grupa Wirtualna Polska S.A. 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 non-related companies.

8.6. Information on agreements on credits and loans raised and terminated in the financial year

Loans granted by financial institutions

In accordance with the financial model adopted by the Capital Group the only company which enters loan agreement with external institutions is Grupa Wirtualna Polska S.A. However, the Issuer and selected Capital Group's entities are guarantors of this loan.

On 30 June 2017 Wirtualna Polska Media S.A. (formerly Grupa Wirtualna Polska S.A.), mBank S.A. and ING Bank Śląski S.A. amended the agreement by enabling the Money.pl Sp. z o.o. and Enovatis S.A. to use the revolving overdraft facility which was increased to PLN 20 million.

Inter-company loans

As of 30 June 2017 Wirtualna Polska Holding S.A. and Grupa Wirtualna Polska S.A. 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 Group's opinion is material to the assessment of the human resources, assets and financial position, its result and changes and information which is material to the assessment of the Group's ability to discharge its liabilities

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

In the opinion of the Management Board of Wirtualna Polska Holding S.A. 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, Member of the Management Board
Krzysztof Sierota, Member of the Management Board	Elżbieta Bujniewicz-Belka, Member of the Management Board

Warsaw, 28 August 2017

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 Świderski,
President of the Management Board

Michał Brański,
Member of the Management Board

Krzysztof Sierota,
Member of the Management Board

Elżbieta Bujniewicz-Belka,
Member of the Management Board

Warsaw, 28 August 2017

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for the period of 3 and 6 months ending

30 June 2017

INTERIM CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

in PLN'000	Note	Six months ending 30 June 2017	Six months ending 30 June 2016	Three months ending 30 June 2017 *	Three months ending 30 June 2016 *
Sales	10	***214 428***	***189 217***	***110 884***	***100 768***
Amortization and depreciation of fixed assets and intangibles		(24 735)	(19 956)	(12 621)	(10 112)
Amortization and depreciation of acquired programming rights		(1 716)	-	(886)	-
Materials and energy used		(2 916)	(2 711)	(1 474)	(1 418)
Costs related to acquisitions of subsidiaries and restructuring, including:	11	(1 928)	(4 405)	(981)	(3 133)
External services	11	(756)	(596)	(568)	(107)
Salary and employee benefit expense	11	(1 184)	(3 239)	(460)	(2 708)
Other operating expenses and gains	11	12	(570)	47	(318)
Costs of the employee option scheme	23	(707)	(1 361)	(394)	(815)
Other external services		(82 550)	(61 774)	(38 839)	(31 362)
Other salary and employee benefit expenses		(64 672)	(59 094)	(31 894)	(29 396)
Other operating expenses	13	(5 002)	(3 719)	(2 115)	(2 529)
Other operating income/gains	13	438	628	238	270
Operating profit		***30 640***	***36 825***	***21 918***	***22 273***
Finance income	14	184	357	97	171
Finance costs	15	(8 918)	(8 425)	(4 350)	(4 247)
Revaluation of commitments to purchase non-controlling interests		-	(1 261)	-	(1 261)
Profit before tax		***21 906***	***27 496***	***17 665***	***16 936***
Income tax	16	(5 128)	(6 502)	(3 869)	(4 127)
Net profit		***16 778***	***20 994***	***13 796***	***12 809***
Other comprehensive income/(losses)	24	1 119	(434)	190	247
Comprehensive income		***17 897***	***20 560***	***13 986***	***13 056***
Net profit attributable to:					
Equity holders of the Parent Company		14 374	21 341	12 820	13 437
Non-controlling interests		2 404	(347)	976	(628)
Comprehensive income attributable to:					
Equity holders of the Parent Company		15 493	20 907	13 010	13 684
Non-controlling interests		2 404	(347)	976	(628)
Net profit attributable to equity holders of the Parent Company per share (in PLN)					
Basic	17	0,50	0,76		
Diluted	17	0,50	0,74		

****THE DATA WAS NOT REVIEWED BY AUDITOR***

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL SITUATION

in PLN'000	Note	As of 30 June 2017	As of 31 December 2016
Non-current assets			
Property, plant and equipment	18, 19	59 282	57 899
Goodwill	20	246 472	246 472
Trademarks	18, 19	156 267	157 971
Homepage and WP mail	18, 19	130 687	133 929
Other intangible assets	18, 19	94 539	96 368
Non-current programming assets	18, 19	5 564	5 358
Long-term receivables		104	-
Other financial assets	9	19 330	2 470
Deferred tax assets	16	22 964	29 275
		735 209	***729 742***
Current assets			
Trade and other receivables	18	83 191	77 304
Cash and cash equivalents		48 324	45 150
		131 515	***122 454***
TOTAL ASSETS		***866 724***	***852 196***
Equity			
Equity attributable to equity holders of the Parent Company			
Share capital	22	1 441	1 434
Supplementary capital		317 801	315 830
Revaluation reserve	24	280	(839)
Other reserves		(37 603)	(38 310)
Retained earnings		96 824	114 143
		378 743	***392 258***
Non-controlling interests		***16 280***	***16 467***
		395 023	***408 725***
Long-term liabilities			
Loans and leases	25	180 007	174 572
Other long-term liabilities	28	145 119	143 688
Deferred tax liability	17	7 359	10 993
Deferred income		652	879
		333 137	***330 132***
Short-term liabilities			
Loans and leases	25	33 666	39 202
Trade and other payables	28	98 958	68 845
Provisions for employee benefits	27	3 940	3 276
Other provisions	27	1 654	1 511
Current income tax liabilities		346	505
		138 564	***113 339***
TOTAL EQUITY AND LIABILITIES		***866 724***	***852 196***

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in PLN'000	Note	Equity attributable to equity holders of the Parent Company						Non-controlling interests	Equity
		Share capital	Supplementary capital	Revaluation reserve	Other reserves	Retained earnings	Total		
Equity as of 1 January 2017		***1 434***	***315 830***	***(839)***	***(38 310)***	***114 143***	***392 258***	***16 467***	***408 725***
Net profit/ (loss)		-	-	-	-	14 374	14 374	2 404	16 778
Other comprehensive income	24	-	-	1 119	-	-	1 119	-	1 119
Total comprehensive income		***-***	***-***	***1 119***	***-***	***14 374***	***15 493***	***2 404***	***17 897***
Option scheme	22, 23	7	1 971	-	707	-	2 685	-	2 685
Dividend declared	22	-	-	-	-	(31 693)	(31 693)	(2 591)	(34 284)
Equity as of 30 June 2017		***1 441***	***317 801***	***280***	***(37 603)***	***96 824***	***378 743***	***16 280***	***395 023***

in PLN'000	Note	Equity attributable to equity holders of the Parent Company						Non-controlling interests	Equity
		Share capital	Supplementary capital	Revaluation reserve	Other reserves	Retained earnings	Total		
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)		-	-	-	-	53 756	53 756	92	53 848
Other comprehensive income		-	-	1 005	-	-	1 005	-	1 005
Total comprehensive income		***-***	***-***	***1 005***	***-***	***53 756***	***54 761***	***92***	***54 853***
Option scheme		21	5 377	-	1 767	-	7 165	-	7 165
Dividend declared		-	-	-	-	-	-	(1 022)	(1 022)
Acquisition of a subsidiary		-	-	-	(11 571)	-	(11 571)	1 721	(9 850)
Equity as of 31 December 2016		***1 434***	***315 830***	***(839)***	***(38 310)***	***114 143***	***392 258***	***16 467***	***408 725***

in PLN'000	Note	Equity attributable to equity holders of the Parent Company						Non-controlling interests	Equity
		Share capital	Supplementary capital	Revaluation reserve	Other reserves	Retained earnings	Total		
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		-	-	(434)	-	-	(434)	-	(434)
Total comprehensive income		***-***	***-***	***(434)***	***-***	***21 341***	***20 907***	***(347)***	***20 560***
Option scheme		-	-	-	1 361	-	1 361	-	1 361
Recognition of option-related commitment to purchase non-controlling interests		-	-	-	(11 571)	-	(11 571)	-	(11 571)
Dividend declared		-	-	-	-	-	-	(1 019)	(1 019)
Acquisition of a subsidiary		-	-	-	-	-	-	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***

INTERIM CONSOLIDATED CASH FLOW STATEMENT

in PLN'000	Note	Six months ending 30 June 2017	Six months ending 30 June 2016
Cash flows from operating activities			
Profit before tax		***21 906***	***27 496***
Adjustments for:		***31 272***	***34 420***
Amortization and depreciation		24 735	19 956
Amortization and depreciation of acquired programming rights		1 716	-
Payments for programming rights		(4 720)	-
Losses on the sale /liquidation/revaluation of property, plant and equipment and intangible assets		311	427
Finance income and costs		8 918	8 425
Revaluation of contingent liabilities arising from business combinations		-	2 984
Revaluation of commitments to purchase non-controlling interests		-	1 261
Costs of the employee option scheme		707	1 361
Other adjustments		(395)	6
Changes in working capital		***(1 124)***	***(8 123)***
Change in trade and other receivables	34	(6 238)	(11 322)
Change in trade and other payables	34	4 307	2 690
Change in provisions	34	807	509
Income tax paid		(4 089)	(2 396)
Income tax refunded		1 412	-
Net cash flows from operating activities		***49 377***	***51 397***
Cash flows from investing activities			
Sale of intangible assets and property, plant and equipment		83	41
Purchase of intangible assets and property, plant and equipment		(25 250)	(15 531)
Repayment of contingent liabilities arising from business combinations		-	(3 121)
Acquisition of subsidiary (less cash acquired)	34	-	(35 890)
Acquisition of financial assets classified as available for sale		(15 625)	-
Net cash flows from investing activities		***(40 792)***	***(54 501)***
Net cash flows from financing activities			
Payments due to share capital increase		1 978	-
Loans received		12 940	12 000
Repayment of finance leases		(215)	(217)
Repayment of bank commissions		(396)	(939)
Interest paid		(4 073)	(4 745)
Repayment of loans received		(13 477)	(14 850)
Dividends paid to minority shareholders		(2 168)	-
Net cash flows from financing activities		***(5 411)***	***(8 751)***
Total net cash flows		***3 174***	***(11 855)***
Cash and cash equivalents at the beginning of the period		***45 150***	***48 961***
Cash and cash equivalents at the end of the period		***48 324***	***37 106***

Notes to consolidated financial statements

1. GENERAL INFORMATION

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

As of 30 June 2017 Wirtualna Polska Holding Capital Group composed of the Parent Company and 12 consolidated subsidiaries.

Wirtualna Polska Holding and the remaining Capital Group's companies were formed for an indefinite period. The Group's core operations comprise sale of advertising services on the Internet and operating Internet portals such as WP.pl, o2.pl, Pudelek.pl, 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 FOR 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 polices used in the preparation of the condensed interim consolidated financial statements for the period of six months ending 30 June 2017 are consistent with those used in the consolidated financial statements for the year ending 31 December 2016.

The financial statements for the year ending 31 December 2016 have been prepared in accordance with IFRS standards which are binding in the European Union in the financial year ending 31 December 2016.

The consolidated statement of financial positions as of 30 June 2017, consolidated income statement and other comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity for six months ending 30 June 2017 were not audited. The consolidated financial statements as of 31 December 2016 and for twelve months ending 31 December 2016 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 2016.

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 S.A. on 28 August 2017.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

The main accounting estimates and assumptions made in these consolidated financial statements were the same as in financial statements for the year ending 31 December 2016.

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 to the business

In 2011, the Parent Company contributed its business with a fair value of PLN 311,000 thousand to the subsidiary Wirtualna Polska Media S.A. (formerly Grupa Wirtualna Polska S.A.). As a result of this transaction, a temporary difference arose in the consolidated financial statements between the tax and carrying value of the contributed business's assets of PLN 265,195 thousand. A deferred tax asset was recorded on this difference which as of 30 June 2017 amounted to PLN 19,079 thousand (PLN 21,207 thousand as of 31 December 2016).

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

As part of Group's plan to locate all of its editorial and advertising activity in Wirtualna Polska Media S.A. (formerly Grupa Wirtualna Polska S.A.), 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 S.A.) to Wirtualna Polska Media S.A. (formerly Grupa Wirtualna Polska S.A.) (the so-called spin-off). As a result of the demerger, the Editorial and Advertising Division was transferred to Wirtualna Polska Media S.A. (formerly Grupa Wirtualna Polska S.A.) (GWP) and the operations of the e-Commerce Centre were continued at WP Shopping Sp. z o.o. (former Wirtualna Polska S.A.). Moreover, all assets and liabilities which were not clearly designated as remaining with WP Shopping Sp. z o.o. (former Wirtualna Polska S.A.), shall transfer to Wirtualna Polska Media S.A. (formerly Grupa Wirtualna Polska S.A.)
As a result of the merger, the majority of WP Shopping Sp. z o.o.'s (former Wirtualna Polska S.A.) assets and liabilities were transferred to Wirtualna Polska Media S.A. (formerly Grupa Wirtualna Polska S.A.)The transaction did not result in changing the tax value of the investment in this subsidiary.

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

c) Recovery of the deferred tax asset

The Group recognizes a deferred tax asset based on the assumption that a tax profit will be generated in the future enabling its utilization. The Parent Company's Management Board has prepared financial projections until 2023, which confirm that sufficiently high taxable income will be generated in the future to enable the utilization of the asset. The financial model has been developed based on general market forecasts and the Management Board's expectations. Deterioration of tax results in the future might result in the assumption becoming unjustified.

4.2. Amortisation and depreciation rates

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

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

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

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

4.3. Approach to barter transactions

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

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 2017, 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 to the amount of claims and court fees the adjudgement of which is probable in the Group's opinion.

4.5. Valuation on the option-related commitment to purchase non-controlling interests

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

As of the date of preparing these financial statements the Group has option-related commitment to purchase non-controlling interests in 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: forecasted EBITDA, which constitutes the options exercise price, revenue and the discount rate. A change in the forecasted growth dynamics of revenues by 1 p.p. per annum in the years 2017–2019 increases the value of liabilities by 1.6%. A change in the forecasted EBITDA margin by 1 p.p. per annum in the years 2017-2019 increases the value of the liabilities by 3.4%. An increase in the discount rate of 1 p.p. decreases the liability by 2.3%.

The commitment was initially estimated at PLN 31,853 thousand. As of 30 June 2017 the value of these commitments amounted to PLN 116,711 thousand and as of 31 December 2016 amounted to PLN 113,983 thousand.

Nocowanie.pl Sp. z o.o.

The basic assumptions being the basis for the options' valuation are as follows: forecasted EBITDA and its average annual growth rate, which are the basis for the calculation of the option exercise price and discount rate. An increase in 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 2017 the value of these commitments amounted to PLN 12,201 thousand and as of 31 December 2016 amounted to PLN 11,906 thousand.

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

During the first six months of 2017 there were no changes in the business forecasts, based on which the future liabilities are calculated.

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 2016. Details of the test are discussed in Note 18 to the Group's consolidated financial statements for the year 2016. The Group updated its impairment test for Financial lead generation unit. The test did not indicate any impairment for the CGU. As of 30 June 2017 no impairment triggers were identified by the Group for other CGUs.

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 the annual rebates liability

As a part of cooperation with media houses, the Group grants annual rebates. These rebates are granted to media houses individually or in groups based on turnover value or percentage achieved. During the year the Group estimates annual rebates liabilities based on current turnover forecast and recognizes them as a reduction of revenues for the period. The 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 liabilitiesdue to contingent consideration related to business combinations

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

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

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

5. INFORMATION ON SEASONALITY IN GROUP'S OPERATIONS

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

6. INFORMATION ON SEGMENT REPORTING

Starting from 2016, after obtaining the final decision of the National Broadcasting Council and launch of work on the television program in Multiplex 8, the Management Board re-segmented its activities and analyzes Capital Group's activity regarding revenue streams and the EBITDA operating result, dividing it into two segments – i.e. Online and TV. The main operating segment continues to be Online – i.e. the Group's activity on the Internet

Six months ending 30 June 2017 (PLN'000)	Online Segment	TV Segment	Eliminations and consolidation adjustments	Total
Sales	***211 883***	***2 545***	**-**	***214 428***
including cash sales	195 754	2 545	-	198 299
EBITDA	63 212	(7 837)	-	55 375
Adjusted EBITDA	***68 142***	***(7 806)***	-	***60 336***

Six months ending 30 June 2016 (PLN'000)	Online Segment	TV Segment	Eliminations and consolidation adjustments	Total
Sales	***189 217***	**-**	(218)	***189 217***
including cash sales	171 566	-		171 566
EBITDA	57 164	(383)	-	***56 781***
Adjusted EBITDA	***61 846***	***(382)***	-	***61 464***

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

7. THE GROUP'S STRUCTURE

As of 30 June 2017 the Capital Group represented: the parent company Wirtualna Polska Holding S.A. and 12 subsidiaries. Most of the Group's companies are focused on selling advertisements on 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 S.A. and Nocowanie.pl Sp. z o.o. which operate on the online tourism sector, Netwizor Sp. z o.o., which runs internet services connected with the distribution of television channels on the Internet and WP1 which runs its television channel.

The condensed interim consolidated financial statements of the Group comprise the Company and the following subsidiaries:

No.	Name of subsidiary	Registered office	% of shares held 30 June 2017	31 December 2016	30 June 2016
1	Wirtualna Polska Media S.A. (former Grupa Wirtualna Polska S.A.)	Poland, Warszawa	100%	100%	100%
2	http Sp. z o.o.	Poland, Warszawa	100%	100%	100%
3	Money.pl Sp. z o.o.	Poland, Wrocław	100%	100%	100%
4	Business Ad Network Sp. z o.o.	Poland, Wrocław	-	100%	100%
5	Businessclick Sp. z o.o.	Poland, Warszawa	100%	100%	100%
6	Favore Sp. z o.o.	Poland, Wrocław	-	-	100%
7	WP Shopping Sp. z o.o.	Poland, Warszawa	-	-	100%
8	Legalsupport Sp. z o.o.	Poland, Kraków	-	-	100%
9	Brand New Media Sp. z o.o.	Poland, Wrocław	100%	100%	100%
10	dobreprogramy Sp. z o.o.	Poland, Wrocław	51%	51%	51%
11	Domodi Sp. z o.o.	Poland, Wrocław	51%	51%	51%
12	WP1 Sp. z o.o.	Poland, Warszawa	100%	100%	100%
13	Finansowysupermarket.pl Sp. z o.o.	Poland, Warszawa	100%	100%	100%
14	Web Broker Sp. z o.o.	Poland, Warszawa	-	-	100%
15	Blomedia.pl Sp. z o.o.	Poland, Warszawa	-	100%	100%
16	Allani Sp. z o.o.	Poland, Warszawa	-	51%	51%
17	Totalmoney.pl Sp. z o.o.	Poland, Warszawa	-	100%	100%
18	Nocowanie.pl Sp. z o.o.	Poland, Lublin	75%	75%	75%
19	Netwizor Sp. z o.o.	Poland, Warszawa	100%	100%	-
20	Enovatis S.A.	Poland, Gdańsk	100%	100%	100%

On 2 January 2017, Business Ad Network Sp. z o.o. and Wirtualna Polska Media S.A. (former Grupa Wirtualna Polska S.A.) merged pursuant to article 492 section 1 item 1 of the Polish Commercial Companies Code, by transferring all assets of Business Ad Network Sp. z o.o. to Wirtualna Polska Media S.A. (former Grupa Wirtualna Polska S.A.).

On 2 January 2017, Totalmoney.pl Sp. z o.o. and Money.pl Sp. z o.o. merged pursuant to article 492 section 1 item 1 of the Polish Commercial Companies Code, by transferring all assets of Totalmoney.pl Sp. z o.o. to Money.pl Sp. z o.o.

On 31 January 2017, Blomedia.pl Sp. z o.o. and Wirtualna Polska Media S.A. (former Grupa Wirtualna Polska S.A.) merged pursuant to article 492 section 1 item 1 of the Polish Commercial Companies Code, by transferring all assets of Blomedia.pl Sp. z o.o. to Wirtualna Polska Media S.A. (former Grupa Wirtualna Polska S.A.)

On 31 May 2017, Allani Sp. z o.o. and Domodi Sp. z o.o. merged pursuant to article 492 section 1 item 1 of the Polish Commercial Companies Code, by transferring all assets of Allani Sp. z o.o. to Domodi Sp. z o.o.

On 3 August 2017 Grupa Wirtualna Polska S.A. changed its name to Wirtualna Polska Media S.A.

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

8. *EVENTS WITH SIGNIFICANT IMPACT ON BUSINESS AND FINANCIAL RESULTS OF THE GROUP IN THE FIRST SIX MONTHS OF 2017*

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;
- launch of activities in the television sector.

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 the following companies: NextWeb Media sp. z o.o., Blomedia.pl Sp. z o.o., Finansowysupermarket.pl Sp. z o.o., Web Broker Sp. z o.o., Allani Sp. z o.o. and Enovatis S.A. In 2016, the Group's purchased Totalmoney.pl Sp. z o.o., Nocowanie.pl Sp. z o.o. and Netwizor Sp. z o.o. The acquisitions in 2016 mentioned above had a significant impact on the increase in revenues and EBITDA compared with the same period of the previous year. They also had a significant impact on the amount of depreciation in the consolidated financial statements of the Group, as in the process of purchase price allocation of these entities a number of trademarks and customer relations have been identified which are currently depreciated and the cots are included in the consolidated financial results of the Group.

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

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

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

Borrowings related to the acquisitions

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

The Group's debt results, among others, from the loan financing of part of the purchase price (PLN 175 million) of shares in Wirtualna Polska S.A., purchase price of the shares in Money.pl Sp. z o.o. (PLN 47 million), part of the purchase price of the shares in Enovatis S.A. (PLN 50 million), part of the purchase price of the shares in Nocowanie.pl Sp. z o.o. (PLN 12 million) and refinancing part of its expenditure to purchase fixed and intangible assets (PLN 13 mln) .

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

Additionally, on 28 April 2015 Grupa Wirtualna Polska S.A. 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 24.7million 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 recognized in the financial statements of the Group as a cash flow hedge under IAS 39. Details concerning the valuation and recognition of these instruments are presented in note 24 to the condensed interim consolidated financial statements.

As of 30 June 2017 the balance of the Group's liability resulting from loan agreement amounted to PLN 212.7 million.

During the six months of 2017, the Group's interest and commissions expenses, the bulk of which resulted from interest on the bank loan, amounted to PLN 4,927 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 1.73% as of 30 June 2017.

The launch of activities in the television advertising market

In the first six months of 2017, the results of the Capital Group were significantly influenced by costs connected to the development of the WP Television launched in December 2016. This project is at an early stage of development, therefore the expenditures incurred in the current period on the development of this activity are higher than the revenue generated. In the opinion of the Management Board, the expenditures currently incurred should result in the increase in market share in the long-term perspective, and consequently into the increase in the value of revenues and the increase in profitability of this segment.

In the analyzed period television advertising revenue amounted to PLN 2,545 thousand. At the same time, this segment generated a negative EBITDA of less than PLN 7,837 million in the first quarter.

Apart from the factors referred to above during the period of six months ending 30 June 2017 there were no extraordinary factors or events which would have a significant impact on the financial results achieved.

9. SIGNIFICANT EVENTS WHICH TOOK PLACE DURING THE FIRST SIX MONTHS OF 2017

Acquisition of eSky S.A.

On 9 June 2017 Wirtualna Polska Media S.A. (former Grupa Wirtualna Polska S.A.) concluded a conditional share purchase agreement regarding acquisition of 625,000 ordinary series B bearer shares („Aquired Shares") in a company eSky.pl S.A..

As of the day of the conclusion of the agreement the acquired shares represent 6.31% of the share capital of the company and entitle to 6.31% of votes on the General Meeting of the Company. The purchase price for the shares amounts to PLN 15,625,000. On June 19, 2017, the suspending condition specified in the Agreement has been fulfilled, the transaction has been finalised

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

Launch of CAPEX loan tranche

On 22 May 2017 Wirtualna Polska Media S.A. (former Grupa Wirtualna Polska S.A.) refinanced investment expenditures of approximately PLN13 mln through the use of the CAPEX credit line available under the credit agreement concluded on March 24, 2015 by Grupa Wirtualna Polska SA. and mBank S.A. and ING Bank Śląski S.A..

Other

Additionally, during the six months of 2017 there were several changes in the group structure due to mergers (described in detail in point 2.2. of this report) and changes in the ownership structure of the Company's capital, described in detail in note 22 of the condensed consolidated financial statement

10. SALES

in PLN'000	Six months ending 30 June 2017	Six months ending 30 June 2016	Three months ending 30 June 2017	Three months ending 30 June 2016
Sales of services settled in cash	198 299	171 566	102 953	91 706
Sales of services settled in barter	16 129	17 651	7 931	9 062
Total	***214 428***	***189 217***	***110 884***	***100 768***

11. EBITDA AND ADJUSTED EBITDA

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

in PLN'000	Six months ending 30 June 2017	Six months ending 30 June 2016	Three months ending 30 June 2017	Three months ending 30 June 2016
Profit before tax	***21 906***	***27 496***	***17 665***	***16 936***
Finance costs	8 918	8 425	4 350	4 247
Finance income	(184)	(357)	(97)	(171)
Revaluation of commitments to purchase non-controlling interests	-	1 261	-	1 261
Operating profit	***30 640***	***36 825***	***21 918***	***22 273***
Amortization and depreciation of fixed assets and intangibles	24 735	19 956	12 621	10 112
EBITDA	***55 375***	***56 781***	***34 539***	***32 385***
Adjustments including:				
Restructuring and transaction costs - external services	756	596	568	107
Restructuring and transaction costs – salary and employee benefit expenses	1 184	3 239	460	2 708
Restructuring and transaction costs -other operating expenses and gains	(12)	570	(47)	318
Costs of the employee option scheme	707	1 361	394	815
Net result on barter transactions settlement	2 015	(1 245)	(668)	(865)
Revaluation and liquidation of non-financial assets	311	162	36	139
Adjusted EBITDA	***60 336***	***61 464***	***35 282***	***35 607***

12. ADJUSTED PROFIT BEFORE TAX

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

in PLN'000	Six months ending 30 June 2017	Six months ending 30 June 2016	Three months ending 30 June 2017	Three months ending 30 June 2016
Profit before tax	***21 906***	***27 496***	***17 665***	***16 936***
Adjustments including:				
Restructuring and transaction costs - external services	756	596	568	107
Restructuring and transaction costs – salary and employee benefit expenses	1 184	3 239	460	2 708
Restructuring and transaction costs -other operating expenses and gains	(12)	570	(47)	318
Costs of the employee option scheme	707	1 361	394	815
Net result on barter transactions settlement	2 015	(1 245)	(668)	(865)
Revaluation and liquidation of non-financial assets	311	162	36	139
Revaluation of commitments to purchase non-controlling interests	-	1 261	-	1 261
Total adjustments	***4 961***	***5 944***	***743***	***4 483***
Adjusted profit before tax	***26 867***	***33 440***	***18 408***	***21 419***

In the opinion of the Group's Management Board, the result on barter transactions does not form a basis for evaluating the results realized 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 recognized. Some barter transactions are executed in different reporting periods but the result on the individual contracts over their entire period is equal to zero.

13. OTHER OPERATING INCOME/GAINS AND OTHER OPERATING EXPENSES

The following table presents other operating income/gains:

in PLN'000	Six months ending 30 June 2017	Six months ending 30 June 2016	Three months ending 30 June 2017	Three months ending 30 June 2016
Revenues from grants	232	420	116	222
Liabilities expired and forgiven	63	45	42	43
Repayment of receivables previously written off	10	61	8	61
Write-downs of receivables	-	-	-	(155)
Other	133	102	72	99
Total operating income/gains	***438***	***628***	***238***	***270***

The following table presents other operating expenses:

in PLN'000	Six months ending 30 June 2017	Six months ending 30 June 2016	Three months ending 30 June 2017	Three months ending 30 June 2016
Representation and other costs by type, including:	2 466	2 026	1 380	1 538
Representation	600	527	259	327
Other costs by type	1 866	1 499	1 121	1 211
Write-downs of receivables	303	157	84	157
Taxes and charges	1 102	920	563	438
Revaluation of provisions	255	22	(148)	(37)
Revaluation and liquidation of non-financial assets	311	403	36	380
Loss on disposal of non-financial assets	-	24	-	24
Additional contingent consideration arising from the acquisition of the company	-	56	-	56
Other	565	111	200	(27)
Total other operating expenses	***5 002***	***3 719***	***2 115***	***2 529***

14. FINANCE INCOME

in PLN'000	Six months ending 30 June 2017	Six months ending 30 June 2016	Three months ending 30 June 2017	Three months ending 30 June 2016
Interest income	184	224	101	76
Other	-	133	(4)	95
Total	***184***	***357***	***97***	***171***

15. FINANCE EXPENSES

in PLN'000	Six months ending 30 June 2017	Six months ending 30 June 2016	Three months ending 30 June 2017	Three months ending 30 June 2016
Interest and commissions	4 927	5 411	2 312	2 715
Reversal of discount on investment liabilities	3 391	2 531	1 734	1 292
Other	600	483	304	240
Total	***8 918***	***8 425***	***4 350***	***4 247***

16. CURRENT AND DEFERRED INCOME TAX

in PLN'000	Six months ending 30 June 2017	Six months ending 30 June 2016	Three months ending 30 June 2017	Three months ending 30 June 2016
Current income tax	***2 714***	***873***	***1 176***	***122***
For the financial year	2 714	873	1 176	122
Deferred tax	***2 414***	***5 629***	***2 693***	***4 005***
Temporary differences arising and reversed	2 414	5 629	2 693	4 005
Total income tax	***5 128***	***6 502***	***3 869***	***4 127***

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 2017	Six months ending 30 June 2016	Three months ending 30 June 2017	Three months ending 30 June 2016
Profit before tax	***21 906***	***27 496***	***17 665***	***16 936***
Corporate income tax at the statutory rate of 19%	***4 162***	***5 224***	***3 356***	***3 218***
Tax effects of the following items:				
Revenues and costs non-taxable permanent differences	316	621	41	384
Revaluation of commitments to purchase non-controlling interests	-	240	-	240
The reversal of the discount on commitments to purchase non-controlling interest	574	294	290	153
Unrecognized tax assets	31	100	31	33
Other	45	23	151	99
Total income tax	***5 128***	***6 502***	***3 869***	***4 127***

Change in deferred tax assets.

in PLN'000	Six months ending 30 June 2017	Six months ending 30 June 2016	Three months ending 30 June 2017	Three months ending 30 June 2016
At the beginning of the period	***29 275***	***1 681***	***26 712***	***1 897***
Charged/credited to the financial result	(6 283)	381	(3 854)	384
Charged/credited to other comprehensive income	(28)	102	106	(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	***22 964***	***1 968***	***22 964***	***1 968***

Change in deferred tax liabilities.

in PLN'000	Six months ending 30 June 2017	Six months ending 30 June 2016	Three months ending 30 June 2017	Three months ending 30 June 2016
At the beginning of the period	***10 993***	***23 884***	***8 369***	***26 813***
Charged/credited to the financial result	(3 869)	6 011	(1 161)	4 390
Charged/credited to other comprehensive income	235	-	151	-
Provision recognized on business combination	-	2 362	-	1 054
At the end of the period	***7 359***	***32 257***	***7 359***	***32 257***

The table below presents titles for deferred tax asset and liabilities.

in PLN'000	As of 30 June 2017	As of 31 December 2016
Deferred tax assets:		
Change in tax values of assets as a result of internal reorganization of the Group	19 079	21 207
Unutilized tax losses	52 317	55 391
Write-downs of assets	1 204	1 254
Differences in tax and carrying amounts of liabilities	9 580	8 085
Other differences	371	285
Deferred tax assets	***82 551***	***86 222***
Deferred tax liability:		
Differences in carrying and tax amounts of property, plant and equipment	64 153	65 960
Other	2 793	1 980
Deferred tax liability	***66 946***	***67 940***
Deferred tax assets/liability net	***15 605***	***18 282***

in PLN'000	As of 30 June 2017	As of 31 December 2016
Offsetting of deferred tax liability	(59 587)	(56 947)
Deferred tax assets after offsetting	***22 964***	***29 275***
Deferred tax liabilities after offsetting	***7 359***	***10 993***

Tax settlements and other regulated areas of activities (for example, customs or foreign currency issues) may be subject to inspections by administrative bodies which are entitled to impose high penalties and sanctions. The lack of reference to established legal regulations in Poland results in ambiguities and inconsistencies in the binding regulations. Frequent differences of opinion as to the legal interpretation of tax regulations, both internally within the state bodies and between the state bodies and enterprises, result in areas of uncertainty and conflict. Due to these factors the tax risk in Poland is considerably higher than in countries with more precisely developed tax systems. Tax settlements may be subject to inspections within five years from the end of the year in which tax was paid. As a result of inspections, the Group’s tax settlements may be increased by additional tax liabilities. The Group is of the opinion that as of 30 June 2017 there were no premises to record a provision against identifiable and measurable tax risk.

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

17. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares in issue during the year. The dilutive items include shares under the option scheme (Note 23).

in PLN'000	Six months ending 30 June 2017	Six months ending 30 June 2016
Net profit attributable to equity holders of the Parent Company	***14 374***	***21 341***
Weighted average number of shares shown for the purpose of calculating basic earnings per share (no. of units)	28 710 514	28 252 782
Effect of diluting the number of ordinary shares	186 083	483 342
Weighted average number of ordinary shares shown for the purpose of calculating diluted earnings per share (no. of units)	28 896 597	28 736 124
Basic (in PLN)	0,50	0,76
Diluted (in PLN)	0,50	0,74

18. CHANGES IN ALLOWANCES FOR ASSETS

During the six months ending 30 June 2017 the Group adjusted the value of allowances for trade receivables by PLN 303 thousand.

In the first six months of 2017 write-downs on intangible assets and property, plant and equipment of PLN 311 thousand were recorded.

19. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

In the period from 1 January 2017 to 30 June 2017 the Group purchased property, plant and equipment of PLN 9.5 million and intangible assets of PLN 10.1 million. In addition, the acquisition of programming assets amounted to PLN 1.7 million.

Due to broadcasting of the television program the Group has contractual commitments to purchase programming assets which as of 30 June 2017 amounted to PLN 1,474 thousand. These are short-term liabilities.

Apart from the above mentioned, as of 30 June 2017 and as of 31 December 2016 there were no significant commitments to purchase non-current and intangible assets.

20. GOODWILL

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

in PLN'000	Cash generating unit	As of 30 June 2017	As of 31 December 2016
Wirtualna Polska Media S.A. (former Grupa Wirtualna Polska S.A.)	Publishing and Advertising activities	92 040	92 040
Grupa Kapitałowa Money.pl Sp. z o.o.	Publishing and Advertising activities	11 550	11 550
Grupa Kapitałowa Money.pl Sp. z o.o.	Financial lead generation	7 808	7 808
NextWeb Media Sp. z o.o.	Publishing and Advertising activities	19 072	19 072
Finansowy supermarket.pl sp. z o.o.	Financial lead generation	6 148	6 148
dobreprogramy Sp. z o.o.	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	59 530	59 530
TotalMoney.pl Sp. z o.o.	Financial lead generation	8 820	8 820
Nocowanie.pl Sp. z o.o.	Nocowanie	16 793	16 793
Netwizor Sp. z o.o.	Publishing and Advertising activities	2 272	2 272
http Sp. z o.o.	Publishing and Advertising activities	180	180
Goodwill (gross)		***246 652***	***246 652***
Impairment of goodwill:			
http Sp. z o.o.	Publishing and Advertising activities	(180)	(180)
Goodwill (net)		***246 472***	***246 472***

In the case of the acquisitions of Netwizor Sp. z o.o. the goodwill presented above is based on the provisional settlement of the purchase price.

21. ACQUISITION AND BUSINESS COMBINATIONS

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

On 16 March 2016, Grupa Wirtualna Polska S.A. purchased 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 a total nominal value of PLN 320,000 which represents 100% of the share capital in TotalMoney.pl Sp. z o.o and represents 100% of the votes at the general meeting of shareholders of the acquired company.

The final purchase price for 100% of the shares amounted to PLN 14,500 thousand. The payment was made via bank transfer, of which PLN 9,959 thousand was financed from cash obtained from an initial public offering and the remaining part from own resources.

As of 30 June 2017 goodwill calculated in the final purchase price allocation process amounts to PLN 8,820 thousand.

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

On 7 March 2016, Grupa Wirtualna Polska S.A. signed a preliminary conditional purchase agreement for 75% of the shares in Nocowanie.pl Sp. z o.o with its registered office in Lublin. On 7 June 2016 the sale agreement for 75% of the shares in Nocowanie.pl Sp. z o.o was concluded as the conditions specified in the preliminary agreement had been fulfilled. The final purchase price of 75% of the 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 the 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 entitled to sell, the remaining minority interests in the share capital of Nocowanie.pl. The option exercise price will be calculated as the product of the 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 the 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 initially disclosed in correspondence with equity. The liability as of 30 June 2017 amounted to PLN 12,202 thousand. The following table shows the consideration paid and the fair values of acquired assets and liabilities at the acquisition date.

As of 30 June 2017 goodwill calculated in the final purchase price allocation process amounts to PLN 16,793 thousand.

Acquisitions and business combinations in 2016 – Netwizor Sp. z o.o.

On 13 December 2016 Grupa Wirtualna Polska S.A. signed share purchase agreement for 1,000 of the shares in Netwizor Sp. z o.o. with its registered office in Warsaw with a nominal value of PLN 100 each and the total nominal value of PLN 100,000 which represents 100% of the share capital in Netwizor Sp. z o.o. and represents 100% of the votes at the general meeting of shareholders of the acquired company.

The purchase price for 100 % of shares in Netwizor Sp. z o.o. amounted to PLN 549 thousand. In addition, the structure of the transaction provides for three contingent payments. The first payment of a nominal value of PLN 650 thousand may be paid in 2017, and its payment is conditioned by obtaining the EBITDA specified in the agreement by Netwizor Sp. z o.o. The second and third tranches will be calculated on the basis of contractually fixed percentage of the appraised value of the company, calculated as a multiplication of the Company's EBITDA respectively for the year 2019 (earn-out 1) and 2020 (earn-out 2) and the multiplier dependent on the average growth rate of Netwizor's EBITDA for the financial years 2018 and 2019 (in the case of earn-out 1) and for the financial years 2019 and 2020 (in the case of earn-out 2)

As of 30 June 2017 goodwill calculated in the provisional purchase price allocation process amounts to PLN 2,272 thousand.

in PLN'000	TotalMoney.pl Sp. z o.o.	Nocowanie.pl Sp. z o.o.	Netwizor Sp. z o.o.	Total
Cash and cash equivalents - payment for the shares	14 500	21 957	549	37 006
Long- term contingent consideration	-	-	1 699	1 699
Total	***14 500***	***21 957***	***2 248***	***38 705***
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	54	2 864
Property, plant and equipment	-	165	5	170
Trademark	1 588	3 832	103	5 523
Client relations	2 631	6 108	204	8 943
Copyrights and other intangible assets	218	-	-	218
Trade and other receivables	662	425	82	1 169
Loans	-	(125)	-	(125)
Trade and other payables	(719)	(3 172)	(414)	(4 305)
Deferred tax	(745)	(1 091)	(58)	(1 894)
Provisions for employee benefits	(22)	-	-	(22)
Total identifiable net assets	***5 680***	***6 885***	***(24)***	12 541
Goodwill	***8 820***	***16 793***	***2 272***	***27 885***

The results of Totalmoney.pl Sp. z o.o. were consolidated from the second quarter of 2016, while Nocowanie.pl Sp. z o.o. is consolidated since June 2016 and Netwizor Sp. z o.o. since first quarter of 2017.

22. SHARE CAPITAL

The structure of share capital as of 30 June 2017 is as follows:

Shareholder	Number of shares	% of share capital	Number of votes	% of votes
Jacek Świderski through subsidiaries:	3 763 237	13,06%	7 526 474	18,77%
Orfe S.A.	3 763 237	13,06%	7 526 474	18,77%
Michał Brański through subsidiaries:	3 763 236	13,06%	7 526 472	18,77%
10X S.A.	3 763 236	13,06%	7 526 472	18,77%
Krzysztof Sierota through subsidiaries:	3 763 236	13,06%	7 526 472	18,77%
Albemuth Inwestycje S.A.	3 763 236	13,06%	7 526 472	18,77%
Founders together*	11 289 709	39,19%	22 579 418	56,31%
Other	17 520 043	60,81%	17 520 043	43,69%
Total	***28 809 752***	***100,00%***	***40 099 461***	***100,00%***

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

Significant changes of shareholders

On 4 January 2017, European Media Holding S.à r.l. contributed 3,400,000 registered shares of the Company, preferred in terms of voting rights so that one share entitles two votes at the general meeting, as an in-kind contribution to pay for newly issued shares in the increased share capital of its subsidiaries: Palaja sp. z o.o., Silveira sp. z o. o., Liceia sp. z o.o. and Innova Noble S.à r.l.

As a result of the transaction:

- the Shareholder directly does not hold any shares in the Company, and its direct interest in the total number of shares in the share capital of the Company decreased by 11.86 pp, and the Shareholder's interest in the total number of votes at the general meeting of the Company decreased by 5.16 pp which is below the threshold of 5% of the total number of votes at the general meeting of the Company;

- the Shareholder's indirect interest in the total number of shares in the share capital of the Company and in the total number of votes at the general meeting of the Company remained unchanged and amounts to 11.86% (share in the share capital of the Company) and 5.16% (share in the total number of votes at the general meeting of the Company).

As a result of the transaction European Media Holding S.à r.l. held shares through the following subsidiaries:

- Palaja sp. z o.o., directly holds 568,000 shares in the Company representing a 1.98% interest in the share capital of the Company; Palaja sp. z o.o. is not entitled to exercise the voting rights attached to these shares, as these voting rights are subject to the Pledge Agreement;
- Silveira sp. z o. o., directly holds 568,000 shares in the Company representing a 1.98% interest in the share capital of the Company; Silveira sp. z o.o. is not entitled to exercise the voting rights attached to these shares, as these voting rights are subject to the Pledge Agreement;
- Liceia sp. z o.o., directly holds 568,000 shares in the Company representing a 1.98% interest in the share capital of the Company; Liceia sp. z o.o. is not entitled to exercise the voting rights attached to these shares, as these voting rights are subject to the Pledge Agreement;
- Innova Noble S.à r.l., directly holds 1,696,000 shares in the Company representing a 5.91% interest in the share capital of the Company and entitling to exercise 5.16% of the votes at the general meeting of the Company (some of the shares held by Innova Noble S.à r.l. are subject to the Pledge Agreement).

On 9 February 2017, the Company received from European Media Holding S.à r.l., with its registered seat in Luxembourg, notice about the change in the share of the shareholder in the total number of shares in the Company's share capital and in the total number of votes at the General Meeting of the Company as a result of:

- a transfer, on 8 February 2017, by the Shareholder of all the shares in the subsidiaries : Palaja sp. z o.o., Silveira sp. z o. o. and Liceia sp. z o.o., which jointly held 1,704,000 registered shares in Wirtualna Polska Holding S.A. preferred in terms of voting rights so that one share entitles two votes at the general meeting and
- a contribution by a shareholder's subsidiary Innova Noble S.à r.l., with its registered office in the Grand Duchy of Luxembourg, of 1,696,000 registered shares of the Company preferred in terms of voting rights so that one share entitles two votes at the general meeting, as contributions in-kind to cover the new shares in the increased share capital of the companies: Orfe S.A., Albemuth Inwestycje S.A. and 10X S.A.;

thereby European Media Holding S.à r.l. indirectly sold 3,400,000 of the Company's shares.

Moreover, on 9 February 2017, the Company received from its shareholder companies 10x S.A., Albemuth Inwestycje S.A. and Orfe S.A., as well as from Michał Brański, Krzysztof Sierota and Jacek Świderski (collectively referred to as "Founders"), notice about the change in the share of the Shareholders and Founders in the total number of votes as a result of the following events:

- the acquisition, on 8 February 2017, of (i) 100% of the shares in Palaja sp. z o.o. by 10X S.A.; (ii) 100% of the shares in Silveira sp. z o.o. by Albemuth Inwestycje S.A.; and (iii) 100% of the shares in Liceia sp. z o.o. by Orfe S.A.; and
- a contribution, on 8 February 2017, by Innova Noble S.à r.l., with its registered office in the Grand Duchy of Luxembourg, of registered shares having preferential rights as to voting i.e. (i) 565,333 registered shares in Wirtualna Polska Holding S.A. being an in-kind contribution to pay for newly issued shares in the increased

share capital of 10X S.A.; (ii) 565,333 registered shares of the Company, being an in-kind contribution to pay for newly issued shares in the increased share capital of Albemuth Inwestycje S.A.; and (iii) 565,334 registered shares of the Company, being an in-kind contribution to pay for newly issued shares in the increased share capital of Orfe S.A.,

- the expiry of pledges established on the registered A series shares of the Company having preferential rights as to voting, so that one share entitles two votes at the general meeting pursuant to the pledge agreement of which the Company notified the public in the current report No. 46/2015 of 9 December 2015.

After the Transaction, the Founders and Shareholders are entitled to exercise the voting rights in the following manner:

- Jacek Świderski is indirectly entitled to exercise voting rights attached to 3,763,237 series A registered shares in the Company having preferential rights as to voting, so that one share entitles two votes at the general meeting (including 3,195,237 shares held by Orfe S.A. and 568,000 shares held by Liceia sp. z o.o.), which constitutes a 13.06% interest in the Company's share capital, representing 7,526,474 votes at the general shareholders meeting of the Company and constituting 18.77% of the overall number of votes;
- Krzysztof Sierota is indirectly entitled to exercise voting rights attached to 3,763,236 series A registered shares in the Company having preferential rights as to voting, so that one share entitles two votes at the general meeting (including 3,195,236 shares held by Albemuth Inwestycje S.A. and 568,000 shares held by Silveira sp. z o.o.), which constitutes a 13.06% interest in the Company's share capital, representing 7,526,472 votes at the general shareholders meeting of the Company and constituting 18.77% of the overall number of votes; and
- Michał Brański is indirectly entitled to exercise voting rights attached to 3,763,236 series A registered shares in the Company having preferential rights as to voting, so that one share entitles two votes at the general meeting (including 3,195,236 shares held by 10X S.A. and 568,000 shares held by Palaja sp. z o.o.), which constitutes a 13.06% interest in the Company's share capital, representing 7,526,472 votes at the general shareholders meeting of the Company and constituting 18.77% of the overall number of votes.

On 18 May 2017 the Management Board obtained from shareholders - Orfe S.A., 10x S.A., Albemuth Inwestycje S.A. and Michał Brański, Krzysztof Sierota and Jacek Świderski (collectively referred to as "Founders"), a notification on the change in general number of votes held by the Shareholders and Founders at the General Meeting of the Company as a result of the following events:

a) as a result of registration on May 16, 2017 by the District Court for the Capital City of Warsaw in Warsaw, XII Commercial Division of the National Court Register:

- art. 492 par. 1 point 1 in conjunction with Art. 516 par. 1, par.5 and par. 6 of the Act of 15 September 2000 - Code of Commercial Companies ("KSH") by transferring to Orfe S.A. a joint-stock company with its registered office in Warsaw as the acquirer of all assets of its one-person Liceia sp. z o.o. with its registered office in Warsaw as the acquired company (merger by takeover),
- art. 492 par. 1 point 1 in conjunction with Art. 516 par. 1, par. 5 and par. 6 of the Code of Commercial Companies by transferring to the company 10x S.A. a joint stock company with its registered office in Warsaw as the acquirer of the entire assets of its one-man Palaja sp. z o.o. with its registered office in Warsaw, as the acquired company (merger by takeover),

b) as a result of registration on May 18, 2017 by the District Court for the Capital City of Warsaw in Warsaw, XII Commercial Division of the National Court Register:

- art. 492 par. 1 point 1 in conjunction with Art. 516 par. 1, par. 5 and par. 6 of the Code of Commercial Companies by transferring to Albemuth Inwestycje S.A. a joint stock company with its registered office in Warsaw as the acquirer of all assets of its one-man Silveira sp. z o.o. with its registered office in Warsaw as the acquired company (merger by takeover);

After the Transactions, the Founders and the Shareholders were entitled to exercise the voting rights in the following manner:

- Jacek Świderski via Orfe S.A. was indirectly entitled to 3,763,237 A-series registered shares of the Company preferred to voting in such a way that for one share there were two votes at the general meeting, which constituted 13.06% of the share capital of the Company, representing 7,526,474 votes from these shares at the General Meeting of Shareholders and constituting 18.77% of the total number of votes;

- Krzysztof Sierota via Albemuth S.A. was indirectly entitled to 3,763,236 A-series registered shares of the Company preferred to voting in such a way that for one share there were two votes at the general meeting, which constituted 13.06% of the share capital of the Company, representing 7,526,472 votes from these shares at the General Meeting of Shareholders and constituting 18.77% of the total number of votes;
- Michał Brański via 10X S.A. was indirectly entitled to 3,763,236 A-series registered shares in the Company of voting privileges, so that one share was entitled to two votes at the general meeting, which constituted 13.06% of the share capital of the Company, representing 7,526,472 votes at the General Meeting of Shareholders and constituting 18.77% of the total number of votes.

Share capital increase

On 24 February 2017, the share capital was increased from PLN 1,433,826.05 to PLN 1,434,931.20 i.e. by PLN 1,105.15. The share capital increase took place in connection with the admission to trading and entering on the accounts (issue) of 22,103 shares with a par value of PLN 0.05 each under the option scheme.

On 31 May 2017, the share capital was further increased from PLN 1,434,931.20 to PLN 1,440,487.60 i.e. by PLN 5,556.70. The share capital increase took place in connection with the admission to trading and entering on the accounts (issue) of 111,128 shares with a par value of PLN 0.05 each under the option scheme.

On 26 April 2017 the Ordinary General Meeting of Wirtualna Polska Holding S.A adopted a resolution according to which it has decided to allocate the Company's net profit for the financial year 2016 of PLN 4,608 thousand and amount of PLN 27,085 thousand from the Company's profits from previous years, to pay dividends to the Shareholders of the Company. The Ordinary General Meeting of the Company has decided to set a dividend day on 10 July 2017 and the dividend payment date on 20 July 2017. The final dividend payment amounted to PLN 1.10 per share, i.e. the total amount of PLN 31,693 thousand.

Dividend policy

In 2015 and 2016 the Parent Company of the Group did not pay any dividend. On 20 December 2016, the Management Board of Wirtualna Polska Holding S.A adopted a dividend policy. The policy assumes a dividend payment at the level above PLN 1 per share, but not more than 70% of the consolidated net profit of the Capital Group reported in the consolidated financial statements for a given financial year.

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

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

in PLN'000	As of 30 June 2017	As of 30 June 2016
Dividend passed during the period for the current and prior years	31 693	-
Dividend liabilities at the end of the period	31 693	-
Dividend per share in PLN	1,10	-

23. INCENTIVE SCHEMES – SHARE-BASED PAYMENTS

First Incentive Schemes

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

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

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

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

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

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

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

The expected total cost of the scheme as of the balance sheet date to be recognized in the financial statements over the following periods of its validity amounted to PLN 1,636 thousand. The total costs recognized in the financial result for the period ending 30 June 2017 in respect of the scheme amounted to PLN 313 thousand and the total cost recognized in the previous periods amounted to PLN 4,821 thousand.

On 26 September 2016, the resolution no. 3 of the Extraordinary Shareholders Meeting of the Company was passed. On the basis of the resolution, the subscription warrants issued after the date of adoption of this resolution are non-transferable, the issuance of subscription warrants under the incentive scheme will be carried out by a private placement addressed to no more than 149 entitled people, and shares will be offered by a private placement addressed to no more than 149 entitled people who will be entitled to subscribe to subscription warrants.

	Share options (no. of units)
As of 1 January 2017	***353 069***
Awarded	49 224
Non executed	(69 037)
Executed	(115 270)
As of 30 June 2017	***217 986***
Including the number of options vested as of the balance sheet date	27 635

The exercise price of the options outstanding as of 30 June 2017 amounted to PLN 12.17, and the period remaining to the end of the contractual life of the option is between one quarter and 6 years.

Second Incentive Scheme

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

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

The weighted average fair value of the options awarded during the period, determined using the binomial valuation model, amounted to PLN 15.23 per option. The key input data for the model were as follows: the share price as of the date of awarding the options, the exercise price, volatility of rates of return on shares between 18.6%-19.4%, a dividend rate of 0.0%, the expected vesting period and the annual risk-free interest rate of 1.68%-3.18%. The 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 recognized in the financial statements over the following periods of its validity amounted to PLN 8,352 thousand. The total costs recognized in the financial result for the period ending 30 June 2017 in respect of the scheme amounted to PLN 394 thousand and the cost recognized in the previous periods amounted to PLN 293 thousand.

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

	Share options (no. of units)
As of 1 January 2017	***130 832***
Awarded	375 000
Non executed	(48 664)
Executed	(17 961)
As of 30 June 2017	***439 207***
Including the number of options vested as of the balance sheet date	16 635

The exercise price of the options outstanding as of 30 June 2017 amounted to PLN 32, and the period remaining to the end of contractual life of the option is between 5.5 and 6 years.

24. 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 the Group concluded four IRS transactions. The IRS floating to fixed transactions was concluded with creditors in relation to PLN 48.8 million of the A tranche of the loan and PLN 77.2 million of the B tranche of the loan. The key parameters of the instruments (interest periods dates, the reference rate, payment schedules and amortization) are consistent with those deriving from the loan agreement.

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

On each balance sheet date, the Group indicates the effective and ineffective part of the hedge according to the IAS 39.95 rules in order to note changes in the fair value. The effective part of the cumulated gain/loss (change in fair value) from the instrument is recognized in other comprehensive income. The ineffective part of the cumulated gain/loss (change in fair value) from the instrument is presented in the 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 amortization, the effectiveness tests conducted in first quarter of 2016 and 2017 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 2017 in the consolidated balance sheet.

in PLN'000	As of 30 June 2017
Long-term liabilities from valuation of hedging instrument	420
Short-term liabilities from valuation of hedging instrument	649
Deferred tax assets recognized on the valuation of hedging instrument	203
Revaluation reserve	866

Using the cash flow hedge accounting allows the effective part of the financial instrument to be booked 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 the hedged instrument. This allows a reduction in the volatility of the financial results from the valuation of the hedging instrument and achieve a 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.

25. LOANS AND LEASES

in PLN'000	As of 30 June 2017	As of 31 December 2016
Long-term:		
Bank loans	179 361	174 018
Finance leases	646	554
	180 007	***174 572***
Short-term:		
Bank loans	33 392	38 927
Finance leases	274	275
	33 666	***39 202***
Total:	***213 673***	***213 774***

Bank loans

On 24 March 2015, Grupa Wirtualna Polska S.A. and mBank S.A. and ING Bank Śląski S.A. 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 S.A. to a total amount of up to PLN 279.5 million.

From the date of refinancing to the date of preparing these financial statements there were four drawdowns and ten repayments of debt under the new loan agreement. In December 2015, the Group used the investment tranche for the partial repayment (PLN 50 million) of the purchase price for the shares in Enovatis S.A. Additionally, in June 2016 the Group used the investment tranche for the partial repayment (PLN 12 million) of the purchase price for the shares in Nocowanie.pl Sp. z o.o. In May 2017 and July 2017 the Group refinanced part of its investment expenditure in the amount of PLN 12,940 thousand and PLN 2,071 thousand respectively.

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 the 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.

On 30 June 2017 the loan agreement was amended, among others by extending the deadline for repayment of the loan by 31 March 2022.

Wirtualna Polska Media S.A. (former Grupa Wirtualna Polska S.A.)is obliged to repay the debt as follows:

- tranche A should be repaid in twenty equal quarterly installments payable over a period of 5 years after a lapse of 3 months from concluding the new loan agreement;
- tranche B should be repaid on the final maturity date which will fall on the 7th anniversary of the conclusion of the new loan agreement;
- tranche CAPEX should be repaid in twelve equal quarterly installments. The first repayment is due on 31 March 2019.

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

- financial and registered pledges on shares in Wirtualna Polska Media S.A., http Sp. z o.o., Dobreprogramy Sp. z o.o., BusinessClick Sp. z o.o., Money.pl Sp. z o.o., Domodi Sp. z o.o., WP1 Sp. z o.o., Nocowanie.pl Sp. z o.o. and Enovatis S.A.;
- registered pledges on items and rights of Wirtualna Polska Holding S.A., Wirtualna Polska Media S.A., Money.pl Sp. z o.o., WP1 Sp. z o.o., Nocowanie.pl Sp. z o.o., Enovatis S.A.;
- ordinary and registered pledges on the rights to the trademarks of Wirtualna Polska Media S.A., Money.pl Sp. z o.o., Nocowanie.pl Sp. z o.o. and Enovatis S.A.;
- financial and registered pledges on bank accounts maintained for Wirtualna Polska Holding S.A., Wirtualna Polska Media S.A., Money.pl Sp. z o.o., WP1 Sp. z o.o., Nocowanie.pl Sp. z o.o., Enovatis S.A. 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 S.A. and Wirtualna Polska Media S.A.; Money.pl Sp. z o.o.; WP1 Sp. z o.o., Nocowanie.pl Sp. z o.o. and Enovatis S.A.;
- declarations on submission to enforcement procedures by Wirtualna Polska Holding S.A., Wirtualna Polska Media S.A., Money.pl Sp. z o.o.; WP1 Sp. z o.o., Nocowanie.pl Sp. z o.o., Enovatis S.A. and
- a subordination agreement for the repayment of indicated existing and future dues in respect of Wirtualna Polska Media S.A. to the dues of the new borrowers.

On 30 June 2017 Wirtualna Polska Media S.A. signed annex to the loan agreement, in accordance to which funding banks have agreed to limit credit collateral, among others by removing registered pledges on the assets and on the bank accounts of WP 1 Sp. z o.o. and Nocowanie.pl Sp. z o.o., by canceling the transfer of rights to collateral from contracts, declarations of submission to enforcement and subordination agreements to which those companies were parties. Banks also agreed to remove the registered pledges on shares in http Sp. z o.o., Dobreprogramy Sp. z o.o., BusinessClick Sp. z o.o., WP1 Sp. z o.o. and Nocowanie.pl Sp. z o.o.

The debt from the loan agreement was presented in the balance sheet as of 30 June 2017 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

As of 30 June 2017 the Group had no unpaid loans.

26. CONTINGENT LIABILITIES

Contingent liabilities arising from acquisitions of subsidiaries result from the arrangements made with the former owners of Allani Sp. z o.o. and Netwizor Sp. z o.o. As of 30 June 2017, the estimated non-discounted amount of all future payments that the Group may be obliged to make based under the arrangements adopted amounted to PLN 8,395 thousand. The fair value of contingent consideration of PLN 6,433 thousand was in all cases estimated using the income method. Valuations of both obligations are at level 3 of the fair value hierarchy. Further information is disclosed in note 30.

27. PROVISIONS

in PLN'000	As of 30 June 2017	As of 31 December 2016
Provision for employee benefits	***3 940***	***3 276***
provision for pension benefits	249	249
holiday pay provision	3 691	3 027
Other provisions, including:	***1 654***	***1 511***
Provisions for litigation	1 569	1 451
Other	85	60
Total	***5 594***	***4 787***

in PLN'000	As of 30 June 2017	As of 31 December 2016
Provision for employee benefits		
At the beginning of the period	***3 276***	***2 891***
Recorded during the year	664	490
Released	-	(98)
Business combinations	-	22
Sale of subsidiaries	-	(29)
At the end of the period	***3 940***	***3 276***
Other provisions:		
At the beginning of the period	***1 511***	***1 661***
Recorded during the year	367	794
Utilized	(112)	(460)
Released	(112)	(369)
Business combinations	-	25
Sale of subsidiaries	-	(140)
At the end of the period	***1 654***	***1 511***

28. TRADE AND OTHER PAYABLES

The following table presents the structure of trade and other payables as of 30 June 2017 and 31 December 2016.

in PLN'000	As of 30 June 2017	As of 31 December 2016
Long-term:		
Contingent liabilities related to business combinations	5 846	6 075
Interest rate swaps - cash flow hedges	420	522
Liabilities with respect to the put option for non-controlling interests	128 912	125 890
Liabilities in respect of purchase of property, plant and equipment and intangible assets	9 941	11 201
Short-term:		
Trade payables	31 736	34 778
Contingent liabilities related to business combinations	587	-
Interest rate swaps - cash flow hedges	649	694
Dividend liabilities	32 116	-
State liabilities	7 286	4 821
Barter liabilities	6 619	875
Wages and salaries payables	3 836	5 947
Liabilities in respect of purchase of property, plant and equipment and intangible assets	5 279	12 436
Deferred income	5 916	4 567
Other	4 934	4 727
Total	***98 958***	***68 845***

29. 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 2017, 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 to 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 S.A. and its subsidiaries in the total amount of at least 10% of the Wirtualna Polska Holding S.A. 's equity.

In the first six months of 2017 the Capital Group paid the total amount of PLN 112 thousand as compensation in cases concerning the protection of personal rights. Additionally, in the analyzed period, the provision for court proceedings increased by PLN 118 thousand.

30. FAIR VALUE ESTIMATION

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

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

The following table presents the Group's financial liabilities measured at fair value as of 30 June 2017

in PLN'000	Level 1	Level 2	Level 3	Total
Assets and liabilities measured at fair value				
Financial assets available for sale	3 705	-	15 625	***19 330***
Contingent liabilities related to business combinations	-	-	(6 433)	***(6 433)***
Interest rate contracts	-	(1 069)	-	***(1 069)***
Total assets and liabilities	***3 705***	***(1 069)***	***9 192***	***11 828***

Level 1 financial Instruments

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

Level 2 financial Instruments

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

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

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 liabilities for the period of 6 months ending 30 June 2017 and twelve months of the year 2016:

in PLN'000	Contingent consideration under business combinations	
	As of 30 June 2017	As of 31 December 2016
At the beginning of the period	***6 075***	***15 590***
Acquisition of Netwizor Sp. z o.o.	-	1 699
Calculation of consideration paid as earn-out	-	5 218
Repayment of liability related to acquisition of Sportowefakty	-	(336)
Revaluation of liability related to acquisition of Sportowefakty	-	56
Repayment of earn-out NextWeb Media Sp. z o.o.	-	(15 500)
Repayment of earn-out Allani Sp. z o.o.	-	(3 277)
Gains and losses recognized in financial result	358	2 625
At the end of the period	***6 433***	***6 075***

All assets and liabilities measured at their fair value were valued in accordance with the methodology described in detail in the consolidated financial statement for the year ended 31 December 2016, except for shares in eSky S.A. which, due to the short time between the transaction and the balance sheet date, were valued at their purchase price.

The table below presents the fair and carrying values of financial instruments.

in PLN'000	Carrying amount	Fair value
Bank loans	212 753	216 260
Finance leases liabilities	920	920
Total	***213 673***	***217 180***

31. OBJECTIVES AND PRINCIPLES OF FINANCIAL RISK MANAGEMENT

The Group is exposed to credit risk and liquidity risk and also to cash flow and fair value risks as a result of interest rate fluctuations. As of 30 June 2017 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 minimize potential adverse effects on the Group's financial performance. The Group utilizes derivative financial instruments to hedge against some risks. Since 2014, The Group has swap instruments to economically hedge against interest rate risk arising from loan agreements concluded.

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

Credit risk

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

- ***Trade receivables***

The Group concludes transactions with firms having a good reputation on the market and with a long relationship history which so far had no problems with the settlement of liabilities to the Group. All clients who wish to use trade credit are subjected to initial verification procedures. Moreover, due to the on-going monitoring of the balances of receivables, the Group's exposure to bad debt risk is insignificant. Due to a specific nature of the market on which the Group operates, receivables overdue up to 180 days are not considered irregular (unless the Group has information of a given client's financial difficulties). This results from the fact that the Group's clients are mainly agents (media houses, etc.) acting on behalf of the end clients. Therefore, it is frequently the case that the Group's clients suspend payment until funds from the end client are transferred to their account. There is no significant concentration of credit risk in the Group, and receivables are usually paid up within 60 days.

- ***Cash in the bank***

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

in PLN'000	As of 30 June 2017	As of 31 December 2016
Banks with high rating	48 324	45 150
Total cash at banks	***48 324***	***45 150***

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 borrowing. Loans and borrowing with floating interest rates expose the Group to the risk of cash flow fluctuations as a result of changes in interest rates.

The Group actively analyses its exposure to interest rate fluctuations. Simulations of various scenarios are conducted, taking into account refinancing, renewal of the existing positions, alternative financing and hedges. Based on these scenarios, the Group calculates the effect of specific interest rate fluctuations on the financial result. These scenarios are only created for liabilities which constitute the largest interest-bearing items. Based on various scenarios, the Group manages its cash flow risk relating to interest rate fluctuations – 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 2017, the Group was a party in four swap agreements converting floating interest rates into fixed, which in total hedged PLN 102 million of debt, which was 48% of the nominal value of the Group's bank loan. The Group estimates that a change of interest rate by 1 p.p. would result in additional PLN 1.7 million of financial interest costs per annum.

In 2017 and 2016, all Group's loans and borrowings 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.

32. RELATED PARTY DISCLOSURES

As of 30 June 2017 no individual entity can control the Group independently. Nevertheless, in view of the share of the overall number of votes at the General Meeting, the Founders (i.e. Jacek Świderski, Michał Brański and Krzysztof Sierota) and Companies controlled by them (acting in concert on the basis of a cooperation agreement regarding the joint exercise of ownership rights based on holding shares in the Company after the Admission Date) are able to exercise a decisive influence over the decisions regarding the most important corporate issues such as the appointment and dismissal of the President of the Management Board, the appointment and dismissal of the members of the Supervisory Board, the amendment of the Articles of Association, the issuance of new shares in the Company, a decrease of the share capital of the Company, the issuance of convertible bonds, dividend payments and other actions which, pursuant to the Commercial Companies Code, require an ordinary or a qualified majority of votes at the General Meeting.

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

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 2017	As of 31 December 2016
Liabilities:		
Founders (dividend liabilities)	12 419	-
Dividend liabilities to Management and Supervisory Board members of the parent company	222	-
Subsidiary of a member of the Management Board of the Parent Company	1	14
Total	***12 642***	***14***
Receivables:		
Subsidiary of a member of the Management Board of the Parent Company	6	6
Total	***6***	***6***

The following transactions were concluded with related entities:

in PLN'000	Six months ending 30 June 2017	Six months ending 30 June 2016	Three months ending 30 June 2017	Three months ending 30 June 2016
Purchases:				
Subsidiary of a member of the Management Board of the Parent Company	7	67	2	(16)
Total	***7***	***67***	***2***	***(16)***

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

in PLN'000	Six months ending 30 June 2017	Six months ending 30 June 2016	Three months ending 30 June 2017	Three months ending 30 June 2016
Short-term employee costs (salaries and related benefits)	2 857	2 942	1 145	1 964
Incentive scheme – share-based payments	108	1 018	54	492
Total	***2 965***	***3 960***	***1 199***	***2 456***

33. EXPLANATIONS TO THE CASHFLOW STATEMENT

in PLN'000	Six months ending 30 June 2017	Six months ending 30 June 2016
Change in receivables and other short-term assets arises from the following items:	***(6 238)***	***(11 322)***
Change in receivables and other short-term assets per balance sheet	(5 887)	(12 658)
Change in long-term receivables per balance sheet	(104)	-
Change in assets relating to financing activities	20	21
Receivables and other assets of companies as of the date of obtaining control	-	694
Change in income tax receivables	(267)	618
Other	-	3
Change in short-term liabilities arises from the following items:	***4 307***	***2 690***
Change in short-term liabilities per balance sheet	30 113	11 217
Adjustment for a change in the liability in respect of swap instruments	45	84
Adjustment for a change in investment liabilities	6 570	(3 562)
Adjustment for a change in dividend liabilities	(32 116)	
Adjustment for a change in the liability in respect of outstanding dividend	-	(1 019)
Operating liabilities taken over as a result of obtaining control	-	(3 745)
Change in long-term deferred income	(227)	-
Change in liabilities in respect of financing activities	(81)	(253)
Other	3	(32)
Change in provisions arises from the following items:	***807***	***509***
Change in short-term provisions per balance sheet	807	554
Provisions taken over as a result of obtaining control	-	(45)
Purchase of shares in a subsidiary:	**-**	***(35 890)***
Nominal purchase price	-	(36 457)
Repayment of liabilities related to acquisitions of shares in previous periods	-	(2 243)
Cash and cash equivalents in subsidiaries as of the date of the acquisition's settlement	-	2 810

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

34. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Registration of word trademarks: wp.pl and wp

As a result of the completion of legal disputes between Grupa Wirtualna Polska S.A. and Mr. Leszek Bogdanowicz, as well as the taking by Polish Patent Office of suspended administrative proceedings concerning the registration of trademarks, on 2 June 2017 Polish Patent Office granted the protection of the word trademarks: wp and wp.pl. On 7 July 2017 the subsidiary paid the charges for protection periods, thus protection of trademarks shall be deemed to have been fulfilled.

At the same time, on 6 July 2017 the deadline for filing complaints about the decisions in the Voivodship Administrative Court in Warsaw expired, so these decisions are not subject to appeal in the ordinary court-administrative proceedings.

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

Guarantees granted to non-Group entities

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

Inter-company guarantees

After the refinancing in April 2015 the following companies are guarantors of the loan agreement by and between Wirtualna Polska Media S.A. (former Grupa Wirtualna Polska S.A.) and mBank and ING Bank Śląski: Wirtualna Polska Holding S.A., Money.pl Sp. z o.o., WP1 Sp. z o.o. and Nocowanie.pl Sp. z o.o.

36. SELECTED CONSOLIDATED FINANCIAL DATA CONVERTED INTO EUR

Consolidated income statement and other comprehensive income

	Six months ending 30 June 2017	Six months ending 30 June 2016	Six months ending 30 June 2017	Six months ending 30 June 2016
	in PLN'000		in EUR'000	
Segment ONLINE				
Sales	211 883	189 217	49 885	43 195
Cash sales	195 754	171 566	46 088	39 166
Adjusted EBITDA	68 142	61 846	16 043	14 118
EBITDA	63 212	57 164	14 883	13 050
Segment TV				
Sales	2 545	-	599	-
Cash sales	2 545	-	599	-
Adjusted EBITDA	(7 806)	(382)	(1 838)	(87)
EBITDA	(7 837)	(383)	(1 845)	(87)

	Six months ending 30 June 2017	Six months ending 30 June 2016	Six months ending 30 June 2017	Six months ending 30 June 2016
	in PLN'000		in EUR'000	
Segments total				
Sales	214 428	189 217	50 485	43 195
Cash sales	198 299	171 566	46 687	39 166
Adjusted EBITDA	60 336	61 464	14 205	14 031
EBITDA	55 375	56 781	13 037	12 962
Amortization and depreciation of fixed assets and intangibles	(24 735)	(19 956)	(5 824)	(4 556)
Operating profit	30 640	36 825	7 214	8 407
Result on financial activities	(8 734)	(8 068)	(2 056)	(1 842)
Profit before tax	21 906	27 496	5 158	6 277
Net profit	16 778	20 994	3 950	4 793

Consolidated statement of financial position

	As of 30 June 2017	As of 31 December 2016	As of 30 June 2017	As of 31 December 2016
	in PLN'000		in EUR'000	
Total assets	866 724	852 196	205 069	192 630
Non-current assets	735 209	729 742	173 952	164 951
Current assets	131 515	122 454	31 117	27 679
Long-term liabilities	333 137	330 132	78 821	74 623
Short-term liabilities	138 564	113 339	32 785	25 619
Equity	395 023	408 725	93 463	92 388
Share capital	1 441	1 434	341	324
Non-controlling interests	16 280	16 467	3 852	3 722

Consolidated cash flow statement

	Six months ending 30 June 2017	Six months ending 30 June 2016	Six months ending 30 June 2017	Six months ending 30 June 2016
	in PLN'000		in EUR'000	
Net cash flows from operating activities	49 377	51 397	11 625	11 733
Net cash flows from investing activities	(40 792)	(54 501)	(9 604)	(12 442)
Net cash flows from financing activities	(5 411)	(8 751)	(1 274)	(1 998)
Total net cash flows	***3 174***	***(11 855)***	***747***	***(2 706)***

Conversion into euro was performed based on the following principles:

- amounts presented in zloty as of 30 June 2017 were converted into euro at the exchange rate of 4.2265 (the NBP exchange rate as of 30 June 2017),
- amounts presented in zloty as of 31 December 2016 were converted into euro at the exchange rate of 4.4240 (the NBP exchange rate as of 31 December 2016),
- amounts presented in zloty for the period of six months ending 30 June 2017 were converted into euro at the exchange rate of 4.2474 (the arithmetic mean of the NBP exchange rates as of the last day of each month of the first six months of 2017),
- 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 six months of 2016).

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

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

In the opinion of the Management Board of Wirtualna Polska Holding S.A. 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 Świderski,
President of the Management Board

Michał Brański,
Member of the Management Board

Krzysztof Sierota,
Member of the Management Board

Elżbieta Bujniewicz-Belka,
Member of the Management Board

Warsaw, 28 August 2017

CONDENSED INTERIM STANDALONE FINANCIAL STATEMENTS

as of 30 June 2017
and
for the period of 3 and 6 months ending
30 June 2017

Interim standalone income statement and other comprehensive income

in PLN'000	Six months ending 30 June 2017	Six months ending 30 June 2016	Three months ending 30 June 2017 *	Three months ending 30 June 2016*
Sales	***3 781***	***4 482***	***1 893***	***2 237***
Amortization and depreciation	(7)	(7)	(4)	(4)
Materials and energy used	(9)	(3)	(6)	(1)
Costs of the employee option scheme	(629)	(1 203)	(358)	(677)
Other external services	(683)	(726)	(332)	(405)
Other salary and employee benefit expenses	(3 319)	(3 501)	(1 370)	(1 725)
Other operating expenses	(109)	(131)	(52)	(90)
Dividend income	238	360	238	360
Operating loss	***(737)***	***(729)***	***9***	***(305)***
Finance income	6 133	5 996	3 092	3 028
Finance costs	(1)	(954)	-	(485)
Profit before tax	***5 395***	***4 313***	***3 101***	***2 238***
Income tax	(1 106)	(989)	(616)	(491)
Net profit	***4 289***	***3 324***	***2 485***	***1 747***
Other comprehensive income/(losses)	-	-	-	-
Comprehensive income	***4 289***	***3 324***	***2 485***	***1 747***

** The data was not reviewed by Auditor*

Interim standalone statement of financial position

in PLN'000	Nota	As of 30 June 2017	As of 31 December 2016
Non-current assets			
Intangible assets		39	46
Investments in subsidiaries	9	203 307	203 230
Loans granted	9	288 083	280 935
		491 429	***484 211***
Current assets			
Trade receivables and other assets		1 860	811
Cash and cash equivalents		74	1 273
		1 934	***2 084***
TOTAL ASSETS		***493 363***	***486 295***
Equity			
Share capital	10	1 441	1 434
Supplementary capital		317 801	315 830
Other reserves		5 820	5 113
Retained earnings		131 164	158 568
		456 226	***480 945***
Long-term liabilities			
Deferred tax liability		4 402	3 449
		4 402	***3 449***
Short-term liabilities			
Trade and other payables	10	32 615	1 493
Provisions for employee benefits		17	17
Current income tax liabilities		103	391
		32 735	***1 901***
TOTAL EQUITY AND LIABILITIES		***493 363***	***486 295***

Interim standalone statement of change in equity

in PLN'000	Equity				
	Share capital	Supplementary capital	Other reserves	Retained earnings	Total
Equity as of 1 January 2017	1 434	315 830	5 113	158 568	***480 945***
Net profit	-	-	-	4 289	4 289
Total comprehensive income	**-**	**-**	**-**	***4 289***	***4 289***
Share capital increase	7	1 971	-	-	1 978
Incentive scheme - share-based payments	-	-	707	-	707
Distribution of net profit	-	-	-	(31 693)	(31 693)
Equity as of 30 June 2017	***1 441***	***317 801***	***5 820***	***131 164***	***456 226***

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	-	-	-	4 609	4 609
Total comprehensive income	**-**	**-**	**-**	***4 609***	***4 609***
Share capital increase	21	5 377	-	-	5 398
Incentive scheme - share-based payments	-	-	1 766	-	1 766
Equity as of 31 December 2016	***1 434***	***315 830***	***5 113***	***158 568***	***480 945***

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
Equity as of 30 June 2016	***1 413***	***310 454***	***4 708***	***157 283***	***473 858***

Interim standalone cash flow statement

in PLN'000	Six months ending 30 June 2017	Six months ending 30 June 2016
Cash flows from operating activities		
Profit before tax	***5 395***	***4 313***
Adjustments for:	***(5 733)***	***(4 190)***
Amortization and depreciation	7	7
Finance income and costs	(6 132)	(5 042)
Dividend	(238)	(360)
Costs of the employee option scheme	629	1 203
Other adjustments	1	2
Changes in working capital	***(761)***	***(3 000)***
Change in trade and other receivables	(190)	(3 020)
Change in trade and other payables	(571)	20
Income tax paid	(442)	(121)
Net cash flows from operating activities	***(1 541)***	***(2 998)***
Cash flows from investing activities		
Purchase of fixed assets and intangible assets	-	(1)
Loans granted	(9 140)	(11 759)
Repayment of loans granted	4 200	-
Repayment of interest on loans granted	3 300	-
Net cash flows from investing activities	***(1 640)***	***(11 760)***
Net cash flows from financing activities		
Payments due to share capital increase	1 978	-
Interest received on cash at banks	4	62
Net cash flows from financing activities	***1 982***	***62***
Total net cash flows	***(1 199)***	***(14 696)***
Cash and cash equivalents at the beginning of the period	***1 273***	***18 144***
Cash and cash equivalents at the end of the period	***74***	***3 448***

1. GENERAL INFORMATION

Wirtualna Polska Holding S.A. („Company") is entered in the Register of Business Entities maintained by the District Court for the Capital City of Warsaw in Warsaw, XIII Division of the National Court Register, under KRS No. 407130. The REGON number assigned by the Statistical Office is: 016366823. Company headquarters is located in Warsaw at Jutrzenki 137 A.

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

2. BASIS FOR PREPARATION OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements have been prepared on the assumption that the Company will continue as a going concern, in accordance with IAS 34 "Interim Financial Reporting" ("IAS 34"). The accounting polices used in the preparation of the condensed interim standalone financial statements for the period of three months ending 30 June 2017 are consistent with those used in the standalone financial statements for the year ending 31 December 2016.

The financial statements for the year ending 31 December 2016 have been prepared in accordance with IFRS standards which are binding in the European Union in the financial year ending 31 December 2016.

Standalone statement of financial position as of 30 June 2017, standalone income statement and other comprehensive income, standalone cash flow statement and standalone statement of changes in equity for three months ending 30 June 2017 was not audited. Standalone financial statements as of 31 December 2016 and for twelve months ending 31 December 2016 were audited by independent certified auditor, who issued an unqualified opinion.

These condensed interim standalone financial statements should be read in conjunction with the audited annual standalone financial statements for the year 2016.

The Company as a Parent Company prepared condensed interim consolidated financial statements which were approved by the Management Board on 28 August 2017. These financial statements should be read in conjunction with the consolidated financial statements.

3. APPROVAL FOR PUBLICATION OF THE STANDALONE FINANCIAL STATEMENTS

These condensed interim standalone financial statements have been approved for publication by the Management Board on 28 June 2017.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The main accounting estimates and assumptions made in these condensed interim standalone financial statements were the same as in financial statements for the year ending 31 December 2016.

	Accounting estimates and judgments
Income tax	The Company recognizes a deferred tax asset based on the assumption that a tax profit will be generated in the future enabling its utilization. Deterioration of tax results in the future might result in the assumption becoming unjustified.

Deferred tax asset	As a result of IFRS adoption, the value of shares held in Grupa Wirtualna Polska S.A. decreased by PLN 148,155 thousand due to valuation of these shares to fair value as of 31.12.2012. This caused the deductible temporary difference arose on this investment of PLN 148,155 thousand. Due to the fact that the Company does not plan to sell its shares in the foreseeable future, pursuant to IAS 12.44, no deferred tax asset was recorded on this temporary difference in the financial statements.
Impairment tests	The value of shares held by the Company was subject to an impairment test as of 31 December 2016. At the end of March 2017 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 2017 to 30 June 2017 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 2017 to 30 June 2017 the Company did not purchase any intangible assets and property, plant and equipment.

8. RELATED PARTY DISCLOSURES

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

in PLN'000	Six months ending 30 June 2017	Six months ending 30 June 2016	Three months ending 30 June 2017	Three months ending 30 June 2016
Purchases				
Subsidiaries	492	405	250	212
Total	***492***	***405***	***250***	***212***
Sales of services				
Subsidiaries	3 781	4 482	1 893	2 237
Total	***3 781***	***4 482***	***1 893***	***2 237***
Interest income, guarantees and dividend				
Subsidiaries	6 367	6 293	3 328	3 375
Total	***6 367***	***6 293***	***3 328***	***3 375***

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 2017	As of 31 December 2016
Receivables		
Subsidiaries	1 742	800
Total	***1 742***	***800***
Loans granted		
Subsidiaries	288 083	280 935
Total	***288 083***	***280 935***
Liabilities		
Shareholders (dividend liability) A	12 419	-
Dividend liability towards Management and Supervisory Board Members	222	-
Subsidiaries	103	6
Total	***12 522***	***6***

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

in PLN'000	Six months ending 30 June 2017	Six months ending 30 June 2016	Three months ending 30 June 2017	Three months ending 30 June 2016
Short-term employee costs (salaries and related benefits)	2 857	2 942	1 145	1 964
Incentive scheme - share-based payments	108	1 018	54	492
Total	***2 965***	***3 960***	***1 199***	***2 456***

9. OTHER FINANCIAL ASSETS

Investments in subsidiaries

The structure of shares is as follows:

Company's name	Value of shares at purchase price	Adjustments	Carrying value of shares	Percentage of shares held	Percentage of votes held
Wirtualna Polska Media S.A. (former Grupa Wirtualna Polska S.A.)	196 553	-	196 553	100%	100%
Http Sp. z o.o.	52	-	52	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 2017	***203 307***	**-**	***203 307***		

Loans granted

In the first six months ending 30 June 2017, WP1 Sp. z o.o. used the subsequent tranches of the loan of total of PLN 9,140 thousand. Moreover, Wirtualna Polska Media S.A. (former Grupa Wirtualna Polska S.A.) paid the loan principle of PLN 2,000 thousand and interest of PLN 3,300 thousand and Money.pl Sp. z o.o paid the loan principle of PLN 2,200 thousand. The remaining amount of the increase relates to interest accrued for the first six months of 2017.

10. EQUITY

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

11. EVENTS AFTER THE BALANCE SHEET DATE

In July 2017 the company's subsidiary Wirtualna Polska Media S.A. repaid part of its loan and interest in the total amount of PLN 31,686 thousand. The proceeds were used to pay the dividend to shareholders.

12. SELECTED STANDALONE FINANCIAL DATA CONVERTED INTO EURO

Income statement and other comprehensive income

	Six months ending 30 June 2017	Six months ending 30 June 2016	Six months ending 30 June 2017	Six months ending 30 June 2016
	in PLN'000		in EUR'000	
Sales	3 781	4 482	890	1 023
Operating loss	(737)	(729)	(174)	(166)
Profit before tax	5 395	4 313	1 270	985
Net profit	4 289	3 324	1 010	759

	Three months ending 30 June 2017	Three months ending 30 June 2016	Three months ending 30 June 2017	Three months ending 30 June 2016
	in PLN'000		in EUR'000	
Sales	1 893	2 237	450	508
Operating loss	(229)	(665)	(56)	(152)
Profit before tax	3 101	2 238	735	509
Net profit	2 485	1 747	589	397

Statement of financial position

	As of 30 June 2017	As of 30 June 2016	As of 30 June 2017	As of 30 June 2016
	in PLN'000		in EUR'000	
Total assets	493 363	486 295	116 731	109 922
Non-current assets	491 429	484 211	116 273	109 451
Current assets	1 934	2 084	458	471
Long-term liabilities	4 402	3 449	1 042	780
Short-term liabilities	32 735	1 901	7 745	430
Equity	456 226	480 945	107 944	108 713
Share capital	1 441	1 434	341	324

Cash flow statement

	Six months ending 30 June 2017	Six months ending 30 June 2016	Six months ending 30 June 2017	Six months ending 30 June 2016
	in PLN'000		in EUR'000	
Net cash flows from operating activities	(1 541)	(2 998)	(363)	(684)
Net cash flows from investing activities	(1 640)	(11 760)	(386)	(2 685)
Net cash flows from financing activities	1 982	62	467	14
Total net cash flows	***(1 199)***	***(14 696)***	***(282)***	***(3 355)***

Conversion into euro was performed based on the following principles:

- amounts presented in zloty as of 30 June 2017 were converted into euro at the exchange rate of 4.2265 (the NBP exchange rate as of 30 June 2017),
- amounts presented in zloty as of 31 December 2016 were converted into euro at the exchange rate of 4.4240 (the NBP exchange rate as of 31 December 2016),
- amounts presented in zloty for the period of six months ending 30 June 2017 were converted into euro at the exchange rate of 4.2474 (the arithmetic mean of the NBP exchange rates as of the last day of each month of the first six months of 2017),
- 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 six months of 2016).

Jacek Świderski,
President of the Management Board

Michał Brański,
Member of the Management Board

Krzysztof Sierota,
Member of the Management Board

Elżbieta Bujniewicz-Belka,
Member of the Management Board

Warszawa, 28 August 2017