# Financial Report

FOR THE PERIOD OF 3 MONTHS ENDING
31 MARCH 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 MONTHS
ENDING 31 MARCH 2017

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

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***KRZYSZTOF SIEROTA***

MANAGEMENT BOARD MEMBER/ VP ENGINEERING

***MICHAŁ BRAŃSKI***

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***ELŻBIETA BUJNIEWICZ-BELKA***

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VP MEDIA PRODUCT

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# 1. SELECTED FINANCIAL DATA

The following tables set out selected consolidated financial data for the 3-month period ending 31 March 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 months ending 31 March 2017 as well as the information included in item 3 of this report.

| | Three months ending 31 March 2017 | Three months ending 31 March 2016 | Three months ending 31 March 2017 | Three months ending 31 March 2016 |
|---|---|---|---|---|
| ***ONLINE segment*** | in PLN'000 | | in EUR'000 | |
| Sales | 102 665 | 88 449 | 23 936 | 20 306 |
| Cash sales | 94 467 | 79 860 | 22 025 | 18 334 |
| Adjusted EBITDA | 29 014 | 25 940 | 6 765 | 5 955 |
| EBITDA | 24 796 | 24 479 | 5 781 | 5 620 |

| | Three months ending 31 March 2017 | Three months ending 31 March 2016 | Three months ending 31 March 2017 | Three months ending 31 March 2016 |
|---|---|---|---|---|
| ***TV segment*** | in PLN'000 | | in EUR'000 | |
| Sales | 879 | - | 205 | - |
| Cash sales | 879 | - | 205 | - |
| Adjusted EBITDA | (3 960) | (83) | (923) | (19) |
| EBITDA | (3 960) | (83) | (923) | (19) |

| | Three months ending 31 March 2017 | Three months ending 31 March 2016 | Three months ending 31 March 2017 | Three months ending 31 March 2016 |
|---|---|---|---|---|
| ***Segments total*** | in PLN'000 | | in EUR'000 | |
| Sales | 103 544 | 88 449 | 24 141 | 20 306 |
| Cash sales | 95 346 | 79 860 | 22 230 | 18 334 |
| Adjusted EBITDA | 25 054 | 25 857 | 5 841 | 5 936 |
| EBITDA | 20 836 | 24 396 | 4 858 | 5 601 |
| Amortization and depreciation of fixed assets and intangibles | (12 114) | (9 844) | (2 824) | (2 260) |
| Operating profit | 8 722 | 14 552 | 2 034 | 3 341 |
| Result on financial activities | (4 481) | (3 992) | (1 045) | (916) |
| Profit before tax | 4 241 | 10 560 | 989 | 2 424 |
| Net profit | 2 982 | 8 185 | 695 | 1 879 |

| | As of 31 March 2017 | As of 31 December 2016 | As of 31 March 2017 | As of 31 December 2016 |
|---|---|---|---|---|
| | in PLN'000 | | in EUR'000 | |
| Total assets | 851 539 | 852 196 | 201 796 | 192 630 |
| Non-current assets | 722 396 | 729 742 | 171 192 | 164 951 |
| Current assets | 129 143 | 122 454 | 30 604 | 27 679 |
| Long-term liabilities | 316 697 | 330 132 | 75 050 | 74 623 |
| Short-term liabilities | 121 484 | 113 339 | 28 789 | 25 619 |
| Equity | 413 358 | 408 725 | 97 957 | 92 388 |
| Share capital | 1 435 | 1 434 | 340 | 324 |
| Non-controlling interests | 17 895 | 16 467 | 4 241 | 3 722 |

| | Three months ending 31 March 2017 | Three months ending 31 March 2016 | Three months ending 31 March 2017 | Three months ending 31 March 2016 |
|---|---|---|---|---|
| | in PLN'000 | | in EUR'000 | |
| Net cash flows from operating activities | 31 774 | 21 074 | 7 408 | 4 838 |
| Net cash flows from investing activities | (15 536) | (21 826) | (3 622) | (5 011) |
| Net cash flows from financing activities | (8 986) | (10 552) | (2 095) | (2 422) |
| ***Total net cash flows*** | ***7 252*** | ***(11 304)*** | ***1 691*** | ***(2 595)*** |

Conversion into euro was performed based on the following principles:

- amounts presented in zloty as of 31 March 2017 were converted into euro at the exchange rate of 4.2198 (the NBP exchange rate as of 31 March 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 three months ending 31 March 2017 were converted into euro at the exchange rate of 4.2891 (the arithmetic mean of the NBP exchange rates as of the last day of each month of the first quarter of 2017),
- amounts presented in zloty for the period of three months ending 31 March 2016 were converted into euro at the exchange rate of 4.3559 (the arithmetic mean of the NBP exchange rates as of the last day of each month of the first quarter 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 Polish people, 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 subjects 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 6 million users daily*.

The Group also runs 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 last available data from Gemius/PBI research as of March 2017, portals of Wirtualna Polska Group were visited by 21.2 million users who made 3.2 billion hits. The total time spent on portals amounted to more than 116 million hours. The Group's reach is 76.4%.**

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

| No | Name | Real Users (mln) | Page views (mln) | Time spent (mln h) |
|---|---|---|---|---|
| 1 | Grupa Google | 26,6 | 8,6 | 328 |
| 2 | facebook.com | 22,9 | 6,0 | 191 |
| 3 | Grupa Onet - RASP | 21,5 | 3,0 | 94 |
| ***4*** | ***Grupa Wirtualna Polska*** | ***21,1*** | ***3,2*** | ***117*** |
| 5 | youtube.com | 20,0 | 1,2 | 51 |
| 6 | Grupa Interia.pl | 18,8 | 1,3 | 56 |
| 7 | Grupa OLX | 16,8 | 1,6 | 30 |
| 8 | Grupa Gazeta.pl | 16,4 | 0,8 | 16 |
| 9 | Grupa Allegro | 16,3 | 1,6 | 31 |
| 10 | Grupa Polska Press | 15,6 | 0,4 | 4 |

Source: Gemius/ PBI research, March 2017

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

| Category | Real Users (RU) | Place |
|---|---|---|
| Business, finance, law | 7 657 745 | 1 |
| Children, family | 3 191 397 | 1 |
| New Technologies | 6 573 583 | 1 |
| Email services | 9 776 240 | 1 |
| Lifestyle | 11 868 351 | 1 |
| Tourism | 4 214 114 | 1 |
| Sport | 6 493 697 | 2 |
| Health and medicine | 6 734 496 | 2 |
| E-commerce | 5 404 022 | 3 |
| Motorization | 2 989 887 | 3 |
| Information and journalism | 8 089 935 | 4 |
| Culture and Entertainment | 7 210 741 | 5 |

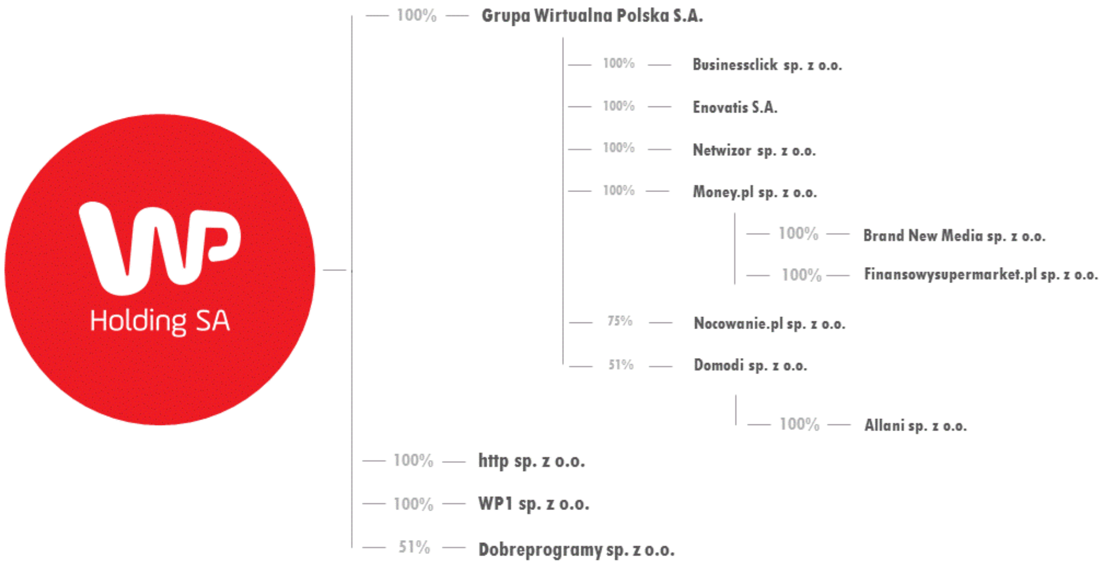
Source: Gemius/ PBI research, March 2017

The Group has one of the largest bases of electronic mail users in Poland that, as of March 2017, amounted to 9.8 million real users*** ( whereas Google had 8.5 million****, Onet-RASP Group had 5.5 million).
According to the Group's internal data as of March 2017, the Group had 11.5 million active e-mail accounts (including 8.1 million active WP e-mail accounts and 3.4 million active o2 e-mail accounts).

* Gemius/ PBI research, daily data, March2017
**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 31 March 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 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 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 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 Grupa Wirtualna Polska 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 months ending 31 March 2017 and 31 March 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.

WP Holding SA

### 3.1. Selected financial data from the consolidated income statement

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

| in PLN'000 | Three months ending 31 March 2017 | Three months ending 31 March 2016 | Change | Change % |
|---|---|---|---|---|
| ***ONLINE segment*** | | | | |
| Sales | 102 665 | 88 449 | 14 216 | 16,1% |
| Cash sales | 94 467 | 79 860 | 14 607 | 18,3% |
| Adjusted EBITDA | 29 014 | 25 940 | 3 074 | 11,9% |
| EBITDA | 24 796 | 24 479 | 317 | 1,3% |
| ***TV segment*** | | | | |
| Sales | 879 | - | 879 | nd. |
| Cash sales | 879 | - | 879 | nd. |
| Adjusted EBITDA | (3 960) | (83) | (3 877) | nd. |
| EBITDA | (3 960) | (83) | (3 877) | nd. |
| ***Segments total*** | | | | |
| Sales | 103 544 | 88 449 | 15 095 | 17,1% |
| Cash sales | 95 346 | 79 860 | 15 486 | 19,4% |
| Adjusted EBITDA | 25 054 | 25 857 | (803) | (3,1%) |
| EBITDA | 20 836 | 24 396 | (3 560) | (14,6%) |
| Amortization and depreciation of fixed assets and intangibles | (12 114) | (9 844) | (2 270) | 23,1% |
| Operating profit | 8 722 | 14 552 | (5 830) | (40,1%) |
| Result on financial activities | (4 481) | (3 992) | (489) | 12,2% |
| Profit before tax | 4 241 | 10 560 | (6 319) | (59,8%) |
| Net profit | 2 982 | 8 185 | (5 203) | (63,6%) |

The consolidated results of the Group for the first three 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 | |
|---|---|---|---|---|---|
| | | | | 31 March 2017 | 31 March 2016 |
| 1 | Grupa Wirtualna Polska S.A. | 22 December 2010 | 100% | full period | full period |
| 2 | WP Shopping Sp. z o.o. (formerly Wirtualna Polska S.A.) | 13 February 2014 | 100% | - | full period |
| 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. (1) | 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. (2) | 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. (3) | 16 September 2015 | 100% | - | full period |
| 16 | Allani Sp. z o.o. | 6 October 2015 | 100% | full period | full period |
| 17 | Enovatis S.A. | 23 December 2015 | 100% | full period | full period |
| 18 | TotalMoney.pl Sp. z o.o. (4) | 16 March 2016 | 100% | - | not consolidated |
| 19 | Nocowanie.pl Sp. z o.o. | 7 June 2016 | 75% | full period | not consolidated |
| 20 | Netwizor Sp .z o.o. | 13 December 2016 | 100% | full period | not consolidated |

(1) On 2 January 2017 Business Ad Network Sp. z o.o. and Grupa Wirtualna Polska S.A merged.
(2) 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.
(3) On 1 July 2016 Web Broker Sp. z o.o. merged with Finansowysupermarket.pl Sp. z o.o.
(4) 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 three months of 2017 by PLN 14,216 thousand i.e. by 16.1% compared to the sales for the corresponding period of the previous year, whereas the cash sales increased by PLN 14,607 thousand, i.e. by 18.3%.

In both periods under analysis, transactions settled in cash represented the majority of the Group's sales and amounted to 92.01% of the Group's sales in the three months of 2017 and 90.3% 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 initial public offering, restructuring costs, costs of the management option scheme, 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 in online segment is characterized by the high operating profitability of its business activities. In the period of three months of 2017 the adjusted EBITDA of the online segment amounted to PLN 29,014 thousand which was by PLN 3,074 thousand (i.e. by 12%) higher when compared to the value of this ratio in the three months of the previous year.

In the analyzed period, the total costs normalizing the Group's EBITDA amounted to PLN 4.2 million and were by PLN 2.8 million higher than in the same period of the previous year. This was mainly due to a different temporary result on barter transactions (PLN -2.7 million of loss for the first quarter of 2017 vs. PLN 380 thousand of profit for the corresponding period of the previous year). 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.

Moreover, the Group's EBITDA in the first quarter of 2017 was adjusted by, among other things, restructuring and integration costs (PLN 0.9 million), non-cash employee option scheme costs (PLN 0.3 million) and costs of revaluation and liquidation of non-financial assets (PLN 0.3 million).

***TV SEGMENT***

In the first quarter 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 revenues and profitability increase of this segment.

In the analyzed period, total sales of TV segment of PLN 879 thousand comprised of cash sales. This segment generated a negative EBITDA of PLN 4 million in the first quarter.

***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 803 thousand and EBITDA by PLN 3,560 thousand.

The total Group's operating profit decreased by PLN 5,830 thousand which was connected with decrease in EBITDA described above, as well as in increase in depreciation and amortization by PLN 2,270 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 after the end of the first quarter of 2016 (a total of PLN 670 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 for the first quarter of 2016 of the entities acquired in 2016, whose results were not included in the consolidated financial statements for that period, i.e. are not included in comparative data.

| In PLN'000 | For the period from 1 January to 31 March 2016 | | | |
|---|---|---|---|---|
| | TotalMoney.pl Sp. z o.o. | Nocowanie.pl Sp. z o.o. | Netwizor Sp. z o.o. | Total |
| Sales | 1 350 | 2 097 | 112 | 3 559 |
| Cash sales | 1 350 | 2 084 | 112 | 3 546 |
| EBITDA | 115 | 875 | (9) | 980 |
| Adjusted EBITDA | 115 | 922 | (9) | 1 027 |

### 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 March 2017 and 31 December 2016.

| in PLN'000 | As of 31 March 2017 | As of 31 December 2016 | Change PLN'000 | Change % |
|---|---|---|---|---|
| Non-current assets | 722 396 | 729 742 | (7 346) | (1,0%) |
| Current assets | 129 143 | 122 454 | 6 689 | 5,5% |
| Long-term liabilities | 316 697 | 330 132 | (13 435) | (4,1%) |
| Short-term liabilities | 121 484 | 113 339 | 8 145 | 7,2% |
| Equity attributable to equity holders of the Parent Company | 395 463 | 392 258 | 3 205 | 0,8% |
| Share capital | 1 435 | 1 434 | 1 | 0,1% |
| Non-controlling interests | 17 895 | 16 467 | 1 428 | 8,7% |

The analysis of changes in the Group's balance sheet has been prepared as of 31 March 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 31 March 2017 | Structure 2017 | As of 31 December 2016 | Structure 2016 | Change PLN'000 | Change % |
|---|---|---|---|---|---|---|
| Property, plant and equipment | 56 205 | 7,8% | 57 899 | 7,9% | (1 694) | (2,9%) |
| Goodwill | 246 472 | 34,1% | 246 472 | 33,8% | - | 0,0% |
| Other intangible assets | 384 702 | 53,3% | 388 268 | 53,2% | (3 566) | (0,9%) |
| Non-current programming assets | 5 227 | 0,7% | 5 358 | 0,7% | (131) | (2,4%) |
| Other long-term assets | 3 078 | 0,4% | 2 470 | 0,3% | 608 | 24,6%) |
| Deferred tax assets | 26 712 | 3,7% | 29 275 | 4,0% | (2 563) | (8,8%) |
| ***Non-current assets*** | ***722 396*** | ***100,0%*** | ***729 742*** | ***100,0%*** | ***(7 346)*** | ***(1,0%)*** |

In the analyzed period, the decrease in the net value of property, plant and equipment was due to depreciation and liquidations (PLN 4,109 thousand) higher than capital expenditure for the period (PLN 2,415 thousand). The main additions to the fixed assets resulted from the purchase of server equipment (PLN 376 thousand), office equipment (PLN 489 thousand) and expenditures incurred on adaptations of office space (PLN 1,191 thousand).

In the analyzed period, the Group also recorded a decrease in other intangible assets mainly due to depreciation and liquidation costs (PLN 8,295 thousand) higher than capital expenditure (PLN 4,729 thousand). In the first three months the Group mainly incurred expenditures on capitalized development projects (PLN 4,258 thousand) and the purchase of licenses (PLN 471 thousand).

Non-current programming assets decreased by PLN 131 thousand due to expenditure incurred in the period of PLN 699 thousand and the amortization and depreciation costs of PLN 830 thousand.

#### *Current assets*

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

| in PLN'000 | As of 31 March 2017 | Structure 2017 | As of 31 December 2016 | Structure 2016 | Change PLN'000 | Change % |
|---|---|---|---|---|---|---|
| Cash trade receivables | 59 644 | 46,2% | 65 944 | 53,9% | (6 300) | (9,6%) |
| Barter receivables | 3 643 | 2,8% | 724 | 0,6% | 2 919 | 403,2% |
| State receivables | 8 205 | 6,4% | 5 585 | 4,6% | 2 620 | 46,9% |
| Other current assets | 5 249 | 4,1% | 5 051 | 4,1% | 198 | 3,9% |
| Cash and cash equivalents | 52 402 | 40,6% | 45 150 | 36,9% | 7 252 | 16,1% |
| ***Current assets*** | ***129 143*** | ***100,0%*** | ***122 454*** | ***100,0%*** | ***6 689*** | ***5,5%*** |

The increase in current assets was mainly caused by a higher level of cash and cash equivalents by PLN 7,252 thousand. The detailed analysis of the changes in cash is presented in the following part of the report describing the cash flow statement.

Despite the increase in sales, cash trade receivables decreased by PLN 6,300 thousand which was mainly due to unsettled annual rebates for media houses for the year 2016 and accrued rebates for the first quarter of 2017.

The increase in barter receivables results mainly from the specificity 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 2,620 thousand is mainly due to tax settlement of invoices related to annual rebates which were recognized in the accounting costs of the previous year as accruals.

***Long-term liabilities***

| in PLN'000 | As of 31 March 2017 | Structure 2017 | As of 31 December 2016 | Structure 2016 | Change PLN'000 | Change % |
|---|---|---|---|---|---|---|
| Loans and leases | 164 097 | 51,8% | 174 572 | 52,9% | (10 475) | -6,0% |
| Contingent liabilities related to business combinations | 6 237 | 2,0% | 6 075 | 1,8% | 162 | 2,7% |
| Interest rate swaps - cash flow hedges | - | 0,0% | 522 | 0,2% | (522) | -100,0% |
| Liabilities with respect to the put option for non-controlling interests | 127 385 | 40,2% | 125 890 | 38,1% | 1 495 | 1,2% |
| Liabilities in respect of purchase of property, plant and equipment and intangible assets | 9 844 | 3,1% | 11 201 | 3,4% | (1 357) | -12,1% |
| Deferred tax liability | 8 369 | 2,6% | 10 993 | 3,3% | (2 624) | -23,9% |
| Deferred income | 765 | 0,2% | 879 | 0,3% | (114) | -13,0% |
| ***Long-term liabilities*** | ***316 697*** | ***100,0%*** | ***330 132*** | ***100,0%*** | ***(13 435)*** | ***-4,1%*** |

In the analyzed period, long-term liabilities recorded a significant decrease, mainly due to the further decrease in long-term bank debt of the Group. The total value of principal and interest paid during the first quarter amounted to PLN 8,760 thousand. Moreover, the long-term debt decreased due to the forthcoming moment of repayment of principal of CAPEX loan (used for the purchase of shares in Enovatis S.A. and Nocowanie.pl Sp. z .o.o), resulting in reclassification of a part of the debt to short-term liabilities.

In March 2017, the Group also repaid the next installment 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 31 March 2017, after the repayment of the two installments, the Group's liability valued at the amortized cost amounted to PLN 11,307 thousand, out of which PLN 9,844 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 by PLN 1,495 thousand in the analyzed period.

***Short-term liabilities***

| in PLN'000 | As of 31 March 2017 | Structure 2017 | As of 31 December 2016 | Structure 2016 | Change PLN'000 | Change % |
|---|---|---|---|---|---|---|
| Loans and leases | 43 032 | 35,4% | 39 202 | 34,6% | 3 830 | 9,77% |
| Interest rate swaps - cash flow hedges | 674 | 0,6% | 694 | 0,6% | (20) | (2,88%) |
| Trade and other payables | 53 992 | 44,4% | 40 380 | 35,6% | 13 612 | 33,71% |
| State liabilities | 4 993 | 4,1% | 4 821 | 4,3% | 172 | 3,57% |
| Wages and salaries payables | 5 059 | 4,2% | 5 947 | 5,2% | (888) | (14,93%) |
| Deferred income | 5 094 | 4,2% | 4 567 | 4,0% | 527 | 11,54% |
| Liabilities in respect of purchase of property, plant and equipment and intangible assets | 2 521 | 2,1% | 12 436 | 11,0% | (9 915) | (79,73%) |
| Provision for employee benefits | 3 800 | 3,1% | 3 276 | 2,9% | 524 | 16,00% |
| Other provisions | 1 802 | 1,5% | 1 511 | 1,3% | 291 | 19,26% |
| Current income tax liabilities | 517 | 0,4% | 505 | 0,4% | 12 | 2,38% |
| ***Short-term liabilities*** | ***121 484*** | ***100,0%*** | ***113 339*** | ***100,0%*** | ***8 145*** | ***7,19%*** |

In the analyzed period, short-term liabilities increased by PLN 8,145 thousand.

Short-term loans and leases increased by PLN 2,820 thousand as according to the current repayment schedule, starting from the last quarter of 2017 the Group is to begin repaying the principal under CAPEX loan (used mainly for the purchase of shares in Enovatis S.A. and Nocowanie.pl Sp. z .o.o).

The increase in short-term liabilities also results from an increase in barter liabilities by PLN 5,718 thousand due to a temporary negative result on barter transactions in the first quarter 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.

Trade payables increased by PLN 7,932 thousand. The increase when compared to the end of 2016 results mainly from two factors. Firstly, the ongoing process of settlement of annual rebates for the year 2016, as a result of which some of the customers, after taking the rebates invoices, have a negative balance of receivables as of 31 March 2017 which is presented as liabilities in the financial statements. In addition, in the first quarter of 2017 the balance of Enovatis's liabilities due to its franchisees related to the accrued first minute travel commissions income increased by PLN 2.5 million.

In the first quarter of 2017, liabilities in respect of purchase of property, plant and equipment and intangible assets decreased significantly, mainly due to the repayment of liabilities due to expenditure incurred 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 31 March 2017 | Structure 2017 | As of 31 December 2016 | Structure 2016 | Change PLN'000 | Change % |
|---|---|---|---|---|---|---|
| Equity attributable to equity holders of the Parent Company, including: | 395 463 | 95,7% | 392 258 | 96,0% | 3 205 | 0,82% |
| Share capital | 1 435 | 0,3% | 1 434 | 0,4% | 1 | 0,07% |
| Supplementary capital | 316 238 | 76,5% | 315 830 | 77,3% | 408 | 0,13% |
| Revaluation reserve | 90 | 0,0% | (839) | -0,2% | 929 | - |
| Other reserves | (37 997) | -9,2% | (38 310) | -9,4% | 313 | -0,82% |
| Retained earnings | 115 697 | 28,0% | 114 143 | 27,9% | 1 554 | 1,36% |
| Non-controlling interests | 17 895 | 4,3% | 16 467 | 4,0% | 1 428 | 8,67% |
| ***Equity*** | ***413 358*** | ***100,0%*** | ***408 725*** | ***100,0%*** | ***4 633*** | ***1,13%*** |

In the first three months of 2017, the equity attributable to the parent company's shareholders increased by PLN 3,205 thousand in total. The change in equity attributable to the parent company's shareholders resulted from the following events:

- PLN 409 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 1 thousand increased share capital and the remaining part was booked as supplementary capital;
- PLN 929 thousand in relation to recognized in other comprehensive income due to the valuation of interest rate swap, hedging the interest payments due to the bank loan of PLN 572 thousand and the positive valuation of financial assets available for sale by PLN 357 thousand;
- the increase in other reserves of PLN 313 thousand due to the acquisition 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 three months ending 31 March 2017 of PLN 1,554 thousand.

In the first quarter of 2017, the non-controlling interests increased by PLN 1,428 thousand. This change resulted from the allocation of an appropriate part of the result earned in the period by Domodi Sp. z o.o., Allani Sp. z o.o., Dobreprogramy Sp. z o.o. and Nocowanie.pl Sp. z o.o.

### 3.4. Cash flows of the Group

| in PLN'000 | Three months ending 31 March 2017 | Three months ending 31 March 2016 |
|---|---|---|
| Net cash flows from operating activities | 31 774 | 21 074 |
| Net cash flows from investing activities | (15 536) | (21 826) |
| Net cash flows from financing activities | (8 986) | (10 552) |
| ***Total net cash flows*** | ***7 252*** | ***(11 304)*** |

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. In three months of 2017, the EBITDA generated by the Group of PLN 20,836 thousand contributed to generating a positive cash flow of PLN 31,774 thousand from operating activities.

Cash flows from investing activities were negative and amounted to PLN (15,536) thousand in the analyzed period which was mainly due to expenditure incurred (CAPEX) on the purchase of intangibles and fixed assets. In the period under analysis, the Group did not incur expenses related to the acquisition activity.

Cash flows from financing activities in the first quarter of 2017 amounted to PLN (8,986) thousand and resulted mainly from the repayment of loan principal (PLN 6,725 thousand) as well as interest and bank commissions of PLN (2,573) thousand. As part of financing activities the Group recognized financial lease repayment of PLN (97) thousand and PLN 409 thousand paid for the increase in the capital by the participants of the employee option scheme.

### 3.5. Selected financial ratios (Online segment)

| Financial ratios ONLINE SEGMENT | Three months ending 31 March 2017 | Three months ending 31 March 2016 |
|---|---|---|
| Sales (PLN'000) | 102 665 | 88 449 |
| Sales (YoY increase) | 16,1% | - |
| Cash sales | 94 467 | 79 860 |
| Cash sales (YoY increase) | 18,3% | - |
| Adjusted EBITDA margin (on cash sales) | 31% | 32% |
| Financial leverage ratio (Net debt//Adjusted Ebitda LTM) | 1,14 | - |

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 three months of 2017 were 18.3% 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 satisfying 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) and part of the purchase price of the shares in Nocowanie.pl Sp. z o.o. (PLN 12 million).

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 27.4 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 25 to the condensed interim consolidated financial statements.

As of 31 March 2017 the balance of the Group's liability resulting from loan agreement amounted to PLN 206.3 million.

During the three months of 2017, the Group's interest and commissions expenses, the bulk of which resulted from interest on the bank loan, amounted to PLN 2,615 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 31 March 2017.

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

In the first quarter of 2017, the results of the Capital Group were significantly influenced by costs connected with 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 turn into 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 879 thousand. At the same time, this segment generated a negative EBITDA of PLN 4 million in the first quarter.

Apart from the factors referred to above during the period of three months ending 31 March 2017 there were no extraordinary factors or events which would have a significant impact on the financial results achieved.

## 5. FACTOR THAT, IN THE 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 Polish advertising 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

In the first quarter of 2017 two significant events took place, namely changes in the Group's composition connected with the numerous mergers (described in detail in item 2.2 of this report) and changes in the ownership structure of the Company, described in detail in Note 23 to the condensed interim consolidated financial statements.

## 7. SHARES AND SHAREHOLDERS

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

***As of 31 March 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. The remaining part of the Board was re-appointed for the second term of office on the Supervisory Board Meeting held on 15 May 2017.

***As of 31 March 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 |
| Magdalena Magnuszewska | - Member of the Supervisory Board |
| Krzysztof Rozen | - Member of the Supervisory Board |

On 28 February 2017 as a result of completed process of exit of European Media Holding S.a.r.l. from the investment in shares of the Company Krzysztof Kulig and Magdalena Pasecka submitted their resignation from the Supervisory Board. On the same day Tomasz Czechowicz also submitted his resignation from the Supervisory Board.

On 26 April 2017, due to the end of the term of office, Magdalena Magnuszewska and Krzysztof Rozen ceased to be a member 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.

As a result of the changes described above as of the date of this report, the composition of the Supervisory Board is 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 |

### *7.2. Structure of the share capital*

As of 31 March 2017 the share capital of the Company amounted PLN 1,434,931.20 and consisted of 28,698,624 shares with a par value of PLN 0.05 each, entitling 39,988,333 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;
- 426,618 D series ordinary bearer shares;
- 3,339,744 E series ordinary bearer shares;
- 19,224 F series ordinary bearer shares.

B, C, D, E and F series shares as well as A series non preferred in term 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 31 March 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 | 13,11% | 7 526 474 | 18,82% |
| Orfe S.A. | 3 195 237 | 11,13% | 6 390 474 | 15,98% |
| Liceia Sp. z o.o. | 568 000 | 1,98% | 1 136 000 | 2,84% |
| Michał Brański through subsidiaries: | 3 763 236 | 13,11% | 7 526 472 | 18,82% |
| 10X S.A. | 3 195 236 | 11,13% | 6 390 472 | 15,98% |
| Palaja Sp. z o.o. | 568 000 | 1,98% | 1 136 000 | 2,84% |
| Krzysztof Sierota through subsidiaries: | 3 763 236 | 13,11% | 7 526 472 | 18,82% |
| Albemuth Inwestycje S.A. | 3 195 236 | 11,13% | 6 390 472 | 15,98% |
| Silveira Sp. z o.o. | 568 000 | 1,98% | 1 136 000 | 2,84% |
| Founders together* | 11 289 709 | 39,34% | 22 579 418 | 56,47% |
| Other | 17 408 915 | 60,66% | 17 408 915 | 43,53% |
| ***Total*** | ***28 698 624*** | ***100,00%*** | ***39 988 333*** | ***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 3,195,237 shares held by Orfe S.A. and 568,000 shares held by Liceia sp. z o.o.), which constitutes a 13.11% interest in the Company's share capital, representing 7,526,474 votes at the general shareholders meeting of the Company and constituting 18.82% 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 13.11% interest in the Company's share capital, representing 7,526,472 votes at the general shareholders meeting of the Company and constituting 18.82% 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 13.11% interest in the Company's share capital, representing 7,526,472 votes at the general shareholders meeting of the Company and constituting 18.82% 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. 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 23 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 24 to the condensed interim consolidated financial statements of the Group for the period of 3 months ending 31 March 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 24 to the condensed interim consolidated financial statements of the Group for the period of 3 months ending 31 March 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 34 to the condensed interim consolidated financial statements for the period of 3 months ending 31 March 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 31 March 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 33 to the condensed interim consolidated financial statements for the period of 3 months ending 31 March 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. The Management Board assumes that all companies that are currently guarantors of the loan agreement will remain as such until the end of the credit agreement. The total guarantee amount corresponds to the current balance of the debt of Grupa Wirtualna Polska S.A. of the credit agreement.

***Loans granted***

As of 31 March 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.

### 8.6. 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.

***Loans granted by non-controlling interest***

On 6 October 2015, non-controlling shareholders granted a loan to Domodi of PLN 4,000 thousand for the purchase of shares in Allani Sp. z o.o. The loan bore an interest of 3M WIBOR plus the margin specified in the agreement. The loan has been fully repaid before 31 December 2016.

***Inter-company loans***

As of 31 March 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, 15 May 2017

# CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

for the period of 3 months ending
31 March 2017

Holding SA

## *INTERIM CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME*

| in PLN'000 | Note | Three months ending 31 March 2017 | Three months ending 31 March 2016 |
|---|---|---|---|
| ***Sales*** | 10 | ***103 544*** | ***88 449*** |
| Amortization and depreciation of fixed assets and intangibles | | (12 114) | (9 844) |
| Amortization and depreciation of acquired programming rights | | (830) | - |
| Materials and energy used | | (1 442) | (1 293) |
| Costs related to public offering, acquisitions of subsidiaries and restructuring, including: | 11 | (947) | (1 272) |
| External services | 11 | (188) | (489) |
| Salary and employee benefit expense | 11 | (724) | (531) |
| Other operating expenses | 11 | (35) | (252) |
| Costs of the employee option scheme | 24 | (313) | (546) |
| Other external services | | (43 711) | (30 412) |
| Other salary and employee benefit expenses | | (32 778) | (29 698) |
| Other operating expenses | 14 | (2 887) | (1 190) |
| Other operating income/gains | 13 | 200 | 358 |
| ***Operating profit*** | | ***8 722*** | ***14 552*** |
| Finance income | 15 | 87 | 186 |
| Finance costs | 16 | (4 568) | (4 178) |
| ***Profit before tax*** | | ***4 241*** | ***10 560*** |
| Income tax | 17 | (1 259) | (2 375) |
| ***Net profit*** | | ***2 982*** | ***8 185*** |
| | | | |
| ***Other comprehensive income/(losses)*** | 25 | 929 | (681) |
| | | | |
| ***Comprehensive income*** | | ***3 911*** | ***7 504*** |
| | | | |
| ***Net profit attributable to:*** | | | |
| Equity holders of the Parent Company | | 1 554 | 7 904 |
| Non-controlling interests | | 1 428 | 281 |
| | | | |
| ***Comprehensive income attributable to:*** | | | |
| Equity holders of the Parent Company | | 2 483 | 7 223 |
| Non-controlling interests | | 1 428 | 281 |
| | | | |
| ***Net profit attributable to equity holders of the Parent Company per share (in PLN)*** | | | |
| Basic | 18 | 0,05 | 0,28 |
| Diluted | 18 | 0,05 | 0,28 |

WP Holding SA

# INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| in PLN'000 | Note | As of 31 March 2017 | As of 31 December 2016 |
|---|---|---|---|
| ***Non-current assets*** | | | |
| Property, plant and equipment | 20 | 56 205 | 57 899 |
| Goodwill | 21 | 246 472 | 246 472 |
| Trademarks | 20 | 157 124 | 157 971 |
| Homepage and WP mail | 20 | 132 308 | 133 929 |
| Other intangible assets | 20 | 95 270 | 96 368 |
| Non-current programming assets | | 5 227 | 5 358 |
| Other financial assets | | 3 078 | 2 470 |
| Deferred tax assets | 17 | 26 712 | 29 275 |
| | | ***722 396*** | ***729 742*** |
| ***Current assets*** | | | |
| Trade and other receivables | 19 | 76 741 | 77 304 |
| Cash and cash equivalents | | 52 402 | 45 150 |
| | | ***129 143*** | ***122 454*** |
| ***TOTAL ASSETS*** | | ***851 539*** | ***852 196*** |
| ***Equity*** | | | |
| ***Equity attributable to equity holders of the Parent Company*** | | | |
| Share capital | 23 | 1 435 | 1 434 |
| Supplementary capital | | 316 238 | 315 830 |
| Revaluation reserve | 25 | 90 | (839) |
| Other reserves | | (37 997) | (38 310) |
| Retained earnings | | 115 697 | 114 143 |
| | | ***395 463*** | ***392 258*** |
| ***Non-controlling interests*** | | ***17 895*** | ***16 467*** |
| | | ***413 358*** | ***408 725*** |
| ***Long-term liabilities*** | | | |
| Loans and leases | 26 | 164 097 | 174 572 |
| Other long-term liabilities | 29 | 143 466 | 143 688 |
| Deferred tax liability | 17 | 8 369 | 10 993 |
| Deferred income | | 765 | 879 |
| | | ***316 697*** | ***330 132*** |
| ***Short-term liabilities*** | | | |
| Loans and leases | 26 | 43 032 | 39 202 |
| Trade and other payables | 29 | 72 333 | 68 845 |
| Provisions for employee benefits | 28 | 3 800 | 3 276 |
| Other provisions | 28 | 1 802 | 1 511 |
| Current income tax liabilities | | 517 | 505 |
| | | ***121 484*** | ***113 339*** |
| ***TOTAL EQUITY AND LIABILITIES*** | | ***851 539*** | ***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) | | - | - | - | - | 1 554 | 1 554 | 1 428 | 2 982 |
| Other comprehensive income | 25 | - | - | 929 | - | - | 929 | - | 929 |
| ***Total comprehensive income*** | | - | - | ***929*** | - | ***1 554*** | ***2 483*** | ***1 428*** | ***3 911*** |
| Option scheme | 23,24 | 1 | 408 | - | 313 | - | 722 | - | 722 |
| Payment of dividend | | - | - | - | - | - | - | - | - |
| Acquisition of a subsidiary | | - | - | - | - | - | - | - | - |
| ***Equity as of 31 March 2017*** | | ***1 435*** | ***316 238*** | ***90*** | ***(37 997)*** | ***115 697*** | ***395 463*** | ***17 895*** | ***413 358*** |

| 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 |
| Payment of dividend | | - | - | - | - | - | - | (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*** |

WP Holding SA

| 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) | | - | - | - | - | 7 904 | 7 904 | 281 | 8 185 |
| Other comprehensive income | | - | - | (681) | - | - | (681) | - | (681) |
| ***Total comprehensive income*** | | ***-*** | ***-*** | ***(681)*** | ***-*** | ***7 904*** | ***7 223*** | ***281*** | ***7 504*** |
| Option scheme | | - | - | - | 546 | - | 546 | - | 546 |
| ***Equity as of 31 March 2016*** | | ***1 413*** | ***310 453*** | ***(2 525)*** | ***(27 960)*** | ***68 291*** | ***349 672*** | ***15 957*** | ***365 629*** |

## *INTERIM CONSOLIDATED CASH FLOW STATEMENT*

| in PLN'000 | Note | Three months ending 31 March 2017 | Three months ending 31 March 2016 |
|---|---|---|---|
| ***Cash flows from operating activities*** | | | |
| ***Profit before tax*** | | ***4 241*** | ***10 560*** |
| ***Adjustments for:*** | | ***14 133*** | ***14 556*** |
| Amortization and depreciation | | 12 114 | 9 844 |
| Amortization and depreciation of acquired programming rights | | 830 | - |
| Payments for programming rights | | (3 672) | - |
| Losses on the sale /liquidation/revaluation of property, plant and equipment and intangible assets | | 275 | 23 |
| Finance income and costs | | 4 568 | 4 138 |
| Costs of the employee option scheme | | 313 | 546 |
| Other adjustments | | (295) | 5 |
| ***Changes in working capital*** | | ***15 942*** | ***(2 291)*** |
| Change in trade and other receivables | 35 | 1 609 | (8 420) |
| Change in trade and other payables | 35 | 13 518 | 5 643 |
| Change in provisions | 35 | 815 | 486 |
| Income tax paid | | (2 542) | (1 751) |
| Income tax refunded | | - | - |
| ***Net cash flows from operating activities*** | | ***31 774*** | ***21 074*** |
| ***Cash flows from investing activities*** | | | |
| Sale of intangible assets and property, plant and equipment | | 14 | - |
| Purchase of intangible assets and property, plant and equipment | | (15 550) | (6 814) |
| Repayment of contingent liabilities arising from business combinations | | - | (336) |
| Acquisition of subsidiary (less cash acquired) | 35 | - | (14 676) |
| ***Net cash flows from investing activities*** | | ***(15 536)*** | ***(21 826)*** |
| ***Net cash flows from financing activities*** | | | |
| Payments due to share capital increase | | 409 | - |
| Repayment of finance leases | | (97) | (101) |
| Repayment of bank commissions | | (343) | (618) |
| Interest paid | | (2 230) | (2 408) |
| Repayment of loans received | | (6 725) | (7 425) |
| ***Net cash flows from financing activities*** | | ***(8 986)*** | ***(10 552)*** |
| ***Total net cash flows*** | | ***7 252*** | ***(11 304)*** |
| ***Cash and cash equivalents at the beginning of the period*** | | ***45 150*** | ***48 961*** |
| ***Cash and cash equivalents at the end of the period*** | | ***52 402*** | ***37 657*** |

# 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 31 March 2017 Wirtualna Polska Holding Capital Group composed of the Parent Company and 13 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 three months ending 31 March 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 31 March 2017, consolidated income statement and other comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity for three months ending 31 March 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 15 May 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 Grupa Wirtualna Polska S.A. (formerly o2 Sp. z o.o.). As a result of this transaction, a temporary difference arose in the consolidated financial statements between the tax and carrying value of the contributed business's assets of PLN 265,195 thousand. A deferred tax asset was recorded on this difference which as of 31 March 2017 amounted to PLN 20,147 thousand (PLN 21,207 thousand as of 31 December 2016).

b) Asset arising from the loss on sale of shares in WP Shopping Sp. z o.o.

As part of Group's plan to locate all of its editorial and advertising activity in 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 Grupa Wirtualna Polska S.A. (the so-called spin-off). As a result of the demerger, the Editorial and Advertising Division was transferred to 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 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 Grupa Wirtualna Polska S.A. The transaction did not result in changing the tax value of the investment in this subsidiary.

In December 2016, 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 GWP 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 an additional asset on the tax loss in GWP of PLN 54,996 thousand.

c) Recovery of 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. Amortization 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 31 March 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 of option-related commitment to purchase non-controlling interests

Commitments in respect of put options for non-controlling interests are subsequently measured at the amount being the best present estimate of the discounted purchase price (the commitments are presented as other liabilities; see note 29).

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: EBITDA, which constitutes the options exercise price, revenues and the discount rate. A change in the forecasted growth dynamics of revenues by 1 p.p. per annum in the years 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 31 March 2017 the value of these commitments amounted to PLN 115,332 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: 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 31 March 2017 the value of these commitments amounted to PLN 12,053 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".

### 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 19 to the Group's consolidated financial statements for the year 2016. As of 31 March 2017 no impairment triggers were identified by the Group.

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

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

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

- All important decisions concerning significant activities of Domodi Sp. z o.o. are made by establishing and approving the budget (including subsequent amendments). The remaining decisions are protective in nature and not significant in the course of the normal operating activities;

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

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

### 4.9. Allowances for trade receivables

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

### 4.10. Estimate of annual rebates liabilities

As a part of cooperation with media houses, the Group 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 liabilities due to contingent consideration related to business combinations

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

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

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

## 5. 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.

| Three months ending 31 March 2017 (PLN'000) | Online Segment | TV Segment | Eliminations and consolidation adjustments | Total |
|---|---|---|---|---|
| Sales to third parties | ***102 665*** | ***879*** | - | ***103 544*** |
| Sales between segments | - | - | - | - |
| ***Total sales*** | ***102 665*** | ***879*** | - | ***103 544*** |
| including cash sales | 94 467 | 879 | - | 95 346 |
| | | | | |
| ***EBITDA*** | 24 796 | (3 960) | - | 20 836 |
| ***Adjusted EBITDA*** | ***29 014*** | ***(3 960)*** | - | ***25 054*** |

| Three months ending 31 March 2016 (PLN'000) | Online Segment | TV Segment | Eliminations and consolidation adjustments | Total |
|---|---|---|---|---|
| Sales to third parties | ***88 449*** | - | - | ***88 449*** |
| Sales between segments | - | - | - | - |
| ***Total sales*** | ***88 449*** | - | - | ***88 449*** |
| including cash sales | 79 860 | - | - | 79 860 |
| | | | | |
| ***EBITDA*** | 24 479 | (83) | - | 24 396 |
| ***Adjusted EBITDA*** | ***25 940*** | ***(83)*** | - | ***25 857*** |

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 31 March 2017 the Capital Group represented: the parent company Wirtualna Polska Holding S.A. and 13 subsidiaries. The condensed interim consolidated financial statements of the Group comprise the Company and the following subsidiaries.

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

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 and Netwizor, which runs internet services connected with the distribution of television channels on the Internet.

On 2 January 2017, Business Ad Network Sp. z o.o. and Grupa Wirtualna Polska S.A. merged pursuant to article 492 section 1 item 1 of the Polish Commercial Companies Code, by transferring all the assets of Business Ad Network Sp. z o.o. to 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 Grupa Wirtualna Polska S.A. merged pursuant to article 492 section 1 item 1 of the Polish Commercial Companies Code, by transferring all the assets of Blomedia.pl Sp. z o.o. to Grupa Wirtualna Polska 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 QUARTER 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) and part of the purchase price of the shares in Nocowanie.pl Sp. z o.o. (PLN 12 million).

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 27.4 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 25 to the condensed interim consolidated financial statements.

As of 31 March 2017 the balance of the Group's liability resulting from loan agreement amounted to PLN 206.3 million.

During the three months of 2017, the Group's interest and commissions expenses, the bulk of which resulted from interest on the bank loan, amounted to PLN 2,615 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 31 March 2017.

### *The launch of activities in the television advertising market*

In the first quarter of 2017, the results of the Capital Group were significantly influenced by costs connected with 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 turned into 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 879 thousand. At the same time, this segment generated a negative EBITDA of less than PLN 4 million in the first quarter.

Apart from the factors referred to above during the period of three months ending 31 March 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 IN THE THREE MONTHS OF 2017*

In the first quarter of 2017 two significant events took place, namely changes in the Group's composition connected with the numerous mergers (described in detail in Note 7) and changes in the ownership structure of the Company, described in detail in Note 23.

## *10. SALES*

| in PLN'000 | Three months ending 31 March 2017 | Three months ending 31 March 2016 |
|---|---|---|
| Sales of services settled in cash | 95 346 | 79 860 |
| Sales of services settled in barter | 8 198 | 8 589 |
| ***Total*** | ***103 544*** | ***88 449*** |

| in PLN'000 | Three months ending 31 March 2017 | Three months ending 31 March 2016 |
|---|---|---|
| Domestic sales | 79 921 | 71 662 |
| Export sales | 23 623 | 16 787 |
| *European Union* | 21 728 | 15 071 |
| *Outside European Union* | 1 895 | 1 716 |
| ***Total*** | ***103 544*** | ***88 449*** |

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

| in PLN'000 | Three months ending 31 March 2017 | Three months ending 31 March 2016 |
|---|---|---|
| ***Profit before tax*** | ***4 241*** | ***10 560*** |
| Finance costs | 4 568 | 4 178 |
| Finance income | (87) | (186) |
| ***Operating profit*** | ***8 722*** | ***14 552*** |
| Amortization and depreciation of fixed assets and intangibles | 12 114 | 9 844 |
| ***EBITDA*** | ***20 836*** | ***24 396*** |
| Adjustments including: | | |
| Restructuring and transaction costs - external services | 188 | 489 |
| Restructuring and transaction costs – salary and employee benefit expenses | 724 | 531 |
| Restructuring and transaction costs -other operating expenses | 35 | 252 |
| Costs of the employee option scheme | 313 | 546 |
| Net result on barter transactions settlement | 2 683 | (380) |
| Revaluation and liquidation of non-financial assets | 275 | 23 |
| ***Adjusted EBITDA*** | ***25 054*** | ***25 857*** |

## 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 the public offering and acquisitions, result on settlement of barter transactions, income from revaluation of non-operational provisions, revaluation of non-current assets, costs of the management option scheme and valuation of interest rate hedging instrument as well as costs 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 | Three months ending 31 March 2017 | Three months ending 31 March 2016 |
|---|---|---|
| ***Profit before tax*** | ***4 241*** | ***10 560*** |
| Adjustments including: | | |
| Restructuring and transaction costs - external services | 188 | 489 |
| Restructuring and transaction costs – salary and employee benefit expenses | 724 | 531 |
| Restructuring and transaction costs -other operating expenses | 35 | 252 |
| Costs of the employee option scheme | 313 | 546 |
| Net result on barter transactions settlement | 2 683 | (380) |
| Revaluation and liquidation of non-financial assets | 275 | 23 |
| ***Total adjustments*** | ***4 218*** | ***1 461*** |
| ***Adjusted profit before tax*** | ***8 459*** | ***12 021*** |

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

| in PLN'000 | Three months ending 31 March 2017 | Three months ending 31 March 2016 |
|---|---|---|
| Revenues from grants | 116 | 198 |
| Liabilities expired and forgiven | 21 | 2 |
| Repayment of receivables previously written off | 2 | - |
| Write-downs of receivables | - | 155 |
| Other | 61 | 3 |
| ***Total*** | ***200*** | ***358*** |

## 14. OTHER OPERATING EXPENSES

| in PLN'000 | Three months ending 31 March 2017 | Three months ending 31 March 2016 |
|---|---|---|
| Representation and other costs by type, including: | 1 086 | 488 |
| Representation | 341 | 200 |
| Other costs by type | 745 | 288 |
| Write-downs of receivables | 219 | - |
| Taxes and charges | 539 | 482 |
| Revaluation of provisions | 403 | 59 |
| Revaluation and liquidation of non-financial assets | 275 | 23 |
| Other | 365 | 138 |
| Costs related to public offering, acquisitions of subsidiaries and restructuring | 35 | 252 |
| ***Total*** | ***2 922*** | ***1 442*** |
| Restructuring related costs | 35 | 252 |
| Other operating expenses | 2 887 | 1 190 |

## 15. FINANCE INCOME

| in PLN'000 | Three months ending 31 March 2017 | Three months ending 31 March 2016 |
|---|---|---|
| Interest income | 83 | 148 |
| Other | 4 | 38 |
| ***Total*** | ***87*** | ***186*** |

## 16. FINANCE EXPENSES

| in PLN'000 | Three months ending 31 March 2017 | Three months ending 31 March 2016 |
|---|---|---|
| Interest and commissions | 2 615 | 2 696 |
| Reversal of discount on investment liabilities | 1 657 | 1 239 |
| Fees to the Bank Guarantee Fund | - | 232 |
| Other | 296 | 11 |
| ***Total*** | ***4 568*** | ***4 178*** |

## 17. CURRENT AND DEFERRED INCOME TAX

| in PLN'000 | Three months ending 31 March 2017 | Three months ending 31 March 2016 |
|---|---|---|
| ***Current income tax*** | ***1 538*** | ***751*** |
| For the financial year | 1 538 | 751 |
| ***Deferred tax*** | ***(279)*** | ***1 624*** |
| Temporary differences arising and reversed | (279) | 1 624 |
| ***Total income tax*** | ***1 259*** | ***2 375*** |

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 | Three months ending 31 March 2017 | Three months ending 31 March 2016 |
|---|---|---|
| ***Profit before tax*** | ***4 241*** | ***10 560*** |
| ***Corporate income tax at the statutory rate of 19%*** | ***806*** | ***2 006*** |
| Tax effects of the following items: | | |
| Revenues and costs non-taxable permanent differences | 275 | 237 |
| The reversal of the discount on commitments to purchase non-controlling interest | 284 | 141 |
| Unrecognized tax assets | - | 67 |
| Other | (106) | (76) |
| Previous years adjustments | - | - |
| ***Total income tax*** | ***1 259*** | ***2 375*** |

Change in deferred tax assets.

| in PLN'000 | Three months ending 31 March 2017 | Three months ending 31 March 2016 |
|---|---|---|
| ***At the beginning of the period*** | ***29 275*** | ***1 681*** |
| Charged/credited to the financial result | (2 429) | (3) |
| Charged/credited to other comprehensive income | (134) | 162 |
| Asset recognized on business combination | - | 57 |
| ***At the end of the period*** | ***26 712*** | ***1 897*** |

Change in deferred tax liabilities.

| in PLN'000 | Three months ending 31 March 2017 | Three months ending 31 March 2016 |
|---|---|---|
| ***At the beginning of the period*** | ***10 993*** | ***23 884*** |
| Charged/credited to the financial result | (2 708) | 1 621 |
| Charged/credited to other comprehensive income | 84 | - |
| Provision recognized on business combination | - | 1 308 |
| ***At the end of the period*** | ***8 369*** | ***26 813*** |

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

| in PLN'000 | As of 31 March 2017 | As of 31 December 2016 |
|---|---|---|
| ***Deferred tax assets:*** | | |
| Change in tax values of assets as a result of internal reorganization of the Group | 20 145 | 21 207 |
| Unutilized tax losses | 57 266 | 55 391 |
| Write-downs of assets | 1 233 | 1 254 |
| Differences in tax and carrying amounts of liabilities | 7 583 | 8 085 |
| Other differences | 397 | 285 |
| ***Deferred tax assets*** | ***86 624*** | ***86 222*** |
| ***Deferred tax liability:*** | | |
| Differences in carrying and tax amounts of property, plant and equipment | 65 085 | 65 960 |
| Other | 3 196 | 1 980 |
| ***Deferred tax liability*** | ***68 281*** | ***67 940*** |
| ***Deferred tax assets/liability net*** | ***18 343*** | ***18 282*** |

| in PLN'000 | As of 31 March 2017 | As of 31 December 2016 |
|---|---|---|
| Offsetting of deferred tax liability | (59 912) | (56 947) |
| ***Deferred tax assets after offsetting*** | ***26 712*** | ***29 275*** |
| ***Deferred tax liabilities after offsetting*** | ***8 369*** | ***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 31 March 2017 there were no premises to record a provision against identifiable and measurable tax risk.

## 18. 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 24).

| in PLN'000 | Three months ending 31 March 2017 | Three months ending 31 March 2016 |
|---|---|---|
| ***Net profit attributable to equity holders of the Parent Company*** | ***1 554*** | ***7 904*** |
| Weighted average number of shares shown for the purpose of calculating basic earnings per share (no. of units) | 28 685 213 | 28 252 782 |
| Effect of diluting the number of ordinary shares | 242 631 | 483 342 |
| *Weighted average number of ordinary shares shown for the purpose of calculating diluted earnings per share (no. of units)* | 28 927 844 | 28 736 124 |
| Basic (in PLN) | 0,05 | 0,28 |
| *Diluted (in PLN)* | *0,05* | *0,28* |

## 19. CHANGES IN ALLOWANCES FOR ASSETS

During the three months ending 31 March 2017 the Group adjusted the value of allowances for trade receivables by PLN 219 thousand.

In the first three months of 2017 write-downs on intangible assets and property, plant and equipment of PLN 275 thousand were recorded.

## 20. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

In the period from 1 January 2017 to 31 March 2017 the Group purchased property, plant and equipment of PLN 2.4 million and intangible assets of PLN 4.7 million. In addition, the acquisition of programming assets amounted to PLN 0.7 million.

Due to broadcasting of the television program the Group has contractual commitments to purchase programming assets which as of 31 March 2017 amounted to PLN 770 thousand. These are short-term liabilities.

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

## 21. GOODWILL

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

| in PLN'000 | Cash generating unit | As of 31 March 2017 | As of 31 December 2016 |
|---|---|---|---|
| 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. (from 03.06.2015) | Publishing and Advertising activities | 19 072 | 19 072 |
| Finansowysupermarket.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 S.A. | 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. and Nocowanie.pl Sp. z o.o. the goodwill presented above is based on the provisional settlement of the purchase price.

## 22. ACQUISITIONS 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.

### *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 disclosed in correspondence with equity. The liability as of 31 March 2017 amounted to PLN 12,053 thousand. The following table shows the consideration paid and the fair values of acquired assets and liabilities at the acquisition date.

### *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).

| 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.

## *23. SHARE CAPITAL*

The structure of share capital as of 31 March 2017 is as follows:

| Shareholder | Number of shares | % of share capital | Number of votes | % of votes |
|---|---|---|---|---|
| Jacek Świderski through subsidiaries: | 3 763 237 | 13,11% | 7 526 474 | 18,82% |
| Orfe S.A. | 3 195 237 | 11,13% | 6 390 474 | 15,98% |
| Liceia Sp. z o.o. | 568 000 | 1,98% | 1 136 000 | 2,84% |
| Michał Brański through subsidiaries: | 3 763 236 | 13,11% | 7 526 472 | 18,82% |
| 10X S.A. | 3 195 236 | 11,13% | 6 390 472 | 15,98% |
| Palaja Sp. z o.o. | 568 000 | 1,98% | 1 136 000 | 2,84% |
| Krzysztof Sierota through subsidiaries: | 3 763 236 | 13,11% | 7 526 472 | 18,82% |
| Albemuth Inwestycje S.A. | 3 195 236 | 11,13% | 6 390 472 | 15,98% |
| Silveira Sp. z o.o. | 568 000 | 1,98% | 1 136 000 | 2,84% |
| Founders together* | 11 289 709 | 39,34% | 22 579 418 | 56,47% |
| Other | 17 408 915 | 60,66% | 17 408 915 | 43,53% |
| ***Total*** | ***28 698 624*** | ***100,00%*** | ***39 988 333*** | ***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.

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 13.11% interest in the Company's share capital, representing 7,526,474 votes at the general shareholders meeting of the Company and constituting 18.82% 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 13.11% interest in the Company's share capital, representing 7,526,472 votes at the general shareholders meeting of the Company and constituting 18.82% 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 13.11% interest in the Company's share capital, representing 7,526,472 votes at the general shareholders meeting of the Company and constituting 18.82% of the overall number of votes.

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.

In the first three months of 2017 and 2016 the Group did not pay or pass out a dividend to shareholders of the Parent Company.

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 entire Company's net profit for the year 2016 and some part of the profits from previous years to pay dividend to the shareholders. The dividend will amount to PLN 1.10 (per share and its total amount will be approximately PLN 31,693 thousand.) Details are provided in Note 35 concerning significant events after the balance sheet date.

***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 dividend policy applies starting from the distribution of the consolidated net profit of the Issuer's Capital Group for the year ending 31 December 2016.

## 24. INCENTIVE SCHEME-SHARE-BASED PAYMENTS

***First Incentive Scheme***

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

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

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

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

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

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

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

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 1,805 thousand. The total costs recognized in the financial result for the period ending 31 March 2017 in respect of the scheme amounted to PLN 144 thousand and the total cost recognized in the previous periods amounted to PLN 3,821 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 | 24 612 |
| Non executed | (16 062) |
| Executed | (15 047) |
| ***As of 31 March 2017*** | ***346 572*** |
| Including the number of options vested as of the balance sheet date | 102 275 |

The exercise price of the options outstanding as of 31 March 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 8,580 thousand. The total costs recognized in the financial result for the period ending 31 March 2017 in respect of the scheme amounted to PLN 166 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 | 150 000 |
| Non executed | (46 636) |
| Executed | (7 056) |
| ***As of 31 March 2017*** | ***227 140*** |
| Including the number of options vested as of the balance sheet date | 10 905 |

The exercise price of the options outstanding as of 31 March 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.

## *25. 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 31 March 2017 in the consolidated balance sheet.

| in PLN'000 | As of 31 March 2017 |
|---|---|
| Long-term financial assets | 164 |
| Short-term liabilities from valuation of hedging instrument | 674 |
| Deferred tax assets recognized on the valuation of hedging instrument | 97 |
| Revaluation reserve | 413 |

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.

## 26. LOANS AND LEASES

| in PLN'000 | As of 31 March 2017 | As of 31 December 2016 |
|---|---|---|
| ***Long-term:*** | | |
| Bank loans | 163 580 | 174 018 |
| Finance leases | 517 | 554 |
| | ***164 097*** | ***174 572*** |
| ***Short-term:*** | | |
| Bank loans | 42 817 | 38 927 |
| Finance leases | 215 | 275 |
| | ***43 032*** | ***39 202*** |
| ***Total:*** | ***207 129*** | ***213 774*** |

Bank loans

On 24 March 2015, Grupa Wirtualna Polska S.A. and mBank and ING Bank Śląski concluded a loan agreement to refinance the current debt, finance capital expenditure and acquisitions, and the bank overdraft, on the basis of which they granted a loan to Grupa Wirtualna Polska 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 two drawdowns and nine 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.

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.

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 6th anniversary of the conclusion of the new loan agreement;
- tranche CAPEX should be repaid in twelve equal quarterly installments payable after the lapse of two and a half years from concluding the new loan agreement.

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

- financial and registered pledges on shares in Grupa Wirtualna Polska, http Sp. z o.o., Dobreprogramy Sp. z o.o., 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., Grupa Wirtualna Polska 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 Grupa Wirtualna Polska 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., Grupa Wirtualna Polska 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 Grupa Wirtualna Polska 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., Grupa Wirtualna Polska 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 Grupa Wirtualna Polska S.A. to the dues of the new borrowers.

The debt from the loan agreement was presented in the balance sheet as of 31 March 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 31 March 2017 the Group had no unpaid loans.

## 27. 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 31 March 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 6,237 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 31.

## 28. PROVISIONS

| in PLN'000 | As of 31 March 2017 | As of 31 December 2016 |
|---|---|---|
| ***Provision for employee benefits*** | ***3 800*** | ***3 276*** |
| provision for pension benefits | 249 | 249 |
| holiday pay provision | 3 551 | 3 027 |
| ***Other provisions, including:*** | ***1 802*** | ***1 511*** |
| Provisions for litigation | 1 649 | 1 451 |
| Other | 153 | 60 |
| ***Total*** | ***5 602*** | ***4 787*** |

| in PLN'000 | As of 31 March 2017 | As of 31 December 2016 |
|---|---|---|
| ***Provision for employee benefits*** | | |
| ***At the beginning of the period*** | ***3 276*** | ***2 891*** |
| Recorded during the year | 525 | 490 |
| Released | (1) | (98) |
| Business combinations | - | 22 |
| Sale of subsidiaries | - | (29) |
| ***At the end of the period*** | ***3 800*** | ***3 276*** |

| | | |
|---|---|---|
| ***Other provisions:*** | | |
| ***At the beginning of the period*** | ***1 511*** | ***1 661*** |
| Recorded during the year | 405 | 794 |
| Utilized | (112) | (460) |
| Released | (2) | (369) |
| Business combinations | - | 25 |
| Sale of subsidiaries | - | (140) |
| ***At the end of the period*** | ***1 802*** | ***1 511*** |

## 29. TRADE AND OTHER PAYABLES

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

| in PLN'000 | As of 31 March 2017 | As of 31 December 2016 |
|---|---|---|
| ***Long-term:*** | | |
| Contingent liabilities related to business combinations | 6 237 | 6 075 |
| Interest rate swaps - cash flow hedges | - | 522 |
| Liabilities with respect to the put option for non-controlling interests | 127 385 | 125 890 |
| Liabilities in respect of purchase of property, plant and equipment and intangible assets | 9 844 | 11 201 |
| | ***143 466*** | ***143 688*** |
| ***Short-term:*** | | |
| Trade payables | 42 710 | 34 778 |
| Interest rate swaps - cash flow hedges | 674 | 694 |
| State liabilities | 4 993 | 4 821 |
| Barter liabilities | 6 593 | 875 |
| Wages and salaries payables | 5 059 | 5 947 |
| Liabilities in respect of purchase of property, plant and equipment and intangible assets | 2 521 | 12 436 |
| Deferred income | 5 094 | 4 567 |
| Other | 4 689 | 4 727 |
| ***Total*** | ***72 333*** | ***68 845*** |

## 30. 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 31 March 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 quarter 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 198 thousand.

## 31. 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 31 March 2017:

| in PLN'000 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| ***Assets and liabilities measured at fair value*** | | | | |
| Financial assets available for sale | 2 912 | - | - | ***2 912*** |
| Contingent liabilities related to business combinations | - | - | (6 237) | ***(6 237)*** |
| Interest rate contracts | - | (510) | - | ***(510)*** |
| ***Total assets and liabilities*** | ***2 912*** | ***(510)*** | ***(6 237)*** | ***(3 835)*** |

*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 instruments for the period of 3 months ending 31 March 2017 and 31 December 2016:

| in PLN'000 | Contingent consideration under business combinations As of 31 March 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 | 162 | 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 | - | 2 625 |
| ***At the end of the period*** | ***6 237*** | ***6 075*** |

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

| in PLN'000 | Carrying amount | Fair value |
|---|---|---|
| Bank loans | 206 397 | 209 732 |
| Finance leases liabilities | 732 | 732 |
| ***Total*** | ***207 129*** | ***210 464*** |

## 32. 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 31 March 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 31 March 2017 | As of 31 December 2016 |
|---|---|---|
| Banks with high rating | 52 402 | 45 150 |
| ***Total cash at banks*** | ***52 402*** | ***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 31 March 2017, the Group was a party in four swap agreements converting floating interest rates into fixed, which in total hedged PLN 105 million of debt, which was 50% 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.

## *33. RELATED PARTY DISCLOSURES*

As of 31 March 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.

The following transactions were concluded with related entities:

| in PLN'000 | Three months ending 31 March 2017 | Three months ending 31 March 2016 |
|---|---|---|
| ***Purchases:*** | | |
| Subsidiary of a member of the Management Board of the Parent Company | 5 | 83 |
| ***Total*** | ***5*** | ***83*** |

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

| in PLN'000 | As of 31 March 2017 | As of 31 December 2016 |
|---|---|---|
| ***Liabilities:*** | | |
| Subsidiary of a member of the Management Board of the Parent Company | 6 | 14 |
| ***Total*** | ***6*** | ***14*** |
| ***Receivables:*** | | |
| Subsidiary of a member of the Management Board of the Parent Company | 6 | 6 |
| ***Total*** | ***6*** | ***6*** |

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 | Three months ending 31 March 2017 | Three months ending 31 March 2016 |
|---|---|---|
| Short-term employee costs (salaries and related benefits) | 1 712 | 978 |
| Incentive scheme – share-based payments | 54 | 526 |
| ***Total*** | ***1 766*** | ***1 504*** |

## *34. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE*

### *Adoption of dividend for the year 2016*

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 entire net profit of Wirtualna Polska Holding S.A. reported in the standalone financial statements for the year 2016 of PLN 4,608 thousand and PLN 27,085 thousand from the profits of the Company from previous years to pay dividend to the shareholders. The dividend will amount to PLN 1.10 (per share and its total amount will be approximately PLN 31,693 thousand.) The number of shares entitling to the dividend as at the date of adoption of this resolution amounted to 28,698,624. However, at the dividend date, the number of shares is predicted to be 28,809,752, which is related to the pending procedure of registration of shares under the managerial option program 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.

### *Changes in the composition of the supervisory Board*

Detailed information about changes in the composition of the Supervisory Board after the balance sheet date is described in item 7.1. of the Management's Report of the activities.

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

## 35. EXPLANATIONS TO THE CASH FLOW STATEMENT

| in PLN'000 | As of 31 March 2017 | As of 31 March 2016 |
|---|---|---|
| ***Change in receivables and other short-term assets arises from the following items:*** | ***1 609*** | ***(8 420)*** |
| Change in receivables and other short-term assets per balance sheet | 563 | (9 220) |
| Change in assets relating to financing activities | 34 | 37 |
| Receivables and other assets of companies as of the date of obtaining control | - | 617 |
| Change in income tax receivables | 1 011 | 149 |
| Other | 1 | (3) |
| | | |
| ***Change in short-term liabilities arises from the following items:*** | ***13 518*** | ***5 643*** |
| Change in short-term liabilities per balance sheet | 3 488 | 8 231 |
| Adjustment for a change in the liability in respect of swap instruments | 20 | (17) |
| Adjustment for a change in investment liabilities | 9 915 | (2 385) |
| Revaluation of investment liabilities recognized in operating activities | - | 541 |
| Operating liabilities taken over as a result of obtaining control | - | (719) |
| Change in long-term deferred income | (114) | - |
| Change in liabilities in respect of financing activities | 209 | - |
| Other | - | (8) |
| | | |
| ***Change in provisions arises from the following items:*** | ***815*** | ***486*** |
| Change in short-term provisions per balance sheet | 815 | 508 |
| Provisions taken over as a result of obtaining control | - | (22) |
| | | |
| ***Purchase of shares in a subsidiary*** | ***-*** | ***(14 676)*** |
| Nominal purchase price | - | (14 500) |
| 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 | - | 2 067 |

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.

## 36. INFORMATION ON GUARANTEES AND WARRANTIES GRATNED 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 Grupa Wirtualna Polska Sp. z o.o. (currently 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.

## 37. SELECTED CONSOLIDATED FINANCIAL DATA CONVERTED INTO EURO

### Consolidated income statement and other comprehensive income

| | Three months ending 31 March 2017 | Three months ending 31 March 2016 | Three months ending 31 March 2017 | Three months ending 31 March 2016 |
|---|---|---|---|---|
| ***ONLINE segment*** | in PLN'000 | | in EUR'000 | |
| Sales | 102 665 | 88 449 | 23 936 | 20 306 |
| Cash sales | 94 467 | 79 860 | 22 025 | 18 334 |
| Adjusted EBITDA | 29 014 | 25 940 | 6 765 | 5 955 |
| EBITDA | 24 796 | 24 479 | 5 781 | 5 620 |

| | Three months ending 31 March 2017 | Three months ending 31 March 2016 | Three months ending 31 March 2017 | Three months ending 31 March 2016 |
|---|---|---|---|---|
| ***TV segment*** | in PLN'000 | | in EUR'000 | |
| Sales | 879 | - | 205 | - |
| Cash sales | 879 | - | 205 | - |
| Adjusted EBITDA | (3 960) | (83) | (923) | (19) |
| EBITDA | (3 960) | (83) | (923) | (19) |

| | Three months ending 31 March 2017 | Three months ending 31 March 2016 | Three months ending 31 March 2017 | Three months ending 31 March 2016 |
|---|---|---|---|---|
| ***Segments total*** | in PLN'000 | | in EUR'000 | |
| Sales | 103 544 | 88 449 | 24 141 | 20 306 |
| Cash sales | 95 346 | 79 860 | 22 230 | 18 334 |
| Adjusted EBITDA | 25 054 | 25 857 | 5 841 | 5 936 |
| EBITDA | 20 836 | 24 396 | 4 858 | 5 601 |
| Amortization and depreciation of fixed assets and intangibles | (12 114) | (9 844) | (2 824) | (2 260) |
| Operating profit | 8 722 | 14 552 | 2 034 | 3 341 |
| Result on financial activities | (4 481) | (3 992) | (1 045) | (916) |
| Profit before tax | 4 241 | 10 560 | 989 | 2 424 |
| Net profit | 2 982 | 8 185 | 695 | 1 879 |

### Consolidated statement of financial position

| | As of 31 March 2017 | As of 31 December 2016 | As of 31 March 2017 | As of 31 December 2016 |
|---|---|---|---|---|
| | in PLN'000 | | in EUR'000 | |
| Total assets | 851 539 | 852 196 | 201 796 | 192 630 |
| Non-current assets | 722 396 | 729 742 | 171 192 | 164 951 |
| Current assets | 129 143 | 122 454 | 30 604 | 27 679 |
| Long-term liabilities | 316 697 | 330 132 | 75 050 | 74 623 |
| Short-term liabilities | 121 484 | 113 339 | 28 789 | 25 619 |
| Equity | 413 358 | 408 725 | 97 957 | 92 388 |
| Share capital | 1 435 | 1 434 | 340 | 324 |
| Non-controlling interests | 17 895 | 16 467 | 4 241 | 3 722 |

## Consolidated cash flow statement

| | Three months ending 31 March 2017 | Three months ending 31 March 2016 | Three months ending 31 March 2017 | Three months ending 31 March 2016 |
|---|---|---|---|---|
| | in PLN'000 | | in EUR'000 | |
| Net cash flows from operating activities | 31 774 | 21 074 | 7 408 | 4 838 |
| Net cash flows from investing activities | (15 536) | (21 826) | (3 622) | (5 011) |
| Net cash flows from financing activities | (8 986) | (10 552) | (2 095) | (2 422) |
| ***Total net cash flows*** | ***7 252*** | ***(11 304)*** | ***1 691*** | ***(2 595)*** |

Conversion into euro was performed based on the following principles:

- amounts presented in zloty as of 31 March 2017 were converted into euro at the exchange rate of 4.2198 (the NBP exchange rate as of 31 March 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 three months ending 31 March 2017 were converted into euro at the exchange rate of 4.2891 (the arithmetic mean of the NBP exchange rates as of the last day of each month of the first quarter of 2017),
- amounts presented in zloty for the period of three months ending 31 March 2016 were converted into euro at the exchange rate of 4.3559 (the arithmetic mean of the NBP exchange rates as of the last day of each month of the first quarter of 2016).

## 38. 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, 15 May 2017

# CONDENSED INTERIM STANDALONE FINANCIAL STATEMENTS

for the period of 3 months ending
31 March 2017

## *Interim standalone income statement and other comprehensive income*

| in PLN'000 | Three months ending 31 March 2017 | Three months ending 31 March 2016 |
|---|---|---|
| ***Sales*** | ***1 888*** | ***2 245*** |
| Amortization and depreciation | (3) | (3) |
| Materials and energy used | (3) | (2) |
| Costs of the employee option scheme | (271) | (526) |
| Other external services | (351) | (321) |
| Other salary and employee benefit expenses | (1 949) | (1 776) |
| Other operating expenses | (57) | (41) |
| ***Operating loss*** | ***(746)*** | ***(424)*** |
| Finance income | 3 041 | 2 968 |
| Finance costs | (1) | (469) |
| ***Profit before tax*** | ***2 294*** | ***2 075*** |
| Income tax | (490) | (498) |
| ***Net profit*** | ***1 804*** | ***1 577*** |
| ***Other comprehensive income/(losses)*** | - | - |
| ***Comprehensive income*** | ***1 804*** | ***1 577*** |

WP Holding SA

## *Interim standalone statement of financial position*

| in PLN'000 | Note | As of 31 March 2017 | As of 31 December 2016 |
|---|---|---|---|
| ***Non-current assets*** | | | |
| Intangible assets | | 43 | 46 |
| Investments in subsidiaries | 9 | 203 271 | 203 230 |
| Loans granted | 9 | 284 657 | 280 935 |
| | | ***487 971*** | ***484 211*** |
| ***Current assets*** | | | |
| Trade receivables and other assets | | 846 | 811 |
| Cash and cash equivalents | | 1 077 | 1 273 |
| | | ***1 923*** | ***2 084*** |
| ***TOTAL ASSETS*** | | ***489 894*** | ***486 295*** |
| ***Equity*** | | | |
| Share capital | 10 | 1 435 | 1 434 |
| Supplementary capital | | 316 238 | 315 830 |
| Other reserves | | 5 426 | 5 113 |
| Retained earnings | | 160 372 | 158 568 |
| | | ***483 471*** | ***480 945*** |
| ***Long-term liabilities*** | | | |
| Deferred tax liability | | 3 632 | 3 449 |
| | | ***3 632*** | ***3 449*** |
| ***Short-term liabilities*** | | | |
| Loans and leases | | 8 | - |
| Trade and other payables | | 2 480 | 1 493 |
| Provisions for employee benefits | | 17 | 17 |
| Current income tax liabilities | | 286 | 391 |
| | | ***2 791*** | ***1 901*** |
| ***TOTAL EQUITY AND LIABILITIES*** | | ***489 894*** | ***486 295*** |

WP Holding SA

## *Interim standalone statement of changes in equity*

| in PLN'000 | Equity | | | | |
|---|---|---|---|---|---|
| | Share capital | Supplementary capital | Other reserves | Retained earnings | Total |
| ***Equity as of 1 January 2017*** | 1 434 | 315 830 | 5 113 | 158 568 | ***480 945*** |
| Net profit | - | - | - | 1 804 | 1 804 |
| ***Total comprehensive income*** | **-** | **-** | **-** | ***1 804*** | ***1 804*** |
| Share capital increase | 1 | 408 | - | - | 409 |
| Incentive scheme - share-based payments | - | - | 313 | - | 313 |
| Distribution of net profit | - | - | - | - | - |
| ***Equity as of 31 March 2017*** | ***1 435*** | ***316 238*** | ***5 426*** | ***160 372*** | ***483 471*** |

| 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 |
| Distribution of net profit | - | - | - | - | **-** |
| ***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 | - | - | - | 1 577 | 1 577 |
| ***Total comprehensive income*** | **-** | **-** | **-** | ***1 577*** | ***1 577*** |
| Incentive scheme - share-based payments | - | - | 545 | - | 545 |
| Distribution of net profit | - | - | - | - | - |
| ***Equity as of 31 March 2016*** | ***1 413*** | ***310 454*** | ***3 892*** | ***155 536*** | ***471 295*** |

## *Interim standalone cash flow statement*

| in PLN'000 | Three months ending 31 March 2017 | Three months ending 31 March 2016 |
|---|---|---|
| ***Cash flows from operating activities*** | | |
| ***Profit before tax*** | ***2 294*** | ***2 075*** |
| ***Adjustments for:*** | ***(2 765)*** | ***(1 969)*** |
| Amortization and depreciation | 3 | 3 |
| Finance income and costs | (3 040) | (2 499) |
| Costs of the employee option scheme | 271 | 526 |
| Other adjustments | 1 | 1 |
| ***Changes in working capital*** | ***1 268*** | ***(710)*** |
| Change in trade and other receivables | 281 | (966) |
| Change in trade and other payables | 987 | 256 |
| Income tax paid | (412) | (121) |
| ***Net cash flows from operating activities*** | ***385*** | ***(725)*** |
| ***Cash flows from investing activities*** | | |
| Loans granted | (8 200) | (11 759) |
| Repayment of loans granted | 4 200 | - |
| Repayment of interest on loans granted | 3 000 | - |
| ***Net cash flows from investing activities*** | ***(1 000)*** | ***(11 759)*** |
| ***Net cash flows from financing activities*** | | |
| Payments due to share capital increase | 409 | - |
| Loans received | 8 | - |
| Interest received on cash at banks | 2 | 49 |
| ***Net cash flows from financing activities*** | ***419*** | ***49*** |
| ***Total net cash flows*** | ***(196)*** | ***(12 435)*** |
| ***Cash and cash equivalents at the beginning of the period*** | ***1 273*** | ***18 144*** |
| ***Cash and cash equivalents at the end of the period*** | ***1 077*** | ***5 709*** |

## 1. INFORMACJE OGÓLNE 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 31 March 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 31 March 2017, standalone income statement and other comprehensive income, standalone cash flow statement and standalone statement of changes in equity for three months ending 31 March 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 15 May 2017. These financial statements should be read in conjunction with the consolidated financial statements.

## 3. APPROVAL FOR PUBLICATION OF STANDALONE FINANCIAL STATEMENTS

These condensed interim standalone financial statements have been approved for publication by the Management Board on 15 May 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 31 March 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 31 March 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 | Three months ending 31 March 2017 | Three months ending 31 March 2016 |
|---|---|---|
| ***Purchases*** | | |
| Subsidiaries | 242 | 193 |
| ***Total*** | ***242*** | ***193*** |
| | | |
| ***Sales of services*** | | |
| Subsidiaries | 1 888 | 2 245 |
| ***Total*** | ***1 888*** | ***2 245*** |
| | | |
| ***Interest income and guarantees*** | | |
| Subsidiaries | 3 039 | 2 918 |
| ***Total*** | ***3 039*** | ***2 918*** |

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

| in PLN'000 | As of 31 March 2017 | As of 31 December 2016 |
|---|---|---|
| ***Receivables*** | | |
| Subsidiaries | 441 | 800 |
| ***Total*** | ***441*** | ***800*** |
| | | |
| ***Loans granted*** | | |
| Subsidiaries | 284 657 | 280 935 |
| ***Total*** | ***284 657*** | ***280 935*** |
| | | |
| ***Liabilities*** | | |
| Subsidiaries | 326 | 6 |
| ***Total*** | ***326*** | ***6*** |

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

| in PLN'000 | Three months ending 31 March 2017 | Three months ending 31 March 2016 |
|---|---|---|
| Short-term employee costs (salaries and related benefits) | 1 712 | 978 |
| Incentive scheme - share-based payments | 54 | 526 |
| ***Total*** | ***1 766*** | ***1 504*** |

## 9. OTHER FINANCIAL ASSETS

*Investments in subsidiaries*

The structure of shares is as follows:

| Name of the company | Value of shares at purchase price | Adjustments | Carrying value of shares | Percentage of shares held | Percentage of votes held |
|---|---|---|---|---|---|
| Grupa Wirtualna Polska S.A. | 196 522 | - | 196 522 | 100% | 100% |
| Http Sp. z o.o. | 47 | - | 47 | 100% | 100% |
| Dobreprogramy Sp. z o.o. | 6 697 | - | 6 697 | 51% | 51% |
| WP1 Sp. z o.o. | 5 | - | 5 | 100% | 100% |
| ***As of 31 March 2017*** | ***203 271*** | - | ***203 271*** | | |

*Loans granted*

In the first three months ending 31 March 2017, WP1 Sp. z o.o. used the subsequent tranches of the loan of total of PLN 8,200 thousand. Moreover, Grupa Wirtualna Polska S.A paid the loan principle of PLN 2,000 thousand and interest of PLN 3,000 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 three months of 2017.

## 10. EQUITY

Detailed information about the structure and changes in Company's equity is presented in Note 23 to the condensed consolidated financial statements.

## 11. SELECTED STANDALONE FINANCIAL DATA CONVERTED INTO EURO

### *Income statement and other comprehensive income*

| | Three months ending 31 March 2017 | Three months ending 31 March 2016 | Three months ending 31 March 2017 | Three months ending 31 March 2016 |
|---|---|---|---|---|
| | in PLN'000 | | in EUR'000 | |
| Sales | 1 888 | 2 245 | 440 | 515 |
| Operating loss | (746) | (424) | (174) | (97) |
| Profit before tax | 2 294 | 2 075 | 535 | 476 |
| Net profit | 1 804 | 1 577 | 421 | 362 |

### *Statement of financial position*

| | As of 31 March 2017 | As of 31 December 2016 | As of 31 March 2017 | As of 31 December 2016 |
|---|---|---|---|---|
| | in PLN'000 | | in EUR'000 | |
| Total assets | 489 894 | 486 295 | 116 094 | 109 922 |
| Non-current assets | 487 971 | 484 211 | 115 638 | 109 451 |
| Current assets | 1 923 | 2 084 | 456 | 471 |
| Long-term liabilities | 3 632 | 3 449 | 861 | 780 |
| Short-term liabilities | 2 791 | 1 901 | 661 | 430 |
| Equity | 483 471 | 480 945 | 114 572 | 108 713 |
| Share capital | 1 435 | 1 434 | 340 | 324 |

### *Cash flow statement*

| | Three months ending 31 March 2017 | Three months ending 31 March 2016 | Three months ending 31 March 2017 | Three months ending 31 March 2016 |
|---|---|---|---|---|
| | in PLN'000 | | in EUR'000 | |
| Net cash flows from operating activities | 385 | (725) | 90 | (166) |
| Net cash flows from investing activities | (1 000) | (11 759) | (233) | (2 700) |
| Net cash flows from financing activities | 419 | 49 | 98 | 11 |
| Total net cash flows | (196) | (12 435) | (46) | (2 855) |

Conversion into euro was performed based on the following principles:

- amounts presented in zloty as of 31 March 2017 were converted into euro at the exchange rate of 4.2198 (the NBP exchange rate as of 31 March 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 three months ending 31 March 2017 were converted into euro at the exchange rate of 4.2891 (the arithmetic mean of the NBP exchange rates as of the last day of each month of the first quarter of 2017),
- amounts presented in zloty for the period of three months ending 31 March 2016 were converted into euro at the exchange rate of 4.3559 (the arithmetic mean of the NBP exchange rates as of the last day of each month of the first quarter of 2016).

## 12. EVENTS AFTER THE BALANCE SHEET DATE

### Adoption of dividend for the year 2016

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 entire net profit of Wirtualna Polska Holding S.A. reported in the standalone financial statements for the year 2016 of PLN 4,608 thousand and PLN 27,085 thousand from the profits of the Company from previous years to pay dividend to the shareholders. The dividend will amount to PLN 1.10 (per share and its total amount will be approximately PLN 31,693 thousand.) The number of shares entitling to the dividend as at the date of adoption of this resolution amounted to 28,698,624.

However, at the dividend date, the number of shares is predicted to be 28,809,752, which is related to the pending procedure of registration of shares under the managerial option program 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.

### Changes in the composition of the supervisory Board

Detailed information about changes in the composition of the Supervisory Board after the balance sheet date is described in item 7.1. of this report.

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

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, 15 May 2017