Financial Report

for the period of 3 months ending
31 March 2018

WP Holding SA

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MANAGEMENT'S REPORT ON THE ACTIVITIES OF CAPITAL GROUP FOR THE PERIOD OF 3 MONTHS ENDING 31 MARCH 2018

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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 2018 and 2017. 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 2018 as well as the information included in point 3 of this report.

	Three months ending 31 March 2018	Three months ending 31 March 2017	Three months ending 31 March 2018	Three months ending 31 March 2017
	in PLN'000		in EUR'000	
Segment ONLINE				
Sales	114 915	102 665	27 502	23 936
Cash sales	110 891	94 467	26 539	22 025
Adjusted EBITDA	37 497	29 014	8 974	6 765
EBITDA	34 590	24 796	8 278	5 781

	Three months ending 31 March 2018	Three months ending 31 March 2017	Three months ending 31 March 2018	Three months ending 31 March 2017
	in PLN'000		in EUR'000	
Segment TV				
Sales	2 895	879	693	205
Cash sales	2 895	879	693	205
Adjusted EBITDA	(2 522)	(3 960)	(604)	(923)
EBITDA	(2 588)	(3 960)	(619)	(923)

	Three months ending 31 March 2018	Three months ending 31 March 2017	Three months ending 31 March 2018	Three months ending 31 March 2017
	in PLN'000		in EUR'000	
Segments total				
Sales	117 810	103 544	28 195	24 141
Cash sales	113 786	95 346	27 232	22 230
Adjusted EBITDA	34 975	25 054	8 370	5 841
EBITDA	32 002	20 836	7 659	4 858
Amortization and depreciation of fixed assets and intangibles	(13 453)	(12 114)	(3 220)	(2 824)
Operating profit	18 549	8 722	4 439	2 034
Result on financial activities	(6 058)	(4 481)	(1 450)	(1 045)
Profit before tax	12 491	4 241	2 989	989
Net profit	8 329	2 982	1 993	695

	As of 31 March 2018	As of 31 December 2017	As of 31 March 2018	As of 31 December 2017
	in PLN'000		in EUR'000	
Total assets	900 259	893 906	213 914	214 320
Non-current assets	746 111	752 229	177 287	180 352
Current assets	154 148	141 677	36 628	33 968
Long-term liabilities	326 657	307 292	77 618	73 675
Short-term liabilities	156 625	166 686	37 216	39 964
Equity	416 977	419 928	99 080	100 680
Share capital	1 443	1 443	343	346
Non-controlling interests	5 957	19 479	1 415	4 670

	Three months ending 31 March 2018	Three months ending 31 March 2017	Three months ending 31 March 2018	Three months ending 31 March 2017
	in PLN'000		in EUR'000	
Net cash flows from operating activities	42 147	31 774	10 087	7 408
Net cash flows from investing activities	(107 093)	(15 536)	(25 630)	(3 622)
Net cash flows from financing activities	78 041	(8 986)	18 677	(2 095)
Total net cash flows	***13 095***	***7 252***	***3 134***	***1 691***

Conversion into euro was performed based on the following principles:

- amounts presented in zloty as of 31 March 2018 were converted into euro at the exchange rate of 4.2085 (the NBP exchange rate as of 31 March 2018),
- amounts presented in zloty as of 31 December 2017 were converted into euro at the exchange rate of 4.1709 (the NBP exchange rate as of 31 December 2017),
- amounts presented in zloty for the period of three months ending 31 March 2018 were converted into euro at the exchange rate of 4.1784 (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 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).

2. OPERATIONS OF THE WIRTUALNA POLSKA HOLDING CAPITAL GROUP

2.1. The Scope of Group's operations

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

The Group owns the horizontal internet portal, the leader on the Polish internet market – Wirtualna Polska. It comprises numerous specialist vertical portals with a variety of topics including entertainment (Pudelek, WP Gwiazdy and Teleshow), health, parenting and lifestyle portals (WP abcZdrowie, WP Parenting, WP Kobieta and Kafeteria), business (WP money), sport (WP SportoweFakty) or technology (WP Tech). Portals are visited by 6.4 million users daily*. The Group owns also radio stations and WP television, as well as e-commerce services with lots of interesting offers.

The Group engages in advertising activity by offering i.a. lead generation to online stores within marketplaces of various categories. Domodi, Allani and Homebook offer fashion products and home decorations. TotalMoney.pl and FinansowySupermarket.pl are advanced platforms and tools making it possible to purchase and sell financial products and services, save money and manage private budgets. Wakacje.pl, Nocowanie.pl and eHoliday websites provide offers for travellers and those looking for accommodation. WP abcZdrowie provides a medical knowledge and healthy lifestyle database. The users can ask experts in various fields directly and can quickly make an appointment with a physician without having to register. E-commerce from WP Group comprises comprehensive solutions, a guarantee that the recipient will be reached effectively, as well as provides the users with information about trends and shopping recommendations.

The Group has one of the largest bases of electronic mail users in Poland that, as of April 2018 amounted to 9.3 million real users (Gemius/PBI) and constantly introduces new functionalities in WP nad o2 mail services. Both are distinguished by a high level of security and offer a range of solutions for business, such as the ability to send authorized mailing or match advertising services to the profile and interests of users, while respecting their right to privacy protection. According to the Group's internal data as April 2018, the Group had 10.1 million active e-mail accounts (including 6.8 million active WP e-mail accounts and 3.3 million active o2 e-mail accounts).

WP Group operates on the Polish online advertising market by offering its customers a wide range of advertising products: modern display advertising, such as video online advertising, email advertising, advertisements for mobile devices and advertisements based on the advertising effectiveness model (i.e. settled for visiting the website, completing the form, registration, purchase of goods or services, lead generation, performance marketing). In 2018, WP has replaced the standard CPM settlement with a much more reliable vCPM (cost per viewed mille) model. It is available in page view/impression campaigns and in programmatic campaigns on platforms which support these solutions. According to the IAB definition, an ad is viewable if at least half of its graphic creation stays in the browser for at least one second. The introduction of the vCPM index is a response to market needs. As a result, the customers obtain even more reliable results of their campaigns. Great popularity of WP Group's websites and services makes it possible to reach a broad group of users with the advertising message. According to the latest Gemius/PBI Survey for April 2018, Wirtualna Polska Group portals were visited by 20.9 million real users who generated 2.8 billion page views. Altogether, they spent 124 million on the websites. The Group's reach amounts to 75.21%.**

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

No	Name	Real Users (mln)	Page views (bln)	Time spent (mln h)
1	Grupa Google	26.6	6.6	223.9
2	facebook.com	21.9	4.6	153.3
3	***Grupa Wirtualna Polska***	***20.9***	***2.8***	***124.0***
4	Grupa Onet - RASP	20.8	2.7	84.0
5	youtube.com	19.9	1.3	48.2
6	Grupa Interia.pl	19.8	1.3	60.8
7	Grupa Allegro	17.2	1.8	30.8
8	Grupa OLX	16.3	3.3	39.6
9	Grupa Gazeta.pl	15.7	0.6	13.8
10	Grupa Polska Press	15.4	0.5	3.9

Source: Gemius/ PBI research, April 2018

The table below presents the Group's position in various categories, according to published Megapanel PBI/Gemius data of April 2018:

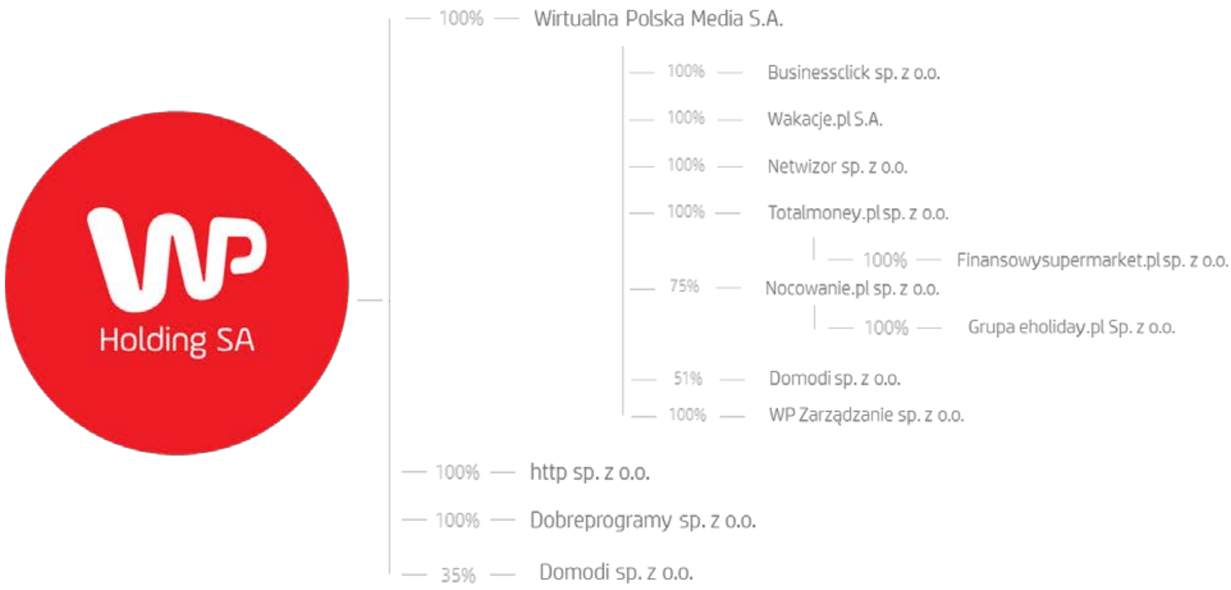
Category	Real Users (RU)	Place
Business, finance, law	7 552 366	1
Children, family	3 143 631	1
New Technologies	6 059 444	1
Email services	9 283 316	1
Lifestyle	11 829 759	1
Tourism	5 125 553	1
Health and medicine	6 835 217	1
Motorization	3 398 728	3
Sport	5 399 784	2
Information and journalism	7 953 177	5
E-commerce	5 302 262	3
Culture and Entertainment	6 835 676	5

Source: Gemius/ PBI research, April 2018

* Gemius/ PBI research, daily data April 2018
**aggregate data for desktop and mobile

2.2. Structure of the Wirtualna Polska Holding SA Capital Group

The following diagram presents the structure of the Group as of 31 March 2018, including the percentage of voting rights at the General Shareholders' Meeting to which the shareholder is entitled.



Changes in the Group's structure in 2018

On 15 March 2018, Wirtualna Polska Holding SA and shareholders of Domodi Sp. s o.o. concluded with the participation of Wirtualna Polska Media SA a share purchase agreement on the basis of which the Company acquired a total of 918 shares, representing approximately 35% of the share capital of Domodi and entitling to exercise about 35% of votes at the shareholders' meeting of Domodi. Prior to the transaction, the Group had a controlling stake of 51% of shares in Domodi. As a result of the transaction, a total of approximately 86% of Domodi shares entitling to exercise approximately 86% of votes at the Domodi shareholders' meeting are owned by the Group.

On 22 March 2018, Wirtualna Polska Holding SA and shareholders of Dobreprogramy Sp. z o.o. concluded a share purchase agreement on the basis of which the Company acquired a total of 980 shares, representing approximately 49% of the share capital of Dobreprogramy and entitling to exercise about 49% of votes at the shareholders' meeting of Domodi. Prior to the transaction, the Group had a controlling stake of 51% of shares in Dobreprogramy. As a result of the transaction, a total of 100% of Dobreprogramy shares is owned by the Group.

In 2018 the following mergers took place, concluded pursuant to article 492 section 1 item 1 of the Polish Commercial Companies Code:

- On 6 February 2018, Brand New Media Sp. z o.o. and Totalmoney.pl Sp. z o.o. merged by transferring all assets of Brand New Media Sp. z o.o. to Totalmoney.pl Sp. z o.o.

On 16 March 2018 Money.pl Sp. z o.o. changed its name to Totalmoney.pl Sp. z o.o.

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 2018 and 31 March 2017 was not audited. The information presented in the following tables should be read in conjunction with the information included in the condensed consolidated financial statements.

3.1. SELECTED FINANCIAL DATA FROM THE CONSOLIDATED INCOME STATEMENT

The following table presents the main positions of the income statement for the first three months of 2018 and 2017.

in PLN'000	Three months ending 31 March 2018	Three months ending 31 March 2017	Change	Change %
ONLINE segment				
Sales	114 915	102 665	12 250	11,9%
Cash sales	110 891	94 467	16 424	17,4%
Adjusted EBITDA	37 497	29 014	8 483	29,2%
EBITDA	34 590	24 796	9 794	39,5%
TV segment				
Sales	2 895	879	2 016	229,4%
Cash sales	2 895	879	2 016	229,4%
Adjusted EBITDA	(2 522)	(3 960)	1 438	(36,3%)
EBITDA	(2 588)	(3 960)	1 372	(34,6%)
Segments total				
Sales	117 810	103 544	14 266	13,8%
Cash sales	113 786	95 346	18 440	19,3%
Adjusted EBITDA	34 975	25 054	9 921	39,6%
EBITDA	32 002	20 836	11 166	53,6%
Amortization and depreciation of fixed assets and intangibles	(13 453)	(12 114)	(1 339)	11,1%
Operating profit	18 549	8 722	9 827	112,7%
Result on financial activities	(6 058)	(4 481)	(1 577)	35,2%
Profit before tax	12 491	4 241	8 250	194,5%
Net profit	8 329	2 982	5 347	179,3%

The consolidated results of the Group for the three months of 2018 and 2017 included the results of the following subsidiaries:

No.	Name of subsidiary	Date of taking control	% of shares held	Period covered by consolidation	
				31 March 2018	31 March 2017
1	Wirtualna Polska Media S.A.	22 December 2010	100%	full period	full period
2	http Sp. z o.o.	23 March 2009	100%	full period	full period
3	Totalmoney.pl Sp. z o.o. (former Money.pl Sp. z o.o.)	1 December 2014	100%	full period	full period
4	Businessclick Sp. z o.o.	1 December 2014	100%	full period	full period
5	Brand New Media Sp. z o.o.[(1)]	1 December 2014	100%	-	full period
6	dobreprogramy Sp. z o.o.	14 November 2013	100%	full period	full period
7	Domodi Sp. z o.o.	12 September 2014	75%	full period	full period
8	Finansowysupermarket.pl Sp. z o.o.	16 September 2015	100%	full period	full period
9	Wakacje.pl S.A.	23 December 2015	100%	full period	full period
10	Nocowanie.pl Sp. z o.o.	7 June 2016	75%	full period	full period
11	Netwizor Sp. z o.o.	13 December 2016	100%	full period	full period
12	Grupa eHoliday.pl Sp. z o.o.	18 October 2017	100%	full period	-
13	WP Zarządzanie Sp. z o.o.	29 December 2017	100%	full period	-

(1) On 6 February 2018, Brand New Media Sp. z o.o. and Totalmoney.pl Sp. z o.o. merged by transferring all assets of Brand New Media Sp. z o.o. to Totalmoney.pl Sp. z o.o.

ONLINE SEGMENT

The sales of services in the online segment increased in the three months of 2018 by PLN 12,250 thousand i.e. by 11.9% compared to the sales for the corresponding period of the previous year, whereas the cash sales increased by PLN 16,424 thousand, i.e. by 17.4%.

Cash-settled transactions represented the majority of the Group's sales and amounted to 96.4% of the Group's sales in the first quarter of 2018 and 92.0% in the same period of 2017.

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 Group's adjusted EBITDA is calculated as EBITDA adjusted for one-off events such as: costs of transaction advisory and restructuring, management option scheme costs, result of the disposal of other financial assets, net result of the settlement of barter transactions and the costs of revaluation and liquidation of non-current assets.

In the period of three months of 2018 the adjusted EBITDA of the online segment amounted to PLN 37,497 thousand which was by PLN 8,483 thousand (i.e. by 29.2%) higher 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 of the online segment amounted to PLN 2.9 million and was by PLN 1.3 million lower than in the same period of the previous year. The Group's EBITDA of the online segment in the first quarter of 2018 was adjusted by, among other things, restructuring and integration costs (PLN 2.0 million), non-cash employee option scheme costs (PLN 0.3 million) and costs of revaluation and liquidation of non-financial assets (PLN 0.1 million).

Moreover, EBITDA for the period was adjusted by temporary result on barter transactions (PLN 0.5 million). Due to the equivalence of mutual benefits arising from barter transactions, such transactions are offset over a longer period, although temporarily a positive or a negative result might be recorded.

TV SEGMENT

In the first quarter of 2018, the total results of the Group were significantly affected by costs connected with the WP Television, launched in December 2016. The TV segment is at an early stage of development, therefore the costs incurred in the current period on the development of this segment are higher than the revenues generated. In the Management Board's opinion in long-term perspective, the expenditures currently incurred should result in the market share increase, and consequently in revenue and profitability increase of this segment.

In the analyzed period, total sales of TV segment of PLN 2,895 thousand comprised of cash sales. This segment generated a negative EBITDA of PLN 2,588 thousand in the first quarter of 2018.

JOINT PERFORMANCE OF SEGMENTS

In the first quarter of 2018 both adjusted and unadjusted EBITDA increased by PLN 9,921 thousand and PLN 11,166 thousand respectively, despite the negative operating results of the TV segment. The operating profit increased as well by PLN 9,827 thousand, despite amortization increase by PLN 1,339 thousand compared to the previous year.

3.2. Explanations regarding the consolidated sales and results of the entities acquired in 2017

The following table presents sales and EBITDA Grupa eHoldiay.pl Sp. z o. o. – the only entity acquired in 2017, for the period from the beginning of the year to 31 March 2017, which were not included in the comparative data.

(w tys. zł)	Three months ending 31 March 2017
Sales	1 453
Cash sales	1 453
EBITDA	364
Adjusted EBITDA	359

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 2018 and 31 December 2017.

in PLN'000	As of 31 March 2018	As of 31 December 2017	Change PLN'000	Change %
Non-current assets	746 111	752 229	(6 118)	(0,8%)
Current assets	154 148	141 677	12 471	8,8%
Long-term liabilities	326 657	307 292	19 365	6,3%
Short-term liabilities	156 625	166 686	(10 061)	(6,0%)
Equity attributable to equity holders of the Parent Company	411 020	400 449	10 571	2,6%
Share capital	1 443	1 443	-	-
Non-controlling interests	5 957	19 479	(13 522)	(69,4%)

The analysis of changes in the Group's balance sheet has been prepared as of 31 March 2018 compared to 31 December 2017. 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 2018	Structure 2018	As of 31 December 2017	Structure 2017	Change PLN'000	Change %
Property, plant and equipment	60 054	8,0%	63 013	8,4%	(2 959)	(4,7%)
Goodwill	259 294	34,8%	259 594	34,5%	(300)	(0,1%)
Other intangible assets	377 095	50,5%	380 051	50,5%	(2 956)	(0,8%)
Non-current programming assets	9 930	1,3%	8 463	1,1%	1 467	17,3%
Long-term receivables	111	0,0%	155	0,0%	(44)	(28,4%)
Other financial assets	16 104	2,2%	16 031	2,1%	73	0,5%
Deferred tax assets	23 523	3,2%	24 922	3,3%	(1 399)	(5,6%)
Non-current assets	***746 111***	***100,0%***	***752 229***	***100,0%***	***(6 118)***	***(0,8%)***

In the analyzed period, the net value of the property, plant and equipment decreased by PLN 2,959 thousand. The capital expenditure for the period amounted to PLN 1,123 thousand and were related mainly to equipment for the development of e-mail and portals infrastructure (PLN 302 thousand) as well as sales and advertising systems (PLN 783 thousand).

In the analyzed period, the Group recorded a decrease in other intangible assets mainly due to depreciation and liquidation costs (PLN 9,461 thousand) higher than capital expenditure (PLN 6,505 thousand). In the three months of 2018 the Group incurred expenditures (PLN 5,145 thousand) mainly on capitalized development projects.

Non-current programming assets increased by PLN 1,467 thousand due to expenditure incurred in the period of PLN 2,194 thousand and the amortization and depreciation costs of PLN 727 thousand.

Current assets

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

in PLN'000	As of 31 March 2018	Structure 2018	As of 31 December 2017	Structure 2017	Change PLN'000	Change %
Cash trade receivables	78 217	50,7%	78 665	55,5%	(448)	(0,6%)
Barter receivables	2 956	1,9%	1 515	1,1%	1 441	95,1%
State receivables	6 585	4,3%	6 371	4,5%	214	3,4%
Other current assets	6 881	4,5%	8 684	6,1%	(1 803)	(20,8%)
Cash and cash equivalents	59 509	38,6%	46 442	32,8%	13 067	28,1%
Current assets	***154 148***	***100,0%***	***141 677***	***100,0%***	***12 471***	***8,8%***

The increase in current assets was, among other factors, was caused by cash level higher by PLN 13,067 thousand. The detailed analysis of changes in cash is presented in the following part of the report describing the cash flow statement.

Cash trade receivables and state receivables remained at similar levels compared to the end of the previous year.

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

Other current assets decreased by PLN 1,803 thousand. As of 31 December 2017, those assets included the arrangement fee for the investment loan tranche which was not utilized at that time. As the loan tranche was utilized in March 2018 to finance the acquisition of Domodi shares, the arrangement fee is recognized as part of the bank loan valued at the amortized cost.

Long-term liabilities

in PLN'000	As of 31 March 2018	Structure 2018	As of 31 December 2017	Structure 2017	Change PLN'000	Change %
Loans and leases	285 698	87,5%	203 507	66,2%	82 191	40,4%
Contingent liabilities related to business combinations	978	0,3%	3 618	1,2%	(2 640)	(73,0%)
Liabilities with respect to the put option for non-controlling interests	19 430	5,9%	78 763	25,6%	(59 333)	(75,3%)
Liabilities in respect of purchase of property, plant and equipment and intangible assets	8 721	2,7%	10 141	3,3%	(1 420)	(14,0%)
Deferred tax liability	11 273	3,5%	10 879	3,5%	394	3,6%
Deferred income	557	0,2%	384	0,1%	173	45,1%
Long-term liabilities	***326 657***	***100,0%***	***307 292***	***100,0%***	***19 365***	***6,3%***

In the analyzed period, long-term liabilities increased by PLN 19,365 thousand mainly due to the exercising of the first put option for the non-controlling shares of Domodi Sp. z o.o.
In March 2018, the Group and minority shareholders of Domodi concluded an annex to the shareholders' agreement, increasing the first option to purchase a minority stake of Domodi shares, from 24,5% to 35%. The option was exercised in March 2018 and the sale price in the amount of PLN 85,484 thousand was financed from the investment loan tranche what resulted in the long-term loans increase .
At the same time, the annex signed changed the conditions of exercising the second option, giving both parties the right to exercise the option for the remaining 14% of shares in the next ten years, with the first option after the end of the year 2018. The value of this option was estimated at PLN 35,785 thousand as of 31 March 2018 and recognized as short term liability.
The changes to the option liability settlement caused the need to adjust the corresponding earn-out liability related to the acquisition of Allani shares. The parties concluded an annex, as a result of which PLN 3,998 was paid out to the original owner of Allani Sp. z o.o. The remaining part of the liability, which as of 31 March 2018 was estimated at PLN 1,238 thousand, can be settled earlier than previously expected, thus is recognized in short-term liabilities.

Short-term liabilities

in PLN'000	As of 31 March 2018	Structure 2018	As of 31 December 2017	Structure 2017	Change PLN'000	Change %
Loans and leases	20 790	13,3%	13 341	8,0%	7 449	55,8%
Cash trade and other payables	47 996	30,6%	37 799	22,7%	10 197	27,0%
Barter trade and other payables	3 885	2,5%	1 935	1,2%	1 950	100,8%
State liabilities	6 177	3,9%	6 028	3,6%	149	2,5%
Wages and salaries payables	5 989	3,8%	6 649	4,0%	(660)	(9,9%)
Deferred income	8 228	5,3%	8 323	5,0%	(95)	(1,1%)
Liabilities in respect of purchase of property, plant and equipment and intangible assets	5 943	3,8%	13 300	8,0%	(7 357)	(55,3%)
Other short term payables	6 178	3,9%	4 882	2,9%	1 296	26,5%
Provision for employee benefits	4 034	2,6%	3 244	1,9%	790	24,4%
Other provisions	1 855	1,2%	1 845	1,1%	10	0,5%
Contingent liabilities related to business combinations	3 435	2,2%	4 771	2,9%	(1 336)	(28,0%)
Liabilities with respect to the put option for non-controlling interests	36 153	23,1%	58 616	35,2%	(22 463)	(38,3%)
Current income tax liabilities	5 962	3,8%	5 953	3,6%	9	0,2%
Short-term liabilities	***156 625***	***100,0%***	***166 686***	***100,0%***	***(10 061)***	***(6,04%)***

In the analyzed period, short-term liabilities decreased by PLN 10,061 thousand.

The decrease results mainly from the changes in the settlement of the first Domodi option, which amounted to PLN 58,615 thousand as of 31 December 2017. At the same time, due to the changes in timetable of settlement of the second option for the remaining 14% shares in Domodi, its valuation, which amounted to PLN 35,784 thousand as of 31 March 2018, was recognized as short term liability. The overall change in the option liability due to the changes described above amounted to PLN 22,831 thousand. The remaining change in the commitments to purchase non-controlling interest is due to the reversal of the discount.

In the first quarter of 2018, liabilities in respect of purchase of property, plant and equipment as well as intangible assets decreased by PLN 7,357, mainly as a result of the repayment of liabilities on purchases made in 2017. Due to the increasing unsettled value of liabilities on annual rebates for the year 2017, trade payables increased significantly.

Short-term loans and leases increased by PLN 7,449 thousand. In accordance with the repayment schedule the liability as at 31 March 2018 comprises of two tranches of principal repayment, while as of 31 December 2017 it was only one tranche. At the same time, as the next loan tranche for the purchase of Domodi shares was utilized, the value of interest repayment increased as well.

The barter liabilities increased by PLN 1,950 thousand due to a temporary result on barter transactions in the three months of 2018. 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.

Equity

in PLN'000	As of 31 March 2018	Structure 2018	As of 31 December 2017	Structure 2017	Change PLN'000	Change %
Equity attributable to equity holders of the Parent Company, including:	411 020	98,6%	400 449	95,4%	10 571	2,6%
Share capital	1 443	0,3%	1 443	0,3%	-	-
Supplementary capital	318 759	76,4%	318 759	75,9%	-	-
Revaluation reserve	(377)	(0,1%)	(546)	(0,1%)	169	(31,0%)
Other reserves	(36 657)	(8,8%)	(36 984)	(8,8%)	327	(0,9%)
Retained earnings	127 852	30,7%	117 777	28,0%	10 075	8,6%
Non-controlling interests	5 957	1,4%	19 479	4,6%	(13 522)	(69,4%)
Equity	***416 977***	***100,0%***	***419 928***	***100,0%***	***(2 951)***	***(0,7%)***

In the first quarter of 2018, the equity attributable to the parent company's shareholders increased by PLN 10,571 thousand in total. The change in equity attributable to the parent company's shareholders resulted from the following events:

- increase by PLN 169 thousand due to the downward valuation of interest rate swap liability, hedging the interest payments to the bank;
- the increase in other reserves of PLN 327 thousand due to vesting of the rights to the consecutive tranche of share options under the existing incentive scheme;
- the net profit attributable to the parent company's shareholders for the three months ending 31 March 2018 of PLN 7,138 thousand;
- decrease by PLN 5,901 thousand due to change in accounting policy resulting from the adoption of MSSF9;
- increase by PLN 8,838 thousand resulting from the transfer of the part of the equity attributable to the non-controlling interest as a result of the acquisition of additional 35% shares in Domodi Sp. z o.o. and the remaining 49% of shared in Dobreprogramy Sp. z o.o.

In the three months of 2018, the non-controlling interests decreased by PLN 13,522 thousand. The allocation to the non-controlling shareholders of an appropriate part of the net profit for the period earned by Domodi Sp. z o.o., Dobreprogramy Sp. z o.o. , Grupa eHoliday.pl Sp. z o.o. and Nocowanie.pl Sp. z o.o. amounted to PLN 1,191 thousand. At the same time, the dividend distributed to those shareholders amounted to PLN 4,506 thousand. As a result of the acquisition of additional 35% of shares in Domodi Sp. z o.o. and 49% of shared in Dobreprogramy Sp. z o.o. the non-controlling interested decreased by PLN 10,308. In the first quarter of 2018 the Group also adjusted the provisional purchase price allocation for Grupa eHoliday.pl Sp. z o.o. which resulted in the increase by PLN 100 thousand of the non-controlling interest.

3.4. Cash flows of the Group

in PLN'000	Three months ending 31 March 2018	Three months ending 31 March 2017
Net cash flows from operating activities	42 147	31 774
Net cash flows from investing activities	(107 093)	(15 536)
Net cash flows from financing activities	78 041	(8 986)
Total net cash flows	***13 095***	***7 252***

During the three months of 2018, the EBITDA generated by the Group of PLN 32,002 thousand contributed to generating a positive cash flow of PLN 42,147 thousand from operating activities.

Cash flows from investing activities were negative and amounted to PLN (107,093) thousand in the analyzed period which was mainly due to acquisition of 35% of shares in Domodi Sp. z o.o. (PLN 85,484 thousand) and 49% of shares in Dobreprogramy Sp. z o.o.(PLN 900 thousand), repayment of contingent liability related to the acquisition of Allani Sp. z o.o. (PLN 3,998 thousand) and expenditure incurred (CAPEX) on the purchase of intangibles and fixed assets (PLN 16,522 thousand).

Cash flows from financing activities in the three months of 2018 amounted to PLN 78,041 thousand mainly due to the new investment loan tranche in the amount of PLN 85,484 thousand utilized to finance the acquisition of Domodi Sp. z o.o.

At the same time, the Group repaid its interest and bank commissions in the amount of PLN (2.807) thousand. As part of financing activities the Group recognized financial lease repayment of PLN (130) thousand and dividend to the non-controlling interest in the amount of PLN (4,506) thousand.

3.5. Selected financial ratios of the online segment

Financial ratios ONLINE SEGMENT	Three months ending 31 March 2018	Three months ending 31 March 2017
Sales (PLN'000)	114 915	102 665
Sales (YoY increase)	11,9%	16,0%
Cash sales	110 891	94 467
Cash sales (YoY increase)	17,4%	18,3%
Adjusted EBITDA margin (on cash sales)	34%	31%
Financial leverage ratio (Net debt//Adjusted Ebitda LTM)	1,61	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 2018 were 17,4% 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 increased by 3 p.p. compared to the corresponding period of the previous year.

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

The Group does not present and analyse the financial ratios of the TV segment. Due to the early stage of its development, the ratios of the segment would be unreliable and would be prone to high volatility.

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;
- activities in the TV sector.

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

In 2014-2017 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 Wakacje.pl SA (former 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. In 2017 the Group acquired Grupa eHoliday.pl Sp. z o.o. The acquisitions in 2016 and 2017 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 Wakacje.pl SA (former Enovatis S.A.) (PLN 50 million), part of the purchase price of the shares in Nocowanie.pl Sp. z o.o. (PLN 12 million), purchase price of the shares in Domodi Sp. z o.o. (PLN 85 million) and refinancing part of the investment expenditure to purchase fixed and intangible assets (PLN 15 million).

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

As of 31 March 2018 the balance of the Group's liability resulting from loan agreement amounted to PLN 301,4 million.

During the three months of 2018, the Group's interest and commissions expenses, the bulk of which resulted from interest on the bank loan, amounted to PLN 2,985 thousand. The amount of these costs in consecutive periods will depend on WIBOR 3M which was 1.70% as of 31 March 2018.

4.4. The activities in the television advertising market

In 2017 and 2018 the results of the Capital Group were significantly influenced by costs connected to the development of the WP Television launched in December 2016. This project is at an early stage of development, therefore the expenditures incurred in the current period on the development of this activity are higher than the revenue generated. In the opinion of the Management Board, the expenditures currently incurred should result in the increase in market share in the long-term perspective, and consequently into the increase in the value of revenues and the increase in profitability of this segment.

In the analyzed period television advertising revenue amounted to PLN 2,895 thousand. At the same time, this segment generated a negative EBITDA of PLN 2,588 thousand.

Apart from the factors referred to above during the period of three months ending 31 March 2018 there were no extraordinary factors or events which would have a significant impact on the financial results achieved.

5. FACTORS THAT, IN MANAGEMENT BOARD'S OPINION, WILL HAVE AN IMPACT ON THE FINANCIAL RESULTS OF THE CAPITAL GROUP IN SUBSEQUENT PERIODS

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

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

5.1. Economic situation in Poland

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

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

5.2. Competition on the Polish market

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

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

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

5.3. Growth of expenditure on online advertising and the development of e-commerce in Poland

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

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

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

The Group is exposed to the advertising e-commerce market via activities of Wakacje.pl S.A., Nocowanie.pl Sp. z o.o., Grupa eHoliday.pl Sp. z o.o., Domodi Sp. z o.o. and Money.pl Sp. z o.o. 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. Continuing the activity in 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 2018

6.1. Annex to the Domodi Shareholders' agreement and purchase of 35% of shares in Domodi

On March 15, 2018, by way of an Annex, the parties to the shareholder agreement decided to change the conditions for the option to purchase a minority stake in Domodi shares, which originally assumed the purchase of shares in two equal tranches of 24.5% each, after the end of the 2017 and 2019 financial years. Before the annex was signed the estimated discounted value of the Group's liabilities on put option amounted to PLN 59.3 million with respect to the first option after the end of 2017 and PLN 60.3 million with respect to the second option after the end of 2019.

The amended Shareholders' Agreement gives Wirtualna Polska Media SA or Wirtualna Polska Holding SA the option to purchase 35% of shares in Domodi in 2018 and the right to exercise options for the remaining 14% of shares for the next ten years, with the first possibility to exercise the option after the end of 2018. Prior to the transaction, Wirtualna Polska Media SA had a controlling stake of 51% of shares in Domodi. As a result of the transaction, a total of approximately 86% of Domodi shares entitling to exercise approximately 86% of votes at the Domodi shareholders' meeting are owned by the Group's companies.

The sale price for all the purchased shares is PLN 85,484 thousand. The transfer of rights to shares took place on 22 March 2018 upon payment of the price on the terms specified in the agreement. The acquisition of shares was financed from a loan granted to Wirtualna Polska Holding SA by Wirtualna Polska Media SA with funds from the tranche of the Capex Loan under the loan agreement of 12 December 2017.

In connection with the signed annex, the value of the liability due to the modified option for the remaining 14% of shares in Domodi was estimated by the Management Board at discounted value of approximately PLN 36 million. The difference in the discounted valuation of liabilities in the amount of approximately PLN 1,7 million was recognized in the Group's result as an additional financial cost in the first quarter of 2018.

6.2. Other

Additionally, during the first quarter of 2018 there were some changes in the group structure due to mergers (described in detail in point 2.2. of this report).

7. SHARES AND SHAREHOLDERS

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

As of 31 March 2018 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.

As of 31 March 2018 the composition of Supervisory Board was as follows :

Jarosław Mikos	- Chairman of the Supervisory Board
Krzysztof Krawczyk	- Vice-Chairman of the Supervisory Board
Beata Barwińska-Piotrowska	- Member of the Supervisory Board
Mariusz Jarzębowski	- Member of the Supervisory Board
Piotr Walter	- Member of the Supervisory Board
Aleksander Wilewski	- Member of the Supervisory Board

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

7.2. Structure of share capital

As of 31 March 2018 the share capital of the Company amounted PLN 1,442,761.20 and consisted of 28,855,224 shares with a par value of PLN 0.05 each, entitling 40,144,933 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;
- 551,805 D series ordinary bearer shares;
- 3,339,744 E series ordinary bearer shares;
- 50,637 F series ordinary bearer shares.

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

7.3. Dividend policy

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

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

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

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

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

On 25 April 2018, the Ordinary General Meeting of the Company adopted a resolution according to which it decided to allocate the whole of the net profit of the Company for the financial year 2017 in the amount of PLN 7,576 thousand and the amount of PLN 20,204 thousand from the retained earnings of the Company as payment of a dividend. The Ordinary General Meeting of the Company has decided to set a dividend day on 10 July 2018 and the dividend payment date on 20 July 2018.

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

In accordance with notifications received by the Company Wirtualna Polska Holding SA and to the best of its knowledge, as of 31 March 2018 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 among others:	3 777 164	13,09%	7 540 401	18,78%
Orfe S.A.	3 763 237	13,04%	7 526 474	18,75%
Michał Brański through among others:	3 777 164	13,09%	7 540 400	18,78%
10X S.A.	3 763 236	13,04%	7 526 472	18,75%
Krzysztof Sierota through among others:	3 777 164	13,09%	7 540 400	18,78%
Albemuth Inwestycje S.A.	3 763 236	13,04%	7 526 472	18,75%
Founders together*	***11 331 492***	***39,27%***	***22 621 201***	***56,35%***
AVIVA OFE	***2 033 159***	***7,05%***	***2 033 159***	***5,06%***
Others	***15 490 573***	***53,68%***	***15 490 573***	***38,59%***
Total	***28 855 224***	***100,00%***	***40 144 933***	***100,00%***

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

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 SA 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, held by Orfe S.A., having preferential rights as to voting, so that one share entitles two votes at the general meeting and 13,927 ordinary bearer shares held by Bridge20 Enterprises Limited, which constitute a 13.09% interest in the Company's share capital, representing 7,540,401 votes at the general shareholders meeting of the Company and constituting 18.78% 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, held by Albemuth Inwestycje S.A., having preferential rights as to voting, so that one share entitles two votes at the general meeting and 13,928 ordinary bearer shares held by Highcastle Sp. z o.o., which constitute a 13.09% interest in the Company's share capital, representing 7,540,000 votes at the general shareholders meeting of the Company and constituting 18.78% 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, held by 10X S.A., having preferential rights as to voting, so that one share entitles two votes at the general meeting and 13,928 ordinary bearer shares held by Now2 Sp. z o.o., which constitute a 13.09% interest in the Company's share capital, representing 7,540,000 votes at the general shareholders meeting of the Company and constituting 18.78% 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) acquired 18,664 (nominal value of PLN 933) 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 Elżbieta Bujniewicz-Belka acquired 83,466 D series ordinary bearer shares issued based on the resolution approving the issue of D series shares. Elżbieta Bujniewicz-Belka is entitled to participate in the next phase of the implementation of the incentive plan and own additional 564 shares purchased in December 2017.

Additional information on the structure and changes in equity and voting rights are described in note 21 to the condensed interim consolidated financial statements.

7.6. Information on agreements concerning changes in the shareholding structure

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 22 to the condensed interim consolidated financial statements of the Group for the period of 3 months ending 31 March 2018.

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 22 to the condensed interim consolidated financial statements of the Group for the period of 3 months ending 31 March 2018.

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 2018.

8.2. Events after the balance sheet date

Detailed information of post- balance sheet events is provided in note 32 to the condensed interim consolidated financial statements for the period of 3 months ending 31 March 2018.

8.3. Litigation pending before the court, the appropriate arbitration body or the public administration body

If the Group is a defendant in a litigation case, a provision is booked for the case based on its actual status and the cost estimation prepared by the Legal Department. The provisions were recorded in the amount of the claims and court fees, whose ad-judgment is probable in the Group's opinion. Currently, there are no pending court proceedings, arbitration or proceedings before the administrative authority in respect of liabilities or receivables of Wirtualna Polska Holding SA and its subsidiaries that would be individually material.

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 31 to the condensed interim consolidated financial statements for the period of 3 months ending 31 March 2018.

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 SA.

Inter-company guarantees

The companies: Wirtualna Polska Holding SA, Money.pl Sp. z o.o., Wakacje.pl SA and Nocowanie.pl Sp. z o.o. are guarantors of the bank loan agreement concluded by and between Wirtualna Polska Media SA and mBank, PKO BP and ING Bank Śląski.

The total guarantee amount corresponds to the current balance of the debt of Grupa Wirtualna Polska SA of the credit agreement.

Loans granted

As of 31 March 2018 Wirtualna Polska Holding SA and Grupa Wirtualna Polska SA have granted loans to other Group members in order to finance their acquisitions and current operations. The Parent Company does not have any loans granted by non-related companies.

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

Loans granted by financial institutions

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

There were no new bank loan agreements signed in the analyzed period.

Loans granted by non-controlling shareholder

On 11 October the non-controlling shareholder granted a loan in the amount of PLN 2,162 thousand to finance the acquisition of Grupa eHoliday.pl Sp. z o.o. shares. The loan bears interest at the WIBOR rate for 3-month deposits plus a margin set in the contract. The principal may be repaid at any time, but no later than on 16 October 2020, while the interest on the loan is repaid on a quarterly basis.

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

Jacek Świderski,
President of the Management Board

Michał Brański,
Member of the Management Board

Krzysztof Sierota,
Member of the Management Board

Elżbieta Bujniewicz-Belka,
Member of the Management Board

Warsaw, 21 May 2018

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 3 MONTHS ENDING 31 MARCH 2018

INTERIM CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

in PLN'000	Note	Three months ending 31 March 2018	Three months ending 31 March 2017
Sales	10	***117 810***	***103 544***
Amortization and depreciation of fixed assets and intangibles		(13 453)	(12 114)
Amortization and depreciation of acquired programming rights		(727)	(830)
Materials and energy used		(1 621)	(1 442)
Costs related to acquisitions of subsidiaries and restructuring, including:	11, 12	(2 001)	(947)
External services	11, 12	(472)	(188)
Salary and employee benefit expense	11, 12	(636)	(724)
Other operating expenses and gains	11, 12	(893)	(35)
Costs of the employee option scheme	22	(327)	(313)
Other external services		(42 242)	(43 711)
Other salary and employee benefit expenses		(36 514)	(32 778)
Other operating expenses	13	(2 559)	(2 887)
Other operating income/gains	13	183	200
Operating profit		***18 549***	***8 722***
Finance income	14	609	87
Finance costs	14	(4 981)	(4 568)
Revaluation of commitments to purchase non-controlling interests		(1 686)	-
Profit before tax		***12 491***	***4 241***
Income tax	15	(4 162)	(1 259)
Net profit		***8 329***	***2 982***
Other comprehensive income/(losses)	23	169	929
Comprehensive income		***8 498***	***3 911***
Net profit attributable to:			
Equity holders of the Parent Company		7 138	1 554
Non-controlling interests		1 191	1 428
Comprehensive income attributable to:			
Equity holders of the Parent Company		7 307	2 483
Non-controlling interests		1 191	1 428
Net profit attributable to equity holders of the Parent Company per share (in PLN)			
Basic	16	0,25	0,05
Diluted	16	0,25	0,05

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in PLN'000	Note	As of 31 March 2018	As of 31 December 2017
Non-current assets			
Property, plant and equipment	17, 18	60 054	63 013
Goodwill	19, 20	259 294	259 594
Trademarks	17, 18	156 086	157 073
Homepage and WP mail	17, 18	125 824	127 445
Other intangible assets	17, 18	95 185	95 533
Non-current programming assets	17, 18	9 930	8 463
Long-term receivables		111	155
Other financial assets		16 104	16 031
Deferred tax assets	15	23 523	24 922
		746 111	***752 229***
Current assets			
Trade and other receivables	17	94 639	95 235
Cash and cash equivalents		59 509	46 442
		154 148	***141 677***
TOTAL ASSETS		***900 259***	***893 906***
Equity			
Equity attributable to equity holders of the Parent Company			
Share capital	21	1 443	1 443
Supplementary capital		318 759	318 759
Revaluation reserve	23	(377)	(546)
Other reserves		(36 657)	(36 984)
Retained earnings		127 852	117 777
		411 020	***400 449***
Non-controlling interests		***5 957***	***19 479***
		416 977	***419 928***
Long-term liabilities			
Loans and leases	24	285 698	203 507
Other long-term liabilities	27	29 686	92 906
Deferred tax liability	15	11 273	10 879
		326 657	***307 292***
Short-term liabilities			
Loans and leases	24	20 790	13 341
Trade and other payables	27	123 984	142 303
Provisions for employee benefits	26	4 034	3 244
Other provisions	26	1 855	1 845
Current income tax liabilities		5 962	5 953
		156 625	***166 686***
TOTAL EQUITY AND LIABILITIES		***900 259***	***893 906***

WP Holding SA

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 2018		***1 443***	***318 759***	***(546)***	***(36 984)***	***117 777***	***400 449***	***19 479***	***419 928***
Changes to the accounting policy		-	-	-	-	(5 901)	(5 901)		(5 901)
Equity adjusted		***1 443***	***318 759***	***(546)***	***(36 984)***	***111 876***	***394 548***	***19 479***	***414 027***
Net profit/ (loss)		-	-	-	-	7 138	7 138	1 191	8 329
Other comprehensive income	23	-	-	169	-	-	169	-	169
Total comprehensive income		***-***	***-***	***169***	***-***	***7 138***	***7 307***	***1 191***	***8 498***
Option scheme	22	-	-	-	327	-	327	-	327
Adjustment to minority recognition on acquisition		-	-	-	-	-	-	100	100
Payment of dividend	21	-	-	-	-		-	(4 506)	(4 506)
Acquisition of non-controlling interest	20	-	-	-	-	8 838	8 838	(10 307)	(1 469)
Equity as of 31 March 2018		***1 443***	***318 759***	***(377)***	***(36 657)***	***127 852***	***411 020***	***5 957***	***416 977***

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)		-	-	-	-	35 325	35 325	4 707	40 032
Other comprehensive income		-	-	293	-	-	293	-	293
Total comprehensive income		***-***	***-***	***293***	***-***	***35 325***	***35 618***	***4 707***	***40 325***
Option scheme		9	2 929	-	1 326	-	4 264	-	4 264
Payment of dividend		-	-	-	-	(31 691)	(31 691)	(2 591)	(34 282)
Acquisition of a subsidiary		-	-	-	-	-	-	896	896
Equity as of 31 December 2017		***1 443***	***318 759***	***(546)***	***(36 984)***	***117 777***	***400 449***	***19 479***	***419 928***

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		-	-	929	-	-	929	-	929
Total comprehensive income		***-***	***-***	***929***	***-***	***1 554***	***2 483***	***1 428***	***3 911***
Option scheme		1	408	-	313	-	722	-	722
Equity as of 31 March 2017		***1 435***	***316 238***	***90***	***(37 997)***	***115 697***	***395 463***	***17 895***	***413 358***

WP Holding SA

INTERIM CONSOLIDATED CASH FLOW STATEMENT

in PLN'000	Note	Three months ending 31 March 2018	Three months ending 31 March 2017
Cash flows from operating activities			
Profit before tax		***12 491***	***4 241***
Adjustments for:		***18 643***	***14 133***
Amortization and depreciation		13 453	12 114
Amortization and depreciation of acquired programming rights		727	830
Payments for programming rights		(2 174)	(3 672)
Losses on the sale /liquidation/revaluation of property, plant and equipment and intangible assets		92	275
Finance cost		4 981	4 568
Revaluation of commitments to purchase non-controlling interests		1 686	-
Costs of the employee option scheme		327	313
Other adjustments		(449)	(295)
Changes in working capital		***12 761***	***15 942***
Change in trade and other receivables	34	(897)	1 609
Change in trade and other payables	34	12 858	13 518
Change in provisions	34	800	815
Income tax paid		(1 780)	(2 542)
Income tax refunded		32	
Net cash flows from operating activities		***42 147***	***31 774***
Cash flows from investing activities			
Sale of intangible assets and property, plant and equipment		13	14
Purchase of intangible assets and property, plant and equipment		(16 522)	(15 550)
Repayment of contingent liabilities arising from business combinations		(3 998)	-
Acquisition of subsidiary	34	(86 586)	-
Net cash flows from investing activities		***(107 093)***	***(15 536)***
Net cash flows from financing activities			
Payments due to share capital increase		-	409
Loans received		85 484	
Repayment of finance leases		(130)	(97)
Repayment of bank commissions		(585)	(343)
Interest paid		(2 222)	(2 230)
Repayment of loans received		-	(6 725)
Dividends paid to minority shareholders		(4 506)	-
Net cash flows from financing activities		***78 041***	***(8 986)***
Total net cash flows		***13 095***	***7 252***
Cash and cash equivalents at the beginning of the period		***46 442***	***45 150***
Impact of exchange differences on cash and cash equivalents		(28)	-
Cash and cash equivalents at the end of the period		***59 509***	***52 402***

Notes to consolidated financial statements

1. GENERAL INFORMATION

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

As of 31 March 2018 Wirtualna Polska Holding Capital Group composed of the Parent Company and 12 consolidated subsidiaries.

Wirtualna Polska Holding and the remaining Capital Group's companies were formed for an indefinite period. The Group's core operations comprise sale of advertising services on the Internet and operating Internet portals such as WP.pl, o2.pl, Pudelek.pl, Domodi.pl, Money.pl, Kafeteria.pl, Biztok.pl, abcZdrowie.pl, wakacje.pl, nocowanie.pl as well as providing electronic services (WP e-mail, o2 e-mail).

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

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

These condensed interim financial statements have been prepared on the assumption that the Group will continue as a going concern, in accordance with IAS 34 "Interim Financial Reporting" ("IAS 34"). The accounting polices used in the preparation of the condensed interim consolidated financial statements for the period of three months ending 31 March 2018 are consistent with those used in the consolidated financial statements for the year ending 31 December 2017, except for new and changed accounting standards binding since 1 January 2018.

The financial statements for the year ending 31 December 2017 have been prepared in accordance with IFRS standards which were binding in the European Union in the financial year ending 31 December 2017.

The consolidated statement of financial positions as of 31 March 2018, consolidated income statement and other comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity for three months ending 31 March 2018 were not audited. The consolidated financial statements as of 31 December 2017 and for twelve months ending 31 December 2017 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 2017.

2.1. New and amended standards and interpretations

The company adopted IFRS 9 from 1 January 2018, which resulted in changes in accounting policies and adjustments to amounts recognized in the financial statements.

- ***Impairment allowances determined by the expected loss method - trade receivables***

IFRS 9 requires the estimation of the expected loss, regardless of whether or not there were any implications of impairment. The standard provides 3-level classification of non-financial assets in terms of their impairment:

(i) the first level of risk, i.e. balances for which there has been no significant increase in credit risk since the initial recognition and for which the expected loss is determined based on the probability of default within 12 months;

(ii) second level of risk - balances for which there has been a significant increase in credit risk since the initial recognition and for which the expected loss is determined based on the probability of default throughout the entire loan term;

(iii) third level of risk - balances with identified impairment.

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

A portfolio analysis of receivables was carried out, based on the credit classification of contractors existing in the Group, and a simplified matrix of write-downs was applied on the basis of expected credit losses over the entire lifetime of receivables for individual receivables portfolios. The analysis was made based on the indicators of expected non-performance of receivables determined based on historical data.

As at 1 January 2018, the Group recalculated its allowances for trade receivables, which resulted in an increase in the impairment loss by PLN 346 thousand. The amount of this adjustment was applied to the retained earnings as at 1 January 2018.

- ***Revaluation write-offs determined by the expected loss method – cash and cash equivalents***

The Group estimated cash write-offs, based on the probability of banks' default, on whose accounts cash is allocated as at 31 December 2017. This probability was established on the basis of the external ratings of these banks and the publicly available information of rating agencies regarding the probability of default.

The Management Board refrained from creating a revaluation write-off due to immateriality.

- ***Valuation of a financial liability due to a change in the terms of the loan agreement in 2017***

The effects of changing the terms of the loan agreement (Note 24), which were recognized in the financial statements for the year 2017 by adjusting the effective interest rate on the liability in order to settle the difference between the carrying amount and the discounted value of modified future payments over the expected financing period, under IFRS 9 are recognized in profit or loss .

As of 1 January 2018, a recalculation was made using the effective interest rate before the change in the terms of the contract, which resulted in an increase in loan liabilities from PLN 211,650 thousand up to PLN 218,615 thousand. Adjustment of PLN 6,940 thousand was recognised in the retained earnings as at 1 January 2018.

3. APPROVAL FOR PUBLICATION OF CONSOLIDATED FINANCIAL STATEMENTS

These condensed interim consolidated financial statements have been approved for publication by the Management Board of Wirtualna Polska Holding SA on 21 May 2018.

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 2017.

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

4.1. Deferred tax asset

a) Deferred tax asset on contributing to the business

In 2011, the Parent Company contributed its business with a fair value of PLN 311,000 thousand to the subsidiary Wirtualna Polska Media SA (formerly Grupa Wirtualna Polska S.A.). As a result of this transaction, a temporary difference arose in the consolidated financial statements between the tax and carrying value of the contributed business's assets of PLN 265,195 thousand. A deferred tax asset was recorded on this difference which as of 31 March 2018 amounted to PLN 15,778 thousand (PLN 16,855 thousand as of 31 December 2017).

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

As part of Group's plan to locate all of its editorial and advertising activity in Wirtualna Polska Media SA (formerly Grupa Wirtualna Polska S.A.), on 1 September 2014, a demerger of WP Shopping Sp. z o.o. (former Wirtualna Polska SA) was carried out. The demerger was carried out by transferring a business unit of WP Shopping Sp. z o.o. (former Wirtualna Polska S.A.) to Wirtualna Polska Media SA (formerly Grupa Wirtualna Polska S.A.) (the so-called spin-off). As a result of the demerger, the Editorial and Advertising Division was transferred to Wirtualna Polska Media SA

(formerly Grupa Wirtualna Polska S.A.) (GWP) and the operations of the e-Commerce Centre were continued at WP Shopping Sp. z o.o. (former Wirtualna Polska S.A.). Moreover, all assets and liabilities which were not clearly designated as remaining with WP Shopping Sp. z o.o. (former Wirtualna Polska S.A.), shall transfer to Wirtualna Polska Media SA (formerly Grupa Wirtualna Polska S.A.)
As a result of the merger, the majority of WP Shopping Sp. z o. o.'s (former Wirtualna Polska S.A.) assets and liabilities were transferred to Wirtualna Polska Media SA (formerly Grupa Wirtualna Polska S.A.)The transaction did not result in changing the tax value of the investment in this subsidiary.

In December 2016, Wirtualna Polska Media SA (formerly Grupa Wirtualna Polska S.A.) sold all of its shares in WP Shopping Sp. z o.o. to an external entity Nextfield Investments Limited. The tax loss on the sale of shares in WP Shopping as per individual accounting books of Wirtualna Polska Media SA (formerly Grupa Wirtualna Polska S.A.) amounted to PLN 377,652 thousand. The Company has prepared detailed tax and financial projections for the following years, showing the estimated taxable income on the basis of which the Management Board has decided to recognize in 2016 an additional asset on the tax loss in GWP of PLN 54,996 thousand. The total deferred tax asset recognized on tax losses amounts to PLN 48,215 thousand as of 31 March 2018.

c) Recovery of the deferred tax asset

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

4.2. Amortisation and depreciation rates

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

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

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

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

4.3. Approach to barter transactions

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

4.4. *Litigation*

If the Group is a defendant in a litigation case, a provision is booked for the case based on its actual status and the cost estimation prepared by the Legal Department. The provisions were recorded to the amount of claims and court fees the adjudgement of which is probable in the Group's opinion.

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

Commitments in respect of put options for non-controlling interests are subsequently measured at the amount being the best present estimate of the discounted purchase price (the commitments are presented as other liabilities; see note 27).

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

Domodi Sp. z o. o.

The basic assumptions being the basis for the options' valuation are as follows: forecasted EBITDA, which constitutes the options exercise price, revenue, the discount rate and the realization date. A change in the forecasted growth dynamics of revenues by 1 p.p. per annum in 2018 increases the value of liabilities by 0.9%. A change in the forecasted EBITDA margin by 1 p.p. per annum in 2018 increases the value of the liabilities by 2.1%. An increase in the discount rate of 1 p.p. decreases the liability by 0.9%.

The commitment was initially estimated at PLN 31,853 thousand. As of 31 March 2018, after the first option was settled, the value of these commitments for the remaining 14% of shares amounted to PLN 35,785 thousand, whereas as of 31 December 2017 the value of both options amounted to PLN 118,122 thousand.

Nocowanie.pl Sp. z o.o.

The basic assumptions being the basis for the options' valuation are as follows: forecasted EBITDA and its average annual growth rate, which are the basis for the calculation of the option exercise price and discount rate. An increase in the forecasted growth dynamics of revenues by 1 p.p. per annum in the years 2018–2019 increases the value of liabilities by 2.3%. An increase in the forecasted EBITDA margin by 1 p.p. per annum in the years 2018-2019 increases the value of the liabilities by 2.3%. An increase in the discount rate of 1 p.p. decreases the liability by 2.6%.

The commitment was initially estimated at PLN 11,571 thousand. As of 31 March 2018 the value of these commitments amounted to PLN 19,431 thousand and as of 31 December 2017 amounted to PLN 19,194 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 2017. Details of the test are discussed in Note 19 to the Group's consolidated financial statements for the year 2017. As of 31 March 2018 no impairment triggers were identified by the Group for other CGUs.

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

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

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

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

Bearing in mind the above, the Group concluded that the significant potential voting rights give the Group control over Domodi Sp. z o.o. since September 2014.

In March 2018 the Group exercised the first option to purchase 35% of the shares in Domodi Sp. z o.o. At the same time, an annex to the shareholders' agreement was signed, according to which the voting rights held by the Group at the General Meeting of Shareholders are sufficient for the independent determination, approval and change of the budget. The Group also has the right to appoint the majority of members of the Management Board (including the President) and the majority of the Supervisory Board.

4.9. Allowances for trade receivables

The Group, based on the portfolio analysis of receivables, estimates the expected loss based on the probability of default throughout the lifetime of the receivables, regardless of whether or not there were any indications to create such a write-off. The analysis was made based on the indicators of expected non-performance of receivables determined based on historical data.

4.10. Estimate of the annual rebates liability

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

4.11. Estimate of 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 Wakacje.pl SA and Nocowanie.pl Sp. z o.o., which operate in tourism sector and their revenues reach the highest levels in the third quarter of the year. Other Group's revenues do not show seasonality.

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6. INFORMATION ON SEGMENT REPORTING

Starting from 2016, after obtaining the final decision of the National Broadcasting Council and launch of the development of 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 2018 [in PLN'000]	Online Segment	TV Segment	Total
Sales	***114 915***	***2 895***	***117 810***
including cash sales	110 891	2 895	113 786
EBITDA (note 11)	***34 590***	(2 588)	32 002
Adjusted EBITDA (note 11)	***37 497***	***(2 522)***	***34 975***

Three months ending 31 March 2017 [in PLN'000]	Online Segment	TV Segment	Total
Sales	***102 665***	***879***	***103 544***
including cash sales	94 467	879	95 346
EBITDA (note 11)	24 796	(3 960)	***20 836***
Adjusted EBITDA (note 11)	***29 014***	***(3 960)***	***25 054***

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 2018 the Capital Group represented: the parent company Wirtualna Polska Holding SA and 12 subsidiaries. Most of the Group's companies are focused on selling advertisements on the Internet, except for Wakacje.pl SA which operates on the online tourism sector, but also offers to its clients an opportunity to purchase trips offline though franchise network of stationary stores. Except for selling advertisements on the Internet, the activity of Netwizor Sp. z o.o. is focused primarily on running internet services connected with the distribution of television channels on the Internet .

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

No.	Name of subsidiary	Registered office	% of shares held	
			31 March 2018	31 December 2017
1	Wirtualna Polska Media S.A.	Poland, Warsaw	100%	100%
2	http Sp. z o.o.	Poland, Warsaw	100%	100%
3	Money.pl Sp. z o.o.	Poland, Wrocław	100%	100%
4	Businessclick Sp. z o.o.	Poland, Warsaw	100%	100%
5	Brand New Media Sp. z o.o.	Poland, Wrocław	-	100%
6	dobreprogramy Sp. z o.o.	Poland, Wrocław	100%	51%
7	Finansowysupermarket.pl Sp. z o.o.	Poland, Wrocław	100%	100%
8	Domodi Sp. z o.o.	Poland, Wrocław	86%	51%
9	Wakacje.pl S.A.	Poland, Gdańsk	100%	100%
10	Nocowanie.pl Sp. z o.o.	Poland, Lublin	75%	75%
11	Netwizor Sp. z o.o.	Poland, Warsaw	100%	100%
12	Grupa eHoliday.pl Sp. z o.o.	Poland, Warsaw	75%	75%
13	WP Zarządzanie Sp. z o.o.	Poland, Warsaw	100%	100%

On 15 March 2018, Wirtualna Polska Holding SA (with the participation of Wirtualna Polska Media SA) and original shareholders of Domodi Sp. s o.o. concluded a share purchase agreement on the basis of which the Company acquired a total of 918 shares, representing approximately 35% of the share capital of Domodi and entitling to exercise about 35% of votes at the shareholders' meeting of Domodi. Prior to the transaction, the Group had a controlling stake of 51% of shares in Domodi. As a result of the transaction, a total of approximately 86% of Domodi shares entitling to exercise approximately 86% of votes at the Domodi shareholders' meeting are owned by the Group.

On 22 March 2018, Wirtualna Polska Holding SA and shareholders of Dobreprogramy Sp. z o.o. concluded a share purchase agreement on the basis of which the Company acquired a total of 980 shares, representing 49% of the share capital of Dobreprogramy and entitling to exercise 49% of votes at the shareholders' meeting of Dobreprogramy. Prior to the transaction, the Group had a controlling stake of 51% of shares in Dobreprogramy. As a result of the transaction, a total of 100% of Dobreprogramy shares are owned by the Group.

In 2018 the following mergers pursuant to article 492 section 1 item 1 of the Polish Commercial Companies Code took place:

- On 6 February 2018, Brand New Media Sp. z o.o. and Totalmoney.pl Sp. z o.o. merged by transferring all assets of Brand New Media Sp. z o.o. to Totalmoney.pl Sp. z o.o.

On 16 March 2018 Money.pl Sp. z o.o. changed its name to Totalmoney.pl Sp. z o.o.

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 NINE MONTHSOF 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;
- activity in the television sector.

Material acquisitions made by the Group in the previous periods

In 2014-2017 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 Wakacje.pl SA (former 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. In 2017 the Group acquired Grupa eHoliday Sp. z o.o. The acquisitions in 2016 and 2017 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 Wakacje.pl SA (former Enovatis S.A.) (PLN 50 million), part of the purchase price of the shares in Nocowanie.pl Sp. z o.o. (PLN 12 million), purchase price of the shares in Domodi Sp. z o.o. (PLN 85 million) and refinancing part of the investment expenditure to purchase fixed and intangible assets (PLN 15 million).

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

As of 31 March 2018 the balance of the Group's liability resulting from loan agreement amounted to PLN 301,4 million.

During the three months of 2018, the Group's interest and commissions expenses, the bulk of which resulted from interest on the bank loan, amounted to PLN 2,985 thousand. The amount of these costs in consecutive periods will depend on WIBOR 3M which was 1.70% as of 31 March 2018.

Activity in the television advertising market

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

In the analyzed period television advertising revenue amounted to PLN 2,895 thousand. At the same time, this segment generated a negative EBITDA of PLN 2,588 million.

Apart from the factors referred to above during the period of three months ending 31 March 2018 there were no extraordinary factors or events which would have a significant impact on the financial results achieved.

9. SIGNIFICANT EVENTS WHICH TOOK PLACE DURING THE THREE MONTHS OF 2018

Annex to the Domodi Shareholders' agreement and purchase of 35% of shares in Domodi

On March 15, 2018, by way of an Annex, the parties to the shareholder agreement decided to change the conditions for the option to purchase a minority stake in Domodi shares, which originally assumed the purchase of shares in two equal tranches of 24.5% each, after the end of the 2017 and 2019 financial years. Before the annex was signed the estimated discounted value of the Group's liabilities on put option amounted to PLN 59.3 million with respect to the first option after the end of 2017 and PLN 60.3 million with respect to the second option after the end of 2019.

The amended Shareholders' Agreement gives Wirtualna Polska Media SA or Wirtualna Polska Holding SA the option to purchase 35% of shares in Domodi in 2018 and the right to exercise options for the remaining 14% of shares for the next ten years, with the first possibility to exercise the option after the end of 2018. Prior to the transaction, Wirtualna Polska Media SA had a controlling stake of 51% of shares in Domodi. As a result of the transaction, a total of approximately 86% of Domodi shares entitling to exercise approximately 86% of votes at the Domodi shareholders' meeting are owned by the Group's companies.

The sale price for all the purchased Shares is PLN 85,484 thousand. The transfer of rights to shares took place on 22 March 2018 upon payment of the price on the terms specified in the agreement. The acquisition of shares was financed from a loan granted to Wirtualna Polska Holding SA by Wirtualna Polska Media SA with funds from the tranche of the Capex Loan under the loan agreement of 12 December 2017.

In connection with the signed annex, the value of the liability due to the modified option for the remaining 14% of shares in Domodi was estimated by the Management Board at discounted value of approximately PLN 36 million. The difference in the discounted values of liabilities in the amount of approximately PLN 1,7 million was recognized in the Group's result as an additional financial cost in the first quarter of 2018.

Other

Additionally, during the three months of 2018 there were several changes in the group structure due to mergers (described in detail in point 2.2. of this report).

10. SALES

in PLN'000	Three months ending 31 March 2018	Three months ending 31 March 2017
Sales of services settled in cash	113 786	95 346
Sales of services settled in barter	4 024	8 198
Total	***117 810***	***103 544***

11. EBITDA AND ADJUSTED EBITDA

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

in PLN'000	Three months ending 31 March 2018	Three months ending 31 March 2017
Profit before tax	***12 491***	***4 241***
Finance costs	4 981	4 568
Finance income	(609)	(87)
Revaluation of commitments to purchase non-controlling interests	1 686	-
Operating profit	***18 549***	***8 722***
Amortization and depreciation of fixed assets and intangibles	13 453	12 114
EBITDA	***32 002***	***20 836***
Adjustments including:		
Restructuring and transaction costs - external services	472	188
Restructuring and transaction costs – salary and employee benefit expenses	636	724
Restructuring and transaction costs -other operating expenses and gains	893	35
Costs of the employee option scheme	327	313
Net result on barter transactions settlement	538	2 683
Revaluation and liquidation of non-financial assets	96	275
Other	11	-
Adjusted EBITDA	***34 975***	***25 054***

12. ADJUSTED PROFIT BEFORE TAX

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

in PLN'000	Three months ending 31 March 2018	Three months ending 31 March 2017
Profit before tax	***12 491***	***4 241***
Adjustments including:		
Restructuring and transaction costs - external services	472	188
Restructuring and transaction costs – salary and employee benefit expenses	636	724
Restructuring and transaction costs -other operating expenses and gains	893	35
Costs of the employee option scheme	327	313
Net result on barter transactions settlement	538	2 683
Revaluation and liquidation of non-financial assets	96	275
Revaluation of commitments to purchase non-controlling interests	1 686	-
Other	11	-
Total adjustments	***4 659***	***4 218***
Adjusted profit before tax	***17 150***	***8 459***

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

13. OTHER OPERATING INCOME/GAINS AND OTHER OPERATING EXPENSES

The following table presents other operating income/gains:

in PLN'000	Three months ending 31 March 2018	Three months ending 31 March 2017
Revenues from grants	98	116
Liabilities expired and forgiven	14	21
Repayment of receivables previously written off	10	2
Other	61	61
Total	***183***	***200***

in PLN'000	Three months ending 31 March 2018	Three months ending 31 March 2017
Representation and other costs by type, including:	826	1 086
Representation	479	341
Other costs by type	347	745
Write-downs of receivables	241	219
Taxes and charges	1 445	539
Revaluation of provisions	287	403
Revaluation and liquidation of non-financial assets	96	275
Other	557	400
Total	***3 452***	***2 922***
including:		
Restructuring related costs	893	35
Other operating expenses	2 559	2 887

14. FINANCE INCOME AND EXPENSES

in PLN'000	Three months ending 31 March 2018	Three months ending 31 March 2017
Interest income	74	83
Other	535	4
Total	***609***	***87***

in PLN'000	Three months ending 31 March 2018	Three months ending 31 March 2017
Interest and commissions	2 985	2 615
Reversal of discount on investment liabilities	1 878	1 657
Revaluation of financial assets	88	-
Other	30	296
Total	***4 981***	***4 568***

15. CURRENT AND DEFERRED INCOME TAX

in PLN'000	Three months ending 31 March 2018	Three months ending 31 March 2017
Current income tax	***585***	***1 538***
For the financial year	585	1 538
Deferred tax	***3 577***	***(279)***
Temporary differences arising and reversed	3 577	(279)
Total income tax	***4 162***	***1 259***

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 2018	Three months ending 31 March 2017
Profit before tax	***12 491***	***4 241***
Corporate income tax at the statutory rate of 19%	***2 373***	***806***
Tax effects of the following items:		
Revenues and costs non-taxable permanent differences	1 290	275
Revaluation of commitments to purchase non-controlling interests	320	-
The reversal of the discount on commitments to purchase non-controlling interest	310	284
Unrecognized tax assets	31	-
Other	(162)	(106)
Total income tax	***4 162***	***1 259***

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

in PLN'000	As of 1 January 2018	Financial result	Change of accounting policy	Business combinations	As of 31 March 2018
Deferred tax assets:					
Change in tax values of assets as a result of internal reorganization of the Group	16 855	(1 077)	-	-	15 778
Unutilized tax losses	51 044	(2 829)	-	-	48 215
Write-downs of assets	971	482	66	-	1 519
Differences in tax and carrying amounts of liabilities	11 326	109	1 318	401	13 154
Other differences	776	(205)		-	570
Deferred tax assets	***80 972***	***(3 520)***	***1 384***	***401***	***79 236***
Deferred tax liability:					
Differences in carrying and tax amounts of property, plant and equipment	63 731	(813)	-	-	62 918
Other	3 198	870	-	-	4 068
Deferred tax liability	***66 929***	***57***	***-***	***-***	***66 986***
Deferred tax assets/liability net	***14 043***	***(3 577)***	***1 384***	***401***	***12 250***

in PLN'000	As of 31 March 2018	As of 31 December 2017
Offsetting of deferred tax liability	(55 713)	(56 050)
Deferred tax assets after offsetting	***23 523***	***24 922***
Deferred tax liabilities after offsetting	***11 273***	***10 879***

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 2018 there were no premises to record a provision against identifiable and measurable tax risk.

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

16. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares in issue during the year. The dilutive items include shares under the option scheme (Note 22).

in PLN'000	Three months ending 31 March 2018	Three months ending 31 March 2017
Net profit attributable to equity holders of the Parent Company	***7 138***	***1 554***
Weighted average number of shares shown for the purpose of calculating basic earnings per share (no. of units)	28 855 224	28 685 213
Effect of diluting the number of ordinary shares	212 857	242 631
Weighted average number of ordinary shares shown for the purpose of calculating diluted earnings per share (no. of units)	29 068 081	28 927 844
Basic (in PLN)	0,25	0,05
Dilluted (in PLN)	0,25	0,05

17. CHANGES IN ALLOWANCES FOR ASSETS

On 1 January 2018, in connection with the first application of IFRS 9, write-offs for trade receivables were recalculated, which resulted in an increase of PLN 346 thousand. The amount of this adjustment was applied to the retained earnings as at 1 January 2018.

During the three months ending 31 March 2018 the Group adjusted the value of allowances for trade receivables by PLN 241 thousand.

In the three months of 2018 write-downs on intangible assets and property, plant and equipment of PLN 96 thousand were recorded.

18. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

In the period from 1 January 2018 to 31 March 2018 the Group purchased property, plant and equipment of PLN 1.1 million and intangible assets of PLN 6.5 million. In addition, the acquisition of programming assets amounted to PLN 2.1 million.

As of 31 March 2018 and 31 December 2017 the Group did not have any commitments to purchase property, plant or equipment.

19. GOODWILL

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

in PLN'000	Cash generating unit	As of 31 March 2018	As of 31 December 2017
Wirtualna Polska Media SA (former Grupa Wirtualna Polska S.A.)	Publishing and Advertising activities	92 040	92 040
Money.pl Sp. z o.o. Capital Group	Publishing and Advertising activities	11 550	11 550
Money.pl Sp. z o.o. Capital Group	Financial lead generation	7 808	7 808
NextWeb Media Sp. z o.o.	Publishing and Advertising activities	19 072	19 072
Finansowy supermarket.pl sp. z o.o.	Financial lead generation	6 148	6 148
dobreprogramy Sp. z o.o.	Dobreprogramy	3 593	3 593
Domodi Sp. z o.o.	Lead Generation fashion/interior	9 349	9 349
Allani Sp. z o.o.	Lead Generation fashion/interior	9 497	9 497
Wakacje.pl SA (former Enovatis SA)	Enovatis	62 888	62 888
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.pl Sp. z o.o.	Publishing and Advertising activities	2 272	2 272
Grupa eHoliday.pl Sp. z o.o.	Nocowanie	9 463	9 764
http Sp. z o.o.	Publishing and Advertising activities	180	180
Goodwill (gross)		***259 474***	***259 774***
Impairment of goodwill:			
http Sp. z o.o.	Publishing and Advertising activities	(180)	(180)
Goodwill (net)		***259 294***	***259 594***

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

20. ACQUISITION AND BUSINESS COMBINATIONS

Grupa eHoliday.pl Sp. z o.o.

On 18 October 2017 Nocowanie.pl Sp. z o.o. acquired 100% of shares in Grupa eHoliday.pl Sp. z o.o. with headquarters in Warsaw. The purchased shares represent 100% of votes at the general meeting of the acquired company. The eHoliday.pl Sp. z o.o. is the owner of the eholiday.pl website - one of the national leaders in the accommodation booking market.

The final, non-adjustable purchase price of 100% shares was PLN 11,250 thousand. Nocowanie.pl financed the investment with its own funds and partly with the loan granted by Wirtualna Polska Media SA (in the amount of PLN 6,488 thousand) and by the minority shareholder of Nocowanie.pl Sp. z o.o. (in the amount of PLN 2,162 thousand). The Group is also obliged to pay additional remuneration of PLN 1,200 thousand to some of the previous shareholders.

The goodwill on the acquisition was initially calculated in the amount of PLN 9,764 thousand. In the first quarter of 2018 the Group changed the calculation by PLN 301 thousand due to recognition of additional deferred tax asset. As at 31 March 2018, the acquisition is settled temporarily.

in PLN'000	As of 31 December 2017	Adjustment	As of 31 March 2018
Cash and cash equivalents - payment for the shares	11 250	-	11 250
Additional consideration – deferred payments	1 200	-	1 200
Total	***12 450***	-	***12 450***
Non-controlling interests measured at the value of share in net assets	***896***	***100***	***996***
Recognized values of identifiable acquired assets and liabilities			
Cash and cash equivalents	847	-	847
Property, plant and equipment	29	-	29
Trademark	2 610	-	2 610
Client relations	3 143	-	3 143
Copyrights and other intangible assets	228	-	228
Trade and other receivables	305		305
Trade and other payables	(2 481)	-	(2 481)
Deferred tax	(1 094)	(401)	(693)
Provisions for employee benefits	(5)	-	(5)
Total identifiable net assets	***3 582***	***(401)***	***3 983***
Goodwill	***9 764***	***(301)***	***9 463***

21. SHARE CAPITAL

The structure of share capital as of 31 March 2018 is as follows:

Shareholder	Number of shares	% of share capital	Number of votes	% of votes
Jacek Świderski through among others:	3 777 164	13,09%	7 540 401	18,78%
Orfe S.A.	3 763 237	13,04%	7 526 474	18,75%
Michał Brański through among others:	3 777 164	13,09%	7 540 400	18,78%
10X S.A.	3 763 236	13,04%	7 526 472	18,75%
Krzysztof Sierota through among others:	3 777 164	13,09%	7 540 400	18,78%
Albemuth Inwestycje S.A.	3 763 236	13,04%	7 526 472	18,75%
Founders together*	***11 331 492***	***39,27%***	***22 621 201***	***56,35%***
AVIVA OFE	***2 033 159***	***7,05%***	***2 033 159***	***5,06%***
Other	***15 490 573***	***53,68%***	***15 490 573***	***38,59%***
Total	***28 855 224***	***100,00%***	***40 144 933***	***100,00%***

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

Significant changes of shareholders

On 9 March 2018 the Management Board obtained a notification from AVIVA Powszechne Towarzystwo Emerytalne Aviva BZ WBK SA concerning a change in shareholding of the Companies' shares by Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK. As a result of a transaction of acquiring shares of the Company concluded on 2 March 2018, Aviva OFE holds 2,033,159 shares of the Company which constituted 7.05% of share capital and 5.06% of the total number of votes.

Share capital increase

There was no share capital increase during the first three months of 2018.

On 11 April 2018, the share capital was increased from PLN 1,441,786.35 to PLN 1,442,761.20 i.e. by PLN 974.85. The share capital increase took place in connection with the admission to trading and entering on the accounts (issue) of 19,497 shares with a par value of PLN 0.05 each under the option scheme.

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

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

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

in PLN'000	Three months ending 31 March 2018	Three months ending 31 March 2017
Dividend passed and paid during the period for the current and prior years	-	-
Dividend liabilities at the end of the period	-	-
Dividend per share in PLN	-	-

2017 profit distribution

On 25 April 2018 the Ordinary General Meeting of Wirtualna Polska Holding S.A adopted a resolution according to which it has decided to allocate the Company's net profit for the financial year 2017 of PLN 7,576 thousand and amount of PLN 20,204 thousand from the Company's retained profits, to pay dividend to the Shareholders of the Company. The Ordinary

General Meeting of the Company decided to set a dividend day on 10 July 2018 and the dividend payment date on 20 July 2018.

22. INCENTIVE SCHEMES – SHARE-BASED PAYMENTS

First Incentive Schemes

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

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

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

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

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

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

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

The expected total cost of the scheme as of the balance sheet date to be recognized in the financial statements over the following periods of its validity amounted to PLN 1,420 thousand. The total costs recognized in the financial result for the period ending 31 March 2018 in respect of the scheme amounted to PLN 105 thousand and the total cost recognized in the previous periods amounted to PLN 5,245 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 2018	***203 670***
Awarded	9 812
Non executed	-
Executed	-
As of 31 March 2018	***213 482***
Including the number of options vested as of the balance sheet date	46 839

The exercise price of the options outstanding as of 31 March 2018 amounted to PLN 12.17, and the period remaining to the end of the contractual life of the option is between 3 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 7,595 thousand. The total costs recognized in the financial result for the period ending 31 March 2018 in respect of the scheme amounted to PLN 252 thousand and the cost recognized in the previous periods amounted to PLN 1,192 thousand.

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

	Share options (no. of units)
As of 1 January 2018	***418 699***
Awarded	-
Non executed	-
Executed	-
As of 31 March 2018	***418 699***
Including the number of options vested as of the balance sheet date	46 839

The exercise price of the options outstanding as of 31 March 2018 amounted to PLN 32, and the period remaining to the end of contractual life of the option is between 5 and 7 years.

23. HEDGE ACCOUNTING

As at 31 March 2018 the Group was not a party to any active hedging transactions.

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

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

The valuation of hedging transactions made by the Group as of the date of their dissolution amounted to PLN 865 thousand and this value remained in the revaluation reserve. The surplus of the amount paid for early termination of hedging transactions over the valuation of these instruments as at the settlement date in the amount of PLN 630 thousand is, in the Group's opinion, the cost of arranging additional financing and will be settled over the period of financing.

24. LOANS AND LEASES

n PLN'000	As of 31 March 2018	As of 1 January 2018	As of 31 December 2017
Long-term:			
Bank loans	281 603	206 114	199 174
Loans from shareholders	2 163	2 162	2 162
Finance leases	1 932	2 171	2 171
	285 698	***210 447***	***203 507***
Short-term:			
Bank loans	19 858	12 518	12 518
Finance leases	932	823	823
	20 790	***13 341***	***13 341***
Total:	***306 488***	***223 788***	***216 848***

Bank loans

On 12 December 2017 Wirtualna Polska Media SA and mBank S.A., PKO BP SA and ING Bank Śląski SA concluded a loan agreement to refinance the current debt, finance capital expenditure and acquisitions and provide the Group with the bank overdraft. The banks granted to Wirtualna Polska Media SA loans in the total amount of up to PLN 500 million.

Refinancing of the current indebtedness resulting from the loan agreement dated 24 March 2015 was made on 20 December 2017. From the date of refinancing to the day of preparing these financial statements, no drawdowns or repayment of debt under a new loan agreement took place.

In accordance with IAS 39, the Group classified refinancing as a modification of existing debt, and not its expiration. The Group carried out a test which showed that the discounted present value of cash flows resulting from the provisions of the new loan agreement, including all paid fees, reduced by fees received and discounted using the original effective interest rate, differs by less than 10% from the discounted present value other cash flows due to current financing. As refinancing was not treated as the expiration of an old liability, all costs and charges incurred adjust the carrying amount of the liability and are depreciated in the period remaining until the maturity date of the modified liability.

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.

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

- tranche A in the amount of PLN 86,750 thousand should be repaid in twenty equal quarterly installments payable over a period of 5 years after a lapse of 12 months from concluding the new loan agreement;
- tranche B in the amount of PLN 127,449 thousand should be repaid on the final maturity date which will fall on the 7th anniversary of the conclusion of the new loan agreement;
- tranche CAPEX should be repaid on the final maturity date which will fall on the 7th anniversary of the conclusion of 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 Wirtualna Polska Media S.A., Money.pl Sp. z o.o., Domodi Sp. z o.o., Nocowanie.pl Sp. z o.o. and Wakacje.pl S.A.;
- registered pledges on items and rights of Wirtualna Polska Holding S.A., Wirtualna Polska Media S.A., Money.pl Sp. z o.o. and Wakacje.pl S.A.;
- ordinary and registered pledges on the rights to the trademarks of Wirtualna Polska Media S.A., Money.pl Sp. z o.o. and Wakacje.pl S.A.;
- financial and registered pledges on bank accounts maintained for Wirtualna Polska Holding S.A., Wirtualna Polska Media S.A., Money.pl Sp. z o.o. and Wakacje.pl S.A together with powers of attorney to those bank accounts;
- financial and registered pledges on bank accounts maintained for Nocowanie.pl Sp. z o.o. together with powers of attorney to those bank accounts;
- transfer of rights from agreements mentioned in the new loan agreement (including insurance policies, commercial contracts, intercompany loans) Wirtualna Polska Holding SA and Wirtualna Polska Media S.A.; Money.pl Sp. z o.o. and Wakacje.pl S.A.;

- declarations on submission to enforcement procedures by Wirtualna Polska Holding S.A., Wirtualna Polska Media S.A., Money.pl Sp. z o.o. and Wakacje.pl SA and
- a subordination agreement for the repayment of indicated existing and future dues in respect of Wirtualna Polska Media SA to the dues of the new borrowers.

On 1 January 2018, in connection with the first application of IFRS 9, a recalculation was made using the effective interest rate before the change in the terms of the contract, which resulted in an increase bank loan liabilities from PLN 211,650 thousand up to PLN 218,615 thousand. Adjustment of PLN 6,940 thousand was recognized in the retained earnings as at 1 January 2018.

The debt from the loan agreement was presented in the balance sheet as of 31 December 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 2018, the Group had an unpaid loan to a minority shareholder of Nocowanie.pl Sp. z o.o. drawn to finance the acquisition of 100% shares in Grupa eHoliday.pl Sp. z o.o.

The loan bears interest at the WIBOR rate for 3-month deposits plus a margin set in the contract. The principal may be repaid at any time, no later than 16 October 2020 with interest payable on quarterly basis.

As at 31 March 2018 the loan accounted for PLN 2,163 thousand.

25. 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 2018, 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 3,630 thousand. The fair value of contingent consideration of PLN 3,213 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 29.

26. PROVISIONS

in PLN'000	As of 31 March 2018	As of 31 December 2017
Provision for employee benefits	***4 034***	***3 244***
provision for pension benefits	249	249
holiday pay provision	3 785	2 995
Other provisions, including:	***1 855***	***1 845***
Provisions for litigation	1 855	1 845
Total	***5 889***	***5 089***

in PLN'000	As of 31 March 2018	As of 31 December 2017
Provision for employee benefits		
At the beginning of the period	***3 244***	***3 276***
Recorded during the year	790	93
Utilized	-	(60)
Released	-	(72)
Sale of subsidiaries	-	7
At the end of the period	***4 034***	***3 244***
Other provisions:		
At the beginning of the period	***1 845***	***1 511***
Recorded during the year	290	783
Utilized	(276)	(201)
Released	(4)	(248)
At the end of the period	***1 855***	***1 845***

27. TRADE AND OTHER PAYABLES

The following table presents the structure of trade and other payables as of 31 March 2018 and 31 December 2017.

in PLN'000	As of 31 March 2018	As of 31 December 2017
Long-term:		
Contingent liabilities related to business combinations	978	3 618
Liabilities with respect to the put option for non-controlling interests	19 430	78 763
Liabilities in respect of purchase of property, plant and equipment and intangible assets	8 721	10 141
Deferred income	557	384
	29 686	***92 906***
Short-term:		
Trade payables	47 996	37 799
Contingent liabilities related to business combinations	3 435	4 771
Zobowiązania z tytułu nabycia przedsięwzięć (inne niż earn-out)	36 153	58 616
State liabilities	6 177	6 028
Barter liabilities	3 885	1 935
Wages and salaries payables	5 989	6 649
Liabilities in respect of purchase of property, plant and equipment and intangible assets	5 943	13 300
Deferred income	8 228	8 323
Other	6 178	4 882
Total	***123 984***	***142 303***

28. LITIGATION

If the Group is a defendant in a litigation case, a provision is booked for the case based on its actual status and the cost estimation prepared by the Legal Department. The provisions are recorded in the amount of the claims and court fees, whose ad-judgment is probable in the Group's opinion. Currently, there are no pending court proceedings, arbitration or proceedings before the administrative authority in respect of liabilities or receivables of Wirtualna Polska Holding SA and its subsidiaries that would be individually material to the Group.

In the analyzed period, the provision for court proceedings increased by PLN 10 thousand.

29. FAIR VALUE ESTIMATION

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

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

The following table presents the Group's financial liabilities measured at fair value as of 31 March 2018.

in PLN'000	Level 1	Level 2	Level 3	Total
Assets and liabilities measured at fair value				
Financial assets available for sale				-
Contingent liabilities related to business combinations	-	-	(3 213)	***(3 213)***
Interest rate contracts	-	-	-	-
Total assets and liabilities	**-**	**-**	***(3 213)***	***(3 213)***

Level 1 financial Instruments

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

Level 2 financial Instruments

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

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

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

Level 3 financial Instruments

The following table presents changes in level 3 liabilities for the period of 3 months ending 31 March 2018 and twelve months of the year 2017:

in PLN'000	Contingent consideration under business combinations	
	As of 31 March 2018	As of 31 December 2017
At the beginning of the period	***7 189***	***6 075***
Acquisition of Netwizor Sp. z o.o.	(371)	-
Calculation of consideration paid as earn-out	149	342
Repayment of earn-out Allani Sp. z o.o.	(3 998)	
Gains and losses recognized in financial result	244	772
At the end of the period	***3 213***	***7 189***

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

in PLN'000	Carrying amount	Fair value
Bank loans	303 624	300 513
Finance leases liabilities	2 864	2 864
Total	***306 488***	***303 377***

30. OBJECTIVES AND PRINCIPLES OF FINANCIAL RISK MANAGEMENT

The Group is exposed to credit risk and liquidity risk and also to cash flow and fair value risks as a result of interest rate fluctuations. As of 31 March 2018 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 2018	As of 31 December 2017
Banks with high rating	59 509	46 442
Total cash at banks	***59 509***	***46 442***

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 borrowings. Loans and borrowings 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.

Until 20 December 2017 the Group was a party in four swap agreements converting floating interest rates into fixed. The instruments were terminated after new loan agreement was signed. The Group estimates that a change of interest rate by 1 p.p. would result in additional PLN 2 million of financial interest costs per annum.

In both 2018 and 2017 all 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.

31. RELATED PARTY DISCLOSURES

As of 31 March 2018 no individual entity can control the Group independently. Nevertheless, in view of the share of the overall number of votes at the General Meeting, the Founders (i.e. Jacek Świderski, Michał Brański and Krzysztof Sierota) and Companies controlled by them (acting in concert on the basis of a cooperation agreement regarding the joint exercise of ownership rights based on holding shares in the Company after the Admission Date) are able to exercise a decisive influence over the decisions regarding the most important corporate issues such as the appointment and dismissal of the President of the Management Board, the appointment and dismissal of the members of the Supervisory Board, the amendment of the Articles of Association, the issuance of new shares in the Company, a decrease of the share capital of the Company, the issuance of convertible bonds, dividend payments and other actions which, pursuant to the Commercial Companies Code, require an ordinary or a qualified majority of votes at the General Meeting.

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

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

in PLN'000	As of 31 March 2018	As of 31 December 2017
Liabilities:		
Subsidiary of a member of the Management Board of the Parent Company	2	3
Total	***2***	***3***
Receivables:		
Subsidiary of a member of the Management or Supervisory Board of the Parent Company	419	659
Total	***419***	***659***

The following transactions were concluded with related entities:

in PLN'000	Three months ending 31 March 2018	Three months ending 31 March 2017
Purchases:		
Subsidiary of a member of the Management Board of the Parent Company	-	5
Total	***-***	***5***
Sales		
Subsidiary of a member of the Management Board of the Parent Company	62	-
Total	***62***	***-***

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 2018	Three months ending 31 March 2017
Short-term employee costs (salaries and related benefits)	1 397	1 712
Incentive scheme – share-based payments	-	54
Total	***1 397***	***1 766***

32. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Acquisition of shares in MyTravel Sp. z o.o.

On May 17, 2018 the subsidiary Wakacje.pl SA concluded with three natural persons and EVG Invest sp. z o.o. a share purchase agreement under which Wakacje.pl acquired a total of 700 shares, with a par value of PLN 500 each, in the share capital of My Travel sp. z o.o., representing 100% of the share capital and entitling to exercise 100% of votes at the shareholders' meeting of MyTravel.

The final Purchase Price was determined as the product of the normalized EBITDA of MyTravel for the financial year 2018 and the multiplier agreed by the Parties. The price will be paid in three installments. The Management Board of Group expects that the final settlement of the price will take place in the third quarter of 2019. The parties agreed that the purchase price in each case shall not be lower than PLN 10 million and higher than PLN 19 million.

The first Purchase Price instalment was set at approximately PLN 7.9 million. The payment of the first instalment was financed from Wakacje.pl own funds.

My Travel operates a franchise network for the sale of tours and other tourist services. As part of the network, there are 116 stationary salons, which ensures its position as the largest agency network on the Polish market.

33. EXPLANATIONS TO THE CASHFLOW STATEMENT

in PLN'000	Three months ending 31 March 2018	Three months ending 31 March 2017
Change in receivables and other short-term assets arises from the following items:	***(897)***	***1 609***
Change in receivables and other short-term assets per balance sheet	596	563
Change in long-term receivables per balance sheet	44	-
Change in assets relating to financing activities	(2 265)	34
Change of accounting policy	(346)	
Change in income tax receivables	1 074	1 011
Other	-	1
Change in short-term liabilities arises from the following items:	***12 858***	***13 518***
Change in short-term liabilities per balance sheet	(18 319)	3 488
Sale of subsidiary		
Adjustment for a change in the liability in respect of swap instruments	-	20
Adjustment for a change in investment liabilities	31 156	9 915
Revaluation of investment liabilities recognised in operating cost	149	-
Change in long-term deferred income	173	(114)
Change in liabilities in respect of financing activities	(300)	209
Other	(1)	
Change in provisions arises from the following items:	***800***	***815***
Change in short-term provisions per balance sheet	800	815
Purchase of shares in a subsidiary:	***(86 586)***	***-***
Nominal purchase price	(86 586)	-

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

34. SELECTED CONSOLIDATED FINANCIAL DATA CONVERTED INTO EUR

Consolidated income statement and other comprehensive income

	Three months ending 31 March 2018	Three months ending 31 March 2017	Three months ending 31 March 2018	Three months ending 31 March 2017
	in PLN'000		in EUR'000	
Segment ONLINE				
Sales	114 915	102 665	27 502	23 936
Cash sales	110 891	94 467	26 539	22 025
Adjusted EBITDA	37 497	29 014	8 974	6 765
EBITDA	34 590	24 796	8 278	5 781

	Three months ending 31 March 2018	Three months ending 31 March 2017	Three months ending 31 March 2018	Three months ending 31 March 2017
	in PLN'000		in EUR'000	
Segment TV				
Sales	2 895	879	693	205
Cash sales	2 895	879	693	205
Adjusted EBITDA	(2 522)	(3 960)	(604)	(923)
EBITDA	(2 588)	(3 960)	(619)	(923)

	Three months ending 31 March 2018	Three months ending 31 March 2017	Three months ending 31 March 2018	Three months ending 31 March 2017
	in PLN'000		in EUR'000	
Segments total				
Sales	117 810	103 544	28 195	24 141
Cash sales	113 786	95 346	27 232	22 230
Adjusted EBITDA	34 975	25 054	8 370	5 841
EBITDA	32 002	20 836	7 659	4 858
Amortization and depreciation of fixed assets and intangibles	(13 453)	(12 114)	(3 220)	(2 824)
Operating profit	18 549	8 722	4 439	2 034
Result on financial activities	(6 058)	(4 481)	(1 450)	(1 045)
Profit before tax	12 491	4 241	2 989	989
Net profit	8 329	2 982	1 993	695

Consolidated statement of financial position

	As of 31 March 2018	As of 31 December 2017	As of 31 March 2018	As of 31 December 2017
	in PLN'000		in EUR'000	
Total assets	900 259	893 906	213 914	214 320
Non-current assets	746 111	752 229	177 287	180 352
Current assets	154 148	141 677	36 628	33 968
Long-term liabilities	326 657	307 292	77 618	73 675
Short-term liabilities	156 625	166 686	37 216	39 964
Equity	416 977	419 928	99 080	100 680
Share capital	1 443	1 443	343	346
Non-controlling interests	5 957	19 479	1 415	4 670

Consolidated cash flow statement

	Three months ending 31 March 2018	Three months ending 31 March 2017	Three months ending 31 March 2018	Three months ending 31 March 2017
	in PLN'000		in EUR'000	
Net cash flows from operating activities	42 147	31 774	10 087	7 408
Net cash flows from investing activities	(107 093)	(15 536)	(25 630)	(3 622)
Net cash flows from financing activities	78 041	(8 986)	18 677	(2 095)
Total net cash flows	***13 095***	***7 252***	***3 134***	***1 691***

Conversion into euro was performed based on the following principles:

- amounts presented in zloty as of 31 March 2018 were converted into euro at the exchange rate of 4.2085 (the NBP exchange rate as of 31 March 2018),
- amounts presented in zloty as of 31 December 2017 were converted into euro at the exchange rate of 4.1709 (the NBP exchange rate as of 31 December 2017),
- amounts presented in zloty for the period of three months ending 31 March 2018 were converted into euro at the exchange rate of 4.1784 (the arithmetic mean of the NBP exchange rates as of the last day of each month of the first quarter of 2018),

- 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).

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

Guarantees granted to non-Group entities

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

Inter-company guarantees

The companies: Wirtualna Polska Holding S.A., Money.pl Sp. z o.o., Wakacje.pl SA and Nocowanie.pl Sp. z o.o. are parties to the bank loan agreement concluded by and between Grupa Wirtualna Polska SA and mBank, PKO BP and ING Bank Śląski as of the balance sheet date.

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

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

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

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, 21 May 2018

CONDENSED INTERIM STANDALONE FINANCIAL STATEMENTS FOR THE PERIOD OF 3 MONTHS ENDING 31 MARCH 2018

WP Holding SA

Interim standalone income statement and other comprehensive income

in PLN'000	For the 3 months ended 31 March 2018	For the 3 months ended 31 March 2017
Sales	**-**	***1 888***
Amortization and depreciation	(3)	(3)
Materials and energy used	(1)	(3)
Costs of the employee option scheme	32	(271)
Other external services	(675)	(351)
Other salary and employee benefit expenses	(202)	(1 949)
Other operating expenses	(45)	(57)
Other operating income/gains	-	-
Dividends received	-	-
Gain/loss on disposal of other financial assets	-	-
Operating loss	***(894)***	***(746)***
Finance income	3 294	3 041
Finance costs	(69)	(1)
Profit before tax	***2 331***	***2 294***
Income tax	(441)	(490)
Net profit	***1 890***	***1 804***
Other comprehensive income	-	-
Comprehensive income	***1 890***	***1 804***

Interim standalone statement of financial position

in PLN'000	Note	As of 31 March 2018	As of 31 December 2017
Non-current assets			
Intangible assets		29	32
Investments in subsidiaries	9	291 595	203 402
Loans granted	9	170 665	262 202
Deferred tax asset		179	304
		462 468	***465 940***
Current assets			
Trade receivables and other assets		1 189	713
Cash and cash equivalents		7 406	1 491
		8 595	***2 204***
TOTAL ASSETS		***471 063***	***468 144***
Equity			
Share capital	10	1 443	1 443
Supplementary capital		318 759	318 759
Other reserves		6 765	6 439
Retained earnings		136 344	134 454
		463 311	***461 095***
Long-term liabilities			
Deferred tax liability		-	-
		-	-
Short-term liabilities			
Trade and other payables		2 013	1 382
Provisions for employee benefits		-	-
Current income tax liabilities		5 739	5 667
		7 752	***7 049***
TOTAL EQUITY AND LIABILITIES		***471 063***	***468 144***

Interim standalone statement of change in equity

in PLN'000	Equity				
	Share capital	Supplementary capital	Other reserves	Retained earnings	Total
Equity as of 1 January 2018	1 443	318 759	6 439	134 454	***461 095***
Net profit	-	-	-	1 890	1 890
Total comprehensive income	**-**	**-**	**-**	***1 890***	***1 890***
Share capital increase			-	-	-
Incentive scheme - share-based payments	-	-	326	-	326
Distribution of net profit	-	-	-		-
Equity as at 31 March 2018	***1 443***	***318 759***	***6 765***	***136 344***	***463 311***

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		-	-	-	7 577	7 577
Total comprehensive income		**-**	**-**	**-**	***7 577***	***7 577***
Share capital increase	15	9	2 929	-	-	2 938
Incentive scheme - share-based payments		-	-	1 326	-	1 326
Distribution of net profit					(31 691)	(31 691)
Equity as at 31 December 2017		***1 443***	***318 759***	***6 439***	***134 454***	***461 095***

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
Equity as at 31 March 2017	***1 435***	***316 238***	***5 426***	***160 372***	***483 471***

Interim standalone cash flow statement

in PLN'000	For the 3 months ended 31 March 2018	For the 3 months ended 31 March 2017
Cash flows from operating activities		
Profit before tax	***2 331***	***2 294***
Adjustments for:	***(3 252)***	***(2 765)***
Amortization and depreciation	3	3
Finance income and costs	(3 225)	(3 040)
Costs of the employee option scheme	-	-
Dividends received	(32)	271
Other adjustments	2	1
Changes in working capital	***378***	***1 268***
Change in trade and other receivables	108	281
Change in trade and other payables	270	987
Change in provisions	-	-
Income tax paid	(245)	(412)
Net cash flows from operating activities	***(788)***	***385***
Cash flows from investing activities		
Loans granted	(3 998)	(8 200)
Repayment of loans granted	10 000	4 200
Repayment of interest on loans granted	2 758	3 000
Repayment of liabilities due to contingent consideration	-	-
Net cash flows from investing activities	***(78 715)***	***(1 000)***
Net cash flows from financing activities		
Payments due to share capital increase	-	409
Interest received on cash at banks	3	2
Net cash flows from financing activities	***85 418***	***419***
Total net cash flows	***5 915***	***(196)***
Cash and cash equivalents at the beginning of the period	***1 491***	***1 273***
Cash and cash equivalents at the end of the period	***7 406***	***1 077***

WP Holding SA

1. GENERAL INFORMATION

Wirtualna Polska Holding SA („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 2018 are consistent with those used in the standalone financial statements for the year ending 31 December 2017.

The financial statements for the year ending 31 December 2017 have been prepared in accordance with IFRS standards which were binding in the European Union in the financial year ending 31 December 2017.

Standalone statement of financial position as of 31 March 2018, standalone income statement and other comprehensive income, standalone cash flow statement and standalone statement of changes in equity for three months ending 31 March 2018 was not audited. Standalone financial statements as of 31 December 2017 and for twelve months ending 31 December 2017 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 2017.

The Company as a Parent Company prepared condensed interim consolidated financial statements which were approved by the Management Board on 21 May 2018. These financial statements should be read in conjunction with the consolidated financial statements.

3. APPROVAL FOR PUBLICATION OF THE STANDALONE FINANCIAL STATEMENTS

These condensed interim standalone financial statements have been approved for publication by the Management Board on 21 May 2018.

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 2017.

	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 SA 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 2017. At the end of March 2018 the Management Board analyzed 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 2018 to 31 March 2018 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 2018 to 31 March 2018 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	For the 3 months ended 31 March 2018	For the 3 months ended 31 March 2017
Purchase		
Subsidiaries	258	242
Total	***258***	***242***
Sales of services		
Subsidiaries	-	1 888
Total	***-***	***1 888***
Interest income, guarantees and dividends		
Subsidiaries	3 290	3 039
Total	***3 290***	***3 039***
Interest costs		
Subsidiaries	69	-
Total	***69***	***-***

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 2018	As of 31 December 2017
Receivables		
Subsidiaries	973	702
Total	***973***	***702***
Loans granted		
Subsidiaries	170 665	262 202
Total	***170 665***	***262 202***
Liabilities		
Subsidiaries	173	6
Total	***173***	***6***

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

in PLN'000	For the 3 months ended 31 March 2018	For the 3 months ended 31 March 2017
Short-term employee costs (salaries and related benefits)	202	5 271
Incentive scheme - share-based payments	-	108
Total	***202***	***5 379***

9. OTHER FINANCIAL ASSETS

Investments in subsidiaries

The structure of shares is as follows:

Company's name	Value of shares at purchase price	Adjustments	Carrying value of shares	Percentage of shares held	Percentage of votes held
Wirtualna Polska Media S.A.	196 727	-	196 727	100%	100%
Http Sp. z o.o.	52	-	52	100%	100%
Dobreprogramy Sp. z o.o.	8 194	-	8 194	51%	51%
Domodi Sp. z o.o.	86 339		86 339	35%	35%
WP Zarządzanie Sp. z o.o.	283	-	283	100%	100%
As of 31 March 2018	***291 595***	***-***	***291 595***		

On 15 March 2018, Wirtualna Polska Holding SA entered into a share purchase agreement with the minority shareholders of Domodi Sp. z o.o. based on which the Company acquired 918 shares of PLN 200 nominal value, entitling to approx., 35% share in capital and votes. The purchase price for all the purchased Shares is PLN 85,484 thousand. The transfer of rights to shares took place on 22 March 2018 upon payment of the price on the terms specified in the agreement. The acquisition of shares was financed from a loan granted to Wirtualna Polska Holding SA by Wirtualna Polska Media SA with funds from the tranche of the Capex Loan under the bank loan agreement of 12 December 2017.

Loans granted

In the first three months of 2018 the Company granted a new loan to Domodi Sp. z o.o. which was used for the settlement of Domodi's earn-out liabilities toward previous Allani shareholder.

During the first quarter of 2018 the subsidiary Wirtualna Polska Media SA repaid PLN 10.000 thousand of its loan principal and PLN 2.670 thousand of due interests. At the same time, a netting was made with the loan granted to the Company by Wirtualna Polska Media SA for the purchase of shares in Domodi Sp. z o.o. in the amount of PLN 85,484 thousand. In the first quarter of 2018 TotalMoney.pl Sp. z o.o. and Domodi Sp. z o.o. repaid the accrued interest on loans in the amount of PLN 4 thousand and PLN 85 thousand respectively.

10. EQUITY

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

11. EVENTS AFTER THE BALANCE SHEET DATE

There were no other significant events after the balance sheet date, other than those described in the attached interim consolidated financial statements.

12. SELECTED STANDALONE FINANCIAL DATA CONVERTED INTO EURO

Income statement and other comprehensive income

	Three months ended 31 March 2018	Three months ended 31 March 2017	Three months ended 31 March 2018	Three months ended 31 March 20187
	in PLN'000		in EUR'000	
Sales	-	1 888	-	440
Operating loss	(894)	(746)	(214)	(174)
Profit before tax	2 331	2 294	558	535
Net profit	1 890	1 804	452	421

Statement of financial position

	As of 31 March 2018	As of 31 December 2017	As of 31 March 2018	As of 31 December 2017
	in PLN'000		in EUR'000	
Total assets	471 063	468 144	111 931	112 241
Non-current assets	462 468	465 940	109 889	111 712
Current assets	8 595	2 204	2 042	528
Long-term liabilities	-	-	-	-
Short-term liabilities	7 752	7 049	1 842	1 690
Equity	463 310	461 095	110 089	110 550
Share capital	1 443	1 443	343	346

Cash flow statement

	Three months ended 31 March 2018	Three months ended 31 March 2017	Three months ended 31 March 2018	Three months ended 31 March 20187
	in PLN'000		in EUR'000	
Net cash flows from operating activities	(788)	385	(189)	90
Net cash flows from investing activities	(78 715)	(1 000)	(18 839)	(233)
Net cash flows from financing activities	85 418	419	20 443	98
Total net cash flows	5 915	(196)	1 416	(46)

Conversion into euro was performed based on the following principles:

- amounts presented in zloty as of 31 March 2018 were converted into euro at the exchange rate of 4.2085 (the NBP exchange rate as of 31 March 2018),
- amounts presented in zloty as of 31 December 2017 were converted into euro at the exchange rate of 4.1709 (the NBP exchange rate as of 31 December 2017),
- amounts presented in zloty for the period of three months ending 31 March 2018 were converted into euro at the exchange rate of 4.1784 (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 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).

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, 21 May 2018