STANDLONE FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

WP Holding SA

LETTER OF THE PRESIDENT OF THE MANAGEMENT BOARD

Dear Shareholders,

This past year has been a golden year for our Group; it has never before in its 20-year history been so strong. Our IPO in May was a wonderful opportunity to demonstrate to the world the potential the new Wirtualna Polska, re-engineered over the last 18 months, has to offer.

Our mission is to inform, deliver opinion-setting content and support Poles in their day-to-day decisions, especially their consumer decisions. That is why for the last two years and in keeping with our announcements at the time of the IPO we are steadfastly building Wirtualna Polska's strong position in the world of e-commerce. After our acquisition of Wakacje.pl in December we are now the leader in four marketplace categories: clothing (Domodi.pl/ Allani.pl), interior decoration (Homebook.pl), financial services (Money.pl) and travel. This direction of development is already giving us extensive exposure to the e-commerce market while building our resilience to the potential turmoil posed by the hyper-cyclical advertising market.

2015 was a year of delivering on our promises. As a young organization formed by combining more than ten businesses that previously competed with one another we have gained the trust of our users, employees, clients and investors.

We announced that we would create an opinion-setting medium and our intention to combat the ongoing tabloidization of digital publishers. Users have perceived the change that has transpired in the quality of content published on Writualna Polska's services. This has been confirmed by the diametric improvement in WP's perception as reflected by the annual image research (IBRP) and our victories in media citation rankings (IMM). What is important is that we achieved this objective without losing viewership. Previously, it had never been the case that more than 18 million Poles per month had used the services of Wirtualna Polska.

Such a change in how our products are perceived by users (and the trebling of our company's value) in the last two years was possible thanks to the fact that we stopped being a place of work for just anyone; instead, we have turned into a company that employs only the best. The strength of our organization, which no one will be able to topple easily and membership in this organization are a source of pride for us! That is why when we look at what we have done together it is hard to believe that 2015 consisted of a mere 12 months.

Two years ago we articulated our goal of building our position as the partner of first choice for advertisers. Were we successful? The best proof of our achievement is our 75% organic revenue growth in this period on such a mature market and in such a mature company. The constancy of the changes we have orchestrated is additionally confirmed by the first-ever victory our Advertising Department won in an annual industrial ranking (Media&Marketing).

We have carried out all our intended acquisitions at attractive valuations. We have used the funds we obtained from the stock market according to plan and according to the objectives stated in our rights offering. Our competitors belong, for the most part, to large-scale international concerns. We are focused on long-term relations with our investors because are aware that the capital market will be our partner for many years to come.

2016 will be a year of extensive change in the media where we perceive an opportunity for Wirtualna Polska to stand out on this market. We will endeavor to take advantage of this opportunity while adhering to high standards of news journalism. We want for Wirtualna Polska to be a trusted brand and an authority in the media for all Poles. We will continue to pursue our "MoViBE" strategy: mobile, video, big data and e-commerce. We expect that this year mobile devices will win the race against computers for the attention of our users, while at the same time extending the overall duration of media contact. This is a big change to which we are preparing jointly with advertisers. We believe that on top of developing video advertising and winning television budgets this will be the most rapidly growing part of our business. Our big data systems will play a crucial role in all advertising and e-commerce areas, a significant competitive advantages held by Wirtualna Polska ensuing from the magnitude of its business and its e-mail account system.

In 2015 we demonstrated to ourselves and to the world that we are not only capable of presenting our dreams of offering high quality but also of turning them into reality. Our efficacy and boldness have become readily recognizable signs of what Wirtualna Polska has become.

Respectfully,

Jacek Świderski
CEO of Wirtualna Polska Holding S.A.

REPORT OF THE MANAGEMENT BOARD ON THE ACTIVITIES OF WIRTUALNA POLSKA HOLDING SA FOR THE PERIODS OF 3 AND 12 MONTHS ENDED DECEMBER 31, 2015

1. SELECTED FINANCIAL DATA

The following tables set out selected financial data for the 3 and 12-month periods ended December 31, 2015 and December 31, 2014. 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 financial statements for the financial year ended December 31, 2015 and interim condensed financial statements for 3 and 12 month periods ended December 31, 2015 attached to this report, as well as the information included in item 3 of this report.

	For the year ended 31 December 2015	For the year ended 31 December 2014	For the year ended 31 December 2015	For the year ended 31 December 2014
Income statement	**in PLN'000**		**in EUR'000**	
Sales	5 257	4 605	1 256	1 099
Operating loss	(5 306)	(1 214)	(1 268)	(290)
Profit before tax	5 382	12 015	1 286	2 868
Net profit	4 376	9 303	1 046	2 221

	For 3 months ended 31 December 2015	For 3 months ended 31 December 2014	For 3 months ended 31 December 2015	For 3 months ended 31 December 2014
Income statement	**in PLN'000**		**in EUR'000**	
Sales	1 371	1 287	322	305
Operating loss	(907)	(922)	(213)	(219)
Profit before tax	1 365	2 990	320	709
Net profit	1 053	2 285	247	542

	As at 31 December 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
Balance sheet	**in PLN'000**		**in EUR'000**	
Non-current assets	466 306	358 763	109 423	84 171
Current assets	19 668	4 010	4 615	941
Long-term liabilities	11 998	1 740	2 815	408
Short-term liabilities	4 803	1 601	1 127	376
Equity, including:	469 173	359 432	110 096	84 328
Share capital	1 413	1 231	332	289

	For the year ended 31 December 2015	For the year ended 31 December 2014	For the year ended 31 December 2015	For the year ended 31 December 2014
Cash flows	**in PLN'000**		**in EUR'000**	
Net cash flows from operating activities	(9 365)	(1 292)	(2 238)	(308)
Net cash flows from investing activities	(82 443)	(170 335)	(19 701)	(40 660)
Net cash flows from financing activities	109 438	172 025	26 151	41 063
Total net cash flows	17 630	398	4 213	95

The financial data was converted into EUR using the following rules:

- amounts presented in zloty as of 31 December 2015 were converted into euro at the exchange rate of 4.2615 (the NBP exchange rate as of 31 December 2015);
- amounts presented in zloty as of 31 December 2014 were converted into euro at the exchange rate of 4.2623 (the NBP exchange rate as of 31 December 2014);

- amounts presented in zloty for the period of financial year ended 31 December 2015 were converted at the exchange rate of 4.1848 (the arithmetic mean of the NBP exchange rates as of the last day of each month of 2015);
- amounts presented in zloty for the period of financial year ended 31 December 2014 were converted at the exchange rate of 4.1893 (the arithmetic mean of the NBP exchange rates as of the last day of each month of 2014);
- amounts presented in zloty for the period of 3 months ended 31 December 2015 were translated at the exchange rate of 4.2635 (the arithmetic mean of the NBP exchange rates as of the last day of each month of the last quarter of 2015);
- amounts presented in zloty for the period of 3 months ended 31 December 2014 were translated at the exchange rate of 4.2160 (the arithmetic mean of the NBP exchange rates as of the last day of each month of the last quarter of 2014).

2. CHARACTERISTICS OF THE WIRTUALNA POLSKA HOLDING

2.1. 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.

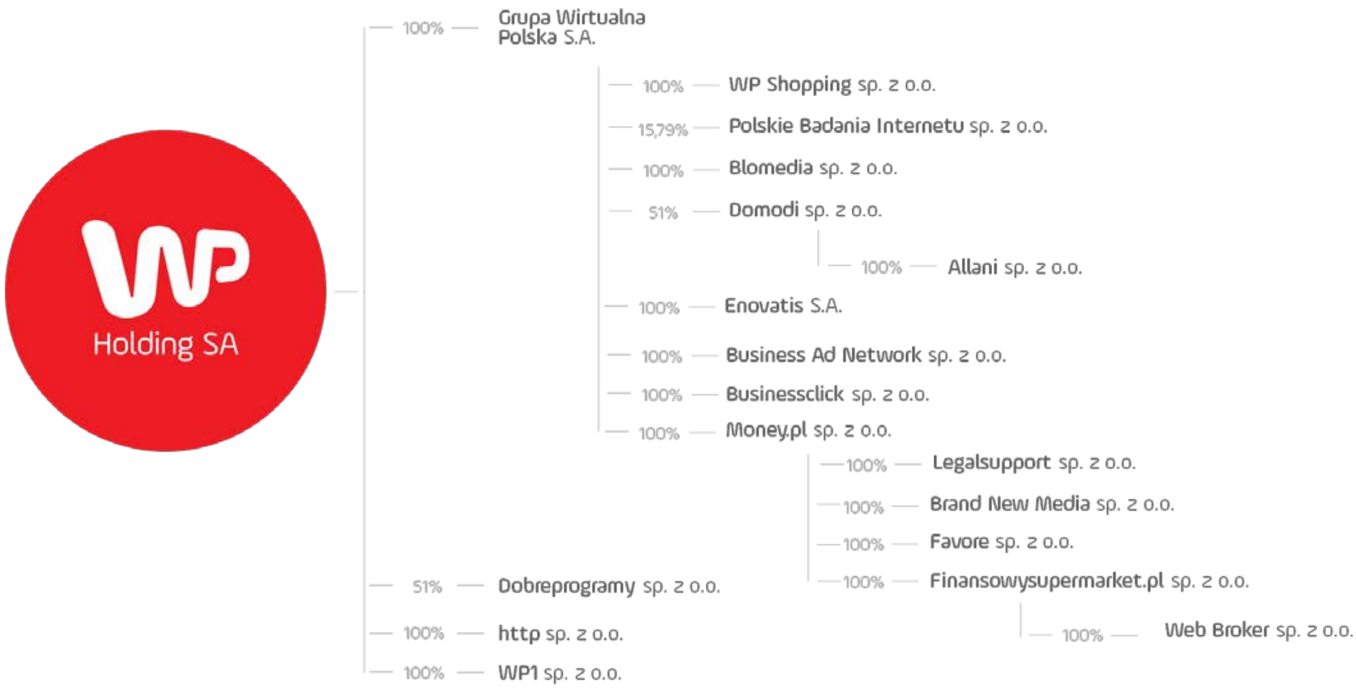
Until 21 March 2014, the Company operated as Grupa o2 SA.

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

The Company is the Parent Company of Wirtualna Polska Holding Capital Group.

2.2. STRUCTURE OF THE WIRTUALNA POLSKA HOLDING SA CAPITAL GROUP

The diagram on the next page presents the structure of the Group as of 31 December 2015, including the percentage of voting rights at a General Shareholders' Meeting to which the shareholder is entitled.



Changes in the Group's structure in 2015

On March 18, 2015 the Group sold its shares in Kupbon SA which represented 6% of the total number of shares in the said company. On 8 April 2015 the Group sold a minority stake in Szopuje Sp. z o.o. Also on June 15, 2015 Money.pl Sp. z o.o, sold 100% of its stake in Interaktywnie.com Sp. z o.o. None of these transactions had a material impact on the operation of the Group as a whole. On 21 August 2015 the company WP1 Sp. z o.o. was created and registered with 100% of share capital owned by Wirtualna Polska Holding SA.

On June 3, 2015 the Group bought 100% of shares in NextWeb Media Sp. z o.o., which holds 100% of shares in Blomedia Sp. z o.o. On 31 August 2015, the merger of NextWeb Media Sp. z o.o. oraz Grupa Wirtualna Polska Sp. z o.o. (currently Grupa Wirtualna Polska SA) was registered in the National Court Register. The merger of Grupa Wirtualna Polska Sp. z o.o. and NextWeb Media Sp. z o.o. was pursuant to article 492 section 1 item 1 of the Polish Commercial Companies Code, by transferring all assets of NextWeb Media Sp. z o.o. to Grupa Wirtualna Polska Sp. z o.o. (merger by acquisition).

On 16 September 2015, Money.pl Sp. z o.o., a subsidiary of the parent company, finalized the purchase of 100% shares in Finansowysupermarket.pl Sp. z o.o. which holds 100% of shares in Web Broker Sp. z o.o.

Moreover, on 6 October 2015 Domodi Sp. z o.o., a subsidiary of the parent company, finalized the purchase of 100% of shares in Allani Sp. z o.o., the publisher of services allani.pl and allani.com.br.

On 13 October 2015 the company Grupa Wirtualna Polska Sp. z o.o. was transformed into a joint-stock company pursuant to article 551 et seq. of the Polish Commercial Companies Code and on 30 October 2015 companies http Sp. z o.o. and Free4Fresh Sp. z o.o. merged pursuant to article 492 section 1 item 1 of the Polish Commercial Companies Code, by transferring all assets of Free4Fresh Sp. z o.o. to http Sp. z o.o.

The last major change in Group's composition which took place in the year ended 31 December 2015 was the acquisition on 23 December 2015, of 100% of shares in Enovatis SA which is the leader of online tourism in Poland, owner of popular travel portals wakacje.pl and easygo.pl

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

2.3. DEVELOPMENT POLICY AND PROSPECTS OF WIRTUALNA POLSKA HOLDING SA

Since the Company's activity is limited to holding and management activities its prospects and tendencies are in fact the same as for the Group as a whole. In the Management Board's opinion, the following tendencies will continue to affect the Group's operations:

- The continuing growth in the share of online advertising in the total expenditure on advertising in Poland;
- The fastest growing segments of online advertising in Poland will include video advertising, which is an element of modern display, and adverts on mobile devices. This will be caused mainly by the increased availability and a decrease in the prices of fast Internet connections, as well as the growing popularity of smartphones and tablets;
- The dynamic growth of the e-commerce market in Poland in the coming years, which will be caused both by a greater number of people buying through the Internet and the greater number and value of transactions concluded by such people on the Internet;
- An improvement in the effectiveness of advertising by using the Group's current resources (information on user behavior and big data analyses) to better match advertising content to user profiles;
- The more intensive use of real-time automated purchase model of advertising space on the Polish online market is currently having a positive effect on the Group's revenues;
- The positive effect of the revenue and cost synergies expected by the Group as a result of its acquisitions in 2015;
- An increase in costs, especially wages and salaries, resulting from an improvement in the quality of content provided to users and the increased number of video adverts and their improving quality.

The Group's primary objective is to achieve the position of the leading, lifestyle and entertainment medium in Poland. The main strategic goals which will make it possible to achieve the primary objective of the Group which is achieving the position of the principal information-lifestyle-entertainment medium in Poland:

- **Modern display** – reinforcing the leading position in respect of providing content via the Internet in Poland in the main topic categories;
- **E-mail services** – maintaining and developing e-mail services as a communication tool and an important source of information for the personalization of content, services and advertising;
- **Mobile** – achieving and maintaining a leading position in Poland in respect of advertising on mobile devices;
- **Video online** – achievement and maintenance of the leading position in Poland in terms of video online advertising;
- **E-commerce** – Using the potential of the quickly growing e-commerce market in key product categories;
- **Big data** – use of key competitive advantage of the Group;
- **Acquisitions** – Reinforcement of the Group's organic growth through the acquisition of other entities.

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

Financial data for 12 months ended December 31, 2015 and December 31, 2014 was audited by the independent auditor, whereas the financial information for the fourth quarter of 2015 and 2014 were not subject to any audit or review. Information presented in the following table should be read in conjunction with the information included in the financial statements.

3.1. SELECTED FINANCIAL DATA FROM INCOME STATEMENT

The following table presents main positions of income statement for the 2015 and 2014 year.

in PLN'000	For the year ended 31 December 2015	For the year ended 31 December 2014	Change	Change %
Sales	5 257	4 605	652	14%
Dividends received	633	166	467	281%
Operating loss	-5 306	-1 214	-4 092	337%
Finance income	11 720	13 743	-2 023	-15%
Finance costs	-1 032	-514	-518	101%
Profit before tax	5 382	12 015	-6 633	-55%
Net profit	4 376	9 303	-4 927	-53%

The following table presents main positions of income statement for the fourth quarter of 2015 and 2014 year.

in PLN'000	For 3 months ended 31 December 2015	For 3 months ended 31 December 2014	Change	Change %
Sales	1 371	1 287	84	7%
Operating loss	-907	-922	15	-2%
Finance income	2 761	3 936	-1 175	-30%
Finance costs	-489	-24	-465	1938%
Profit before tax	1 365	2 990	-1 625	-54%
Net profit	1 053	2 285	-1 232	-54%

The sales of services increased in the twelve months of 2015 by 14 % compared to the sales for the same period of the previous year, whereas in fourth quarter they increased by 7%.

In 2015 the operating loss was higher by PLN 4 million compared to previous year. It was mainly due PLN to 3.2 million of costs incurred by the Company in relation to initial public offering that took place in May 2015. Furthermore, the operating loss was also caused by salary and social benefit costs that increased by PLN 1.8 million in 2015 compared to 2014 as well as by transaction costs in connection with purchase of shares in NextWeb Media Sp. z o.o (total of PLN 0.5 million). On the other hand both lower costs of share based payment program (by PLN 0.9 million) and increase in dividends received (by PLN 0.5 million) had positive impact on the operating result of 2015.

In 2015, the interest rates on loans granted to subsidiaries were lowered, which resulted in a decrease in finance income.

3.2. FINANCIAL POSITION OF THE COMPANY

The following table presents the statement of financial position of the Company as of 31 December 2015 and as of 31 December 2014.

in PLN'000	As at 31 December 2015	Structure 2015	As at 31 December 2014	Structure 2014	Change (k PLN)	Change %
Non-current assets	466 306	96%	358 763	99%	107 543	30%
Current assets	19 668	4%	4 010	1%	15 658	390%
Long-term liabilities	11 998	2%	1 740	0%	10 258	590%
Short-term liabilities	4 803	1%	1 601	0%	3 202	200%
Equity	469 173	97%	359 432	99%	109 741	31%

When compared to the end of 2014, the main event affecting the Company's balance sheet was the initial public offering in May 2015 and the effects of the Company' acquisition activity i.e. the purchase of shares in NextWeb Media Sp. z o.o. as well additional loans granted to subsidiaries.

The impact of these events on the individual lines of the statement of financial position has been discussed in the analysis of these lines.

Non-current assets

The following table presents changes and structure of non-current assets by category:

in PLN'000	As at 31 December 2015	Structure 2015	As at 31 December 2014	Structure 2014	Change (k PLN)	Change %
Intangible assets	59	0%	-	0%	59	-
Shares	203 123	44%	169 700	47%	33 423	20%
Loans granted	263 124	56%	189 063	53%	74 061	39%
Non-current assets	**466 306**	**100%**	**358 763**	**100%**	**153 233**	**43%**

The value of non-current assets was increased mainly due to additional loans granted to Company's subsidiaries in 2015 and accrued interest. In the year ended December 31, 2015 the debt of Grupa Wirtualna Polska SA was increased by another PLN 59.9 million. Moreover, on September 16, 2015 the Company granted a loan of PLN 10.9 million to its subsidiary Money.pl Sp. z o.o. Both loans were granted by the use of listing proceeds. Grupa Wirtualna Polska spent the received financing on bank debt repayment (PLN 20 million) and on acquisition of Enovatis SA (PLN 33.6 million) and two internet radios (PLN 3.8 million), whereas Money.pl Sp. z o.o. used the received funds to finance the acquisition of Finansowysupermarket.pl Sp. z o.o. and Web Broker Sp. z o.o.

Moreover, in 2015 the Company recorded a significant increase in the value of shares held which resulted mainly from the acquisition in June 2015 of shares in NextWeb Media Sp. o.o. The total purchase price of these shares in the amount of PLN 32.9 million also includes PLN 12.1 million of the discounted value of conditional earn-out the liability. Details of the acquisition of these shares are described in section 6.2. of this report. In the year ended December 31, 2015 the Company increased the value of its investment in Grupa Wirtualna Polska SA by PLN 0.4 million in connection with the settlement program of share-based payment.

Current assets

The following table presents changes and structure of current assets by category.

in PLN'000	As at 31 December 2015	Structure 2015	As at 31 December 2014	Structure 2014	Change (k PLN)	Change %
Trade receivables net	716	4%	1 924	48%	(1 208)	-63%
State receivables	798	4%	606	15%	192	32%
IPO costs prepaid	-	0%	966	24%	(966)	-100%
Other assets	10	0%	-	0%	10	-
Cash and cash equivalents	18 144	92%	514	13%	17 630	3430%
Current assets	**19 668**	100%	**4 010**	100%	**15 658**	**390%**

The increase in current assets was caused mainly by significant cash balances due to money received by the Company from the initial public offering. A detailed analysis of changes in the value of the cash will be presented in the next section in cash flow statement analysis.

The increase in current assets was partially offset by a decrease in the trade receivables balance by PLN 1.2 million as well as by settlement against the supplementary capital of IPO costs.

Long –term liabilities

The following table presents changes and structures of long-term liabilities by category

in PLN'000	As at 31 December 2015	Structure 2015	As at 31 December 2014	Structure 2014	Change (k PLN)	Change %
Contingent consideration liabilities	9 373	78%	-	0%	9 373	-
Deffered tax liability	2 625	22%	1 740	100%	885	51%
Long-term liabilities	**11 998**	**100%**	**1 740**	**100%**	**10 258**	**590%**

In the analyzed period, contingent liabilities relating to business combinations increased. This increase was mainly caused by initial recognition of contingent earn-out liability arising from the purchase of NextWeb Media Sp. z o.o. shares. As of 31 December 2015, the discounted value of this earn-out liability was estimated at the level of PLN 13.1 million, out of which PLN 9.4 million is treated like a long-term liability. According to the share purchase agreement the previous shareholder is potentially entitled to three rounds of additional remuneration. Details of this contingent liability were described in 6.2 point of this report.

Moreover, the impact of the increase in the value of long-term liabilities was also caused by higher deferred tax provision compared to December 2014. The deferred tax assets and liabilities are recognized in the Company's balance sheet on a net basis. The increase in the provision for deferred tax was primarily due to consumption of PLN 1.6 million of deferred tax asset on tax loss in 2015.

Short-term liability

The following table presents changes and structure of short-term liability by categories.

in PLN'000	As at 31 December 2015	Structure 2015	As at 31 December 2014	Structure 2014	Change (k PLN)	Change %
Trade payables	256	5%	936	58%	(680)	-73%
Contingent consideration liabilities	3 728	80%	-	0%	3 728	-
State liabilities	131	3%	62	4%	69	111%
Wages and salaries payables	550	12%	603	38%	(53)	-9%
Short-term liabilities	**4 665**	**100%**	**1 601**	**100%**	**3 064**	**191%**

Increase in short-term liabilities is primarily due to recognition of short-term part of contingent consideration on purchase of NextWeb Media Sp. z o.o. , which is described in details in long-term liabilities section. As of 31 December 2015 the short-term part of this liability amounted to PLN 3.7 million.

A significant decrease of PLN 0.7 million in 2015 was recorded on trade liabilities, which was mainly due to the repayment of costs related to the initial public offering in the balance sheet at 31 December 2014.

Equity

in PLN'000	As at 31 December 2015	Structure 2015	As at 31 December 2014	Structure 2014	Change (k PLN)	Change %
Share capital	1 413	0%	1 231	0%	182	15%
Supplementary capital	310 454	66%	206 664	57%	103 790	50%
Other reserves	3 347	1%	1 954	1%	1 393	71%
Retained earnings	153 959	33%	149 583	42%	4 376	3%
Equity	**469 173**	**100%**	**359 432**	**100%**	**109 741**	**31%**

During the twelve months of 2015, equity attributable to the Company's shareholders increased by the total amount of PLN 109.8 million and this increase comprised of:

- the increase in the Company's equity of PLN 2 million due to the issue of C series shares, out of which the amount of PLN 15 thousand increased the share capital of Wirtualna Polska Holding SA, and the remaining part was transferred to supplementary capital,
- the increase in the equity of PLN 106.9 million due to the issue of E series shares, out of which the amount of PLN 167 thousand increased the share capital of Wirtualna Polska Holding SA, and the remaining amount was transferred to supplementary capital. The supplementary capital arising from the issue of E series shares was decreased by PLN 4.9 million costs of public offering,
- the increase in other reserves of PLN 1.4 million due to the acquisition of rights to a consecutive tranche of share options under the existing incentive scheme,
- a net profit for the year of PLN 4.4 million.

3.3. CASH FLOW ANALYSIS

in PLN'000	For the year ended 31 December 2015	For the year ended 31 December 2014	Change (k PLN)	Change %
Net cash flows from operating activities	-9 365	-1 292	-8 073	625%
Net cash flows from investing activities	-82 443	-170 335	87 892	-52%
Net cash flows from financing activities	109 438	172 025	-62 587	-36%
Total net cash flows	**17 630**	**398**	**17 232**	**4330%**

The negative cash flow from operating activities in 2015 was mainly driven by the recognition in the Company's operating cash flows of payments relating to expenditure incurred on the IPO, which reduced the flow by more than PLN 8 million.

Cash flows from investing activities were negative and amounted in the reporting period to PLN -82.4 million, of which PLN -70.1 million was related to loans granted to subsidiaries primarily for mergers and acquisitions. Details of these loans are described in Section 3.2. of this report. In addition, the Company recognized in the cash flow from investing activities PLN -20.9 million used to buy shares in NextWeb Media Sp. o.o. Cash flows from investing activities were positively affected by received interest payments on loans (PLN 6 million) as well as on guarantee provided by the Company to Grupa Wirtualna Polska SA (PLN 2 million) and PLN 0.6 million of dividend received.

Cash flows from financing activities amounted to PLN 109.4 million in 2015 and were primarily driven by the capital increase in the amount of PLN 106.9 million in connection with the initial public offering and PLN 2 million as a result of the implementation of the option program. Group financing activities also included PLN 0.5 million of interest on its own cash (mainly of the IPO funds).

4. FACTORS AND EVENTS, ESPECIALLY EXCEPTIONAL ONES, CONSIDERABLY AFFECTING THE RESULTS AND OPERATIONS OF THE COMPANY

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

- Funds received from the introduction of Wirtualna Polska Holding shares to exchange trading on the main market of the Warsaw Stock Exchange
- Costs incurred in relation to the Initial Public Offering.

4.1. FUNDS RECEIVED FROM THE INITIAL PUBLIC OFFERING

On 7 May 2015, 12,221,811 the Company's B series ordinary bearer shares, 301,518 C series ordinary bearer shares and 3,339,744 rights to E series ordinary bearer shares each were introduced to trading on the primary stock exchange market in accordance with the ordinary procedure.

The total proceeds obtained from the issue of new shares amounted to PLN 106,872 thousand. The listing proceeds were used for mergers and acquisitions activity as well as for the debt repayment. However, both the repayment of debt and the majority of acquisition activity were not concluded by the Company but by its subsidiaries. Therefore, the IPO listing proceeds had to be transferred to the subsidiaries in form of additional loans, what resulted in extra interest income in 2015.

The loans grated to subsidiaries generally bear interest rate of WIBOR for 3-month deposits plus the margin specified in the agreement. Consequently, the financial income of the Company is dependent on WIBOR for 3-month deposits rate. As of 31December 2015 WIBOR for 3-month deposits amounted to 1.72%.

4.2. COSTS INCURRED IN RELATION TO THE INITIAL PUBLIC OFFERING

As a result of carried out the initial public offering, the Company incurred costs of more than PLN 3 million mainly due to legal advice and assurance services necessary in the process. These costs have a significant impact on the performance of the Company in 2015.

Except as described above in the 12 months ended December 31, 2015, there were no factors and events of unusual nature which have a significant impact on the financial results of the Company.

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

The Company, as the parent company of the Capital Group, whose principal operating activities are the activities of the management and holding activities determines its performance on results of its subsidiaries. According to the Management Board , the results of Group companies and consequently of the Company will be affected primarily, as it was in the past, by following factors:

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

5.1. ECONOMIC SITUATION IN POLAND

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

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

5.2. COMPETITION ON THE POLISH ADVERTISING MARKET

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

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

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

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

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

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

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

The Group is exposed to the advertising e-commerce market via the Enovatis SA, Domodi Sp. z o.o., Allani Sp. z o.o., Finansowysupermarket.pl Sp. z o.o. and Money.pl Sp. z o.o. companies, and 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 investing possibilities in companies which provide services similar or complementary to the Group's services, which may supplement the portfolio of the Group's products and services and participate in acquisition processes, on a current basis. The Management Board intends to earmark the remaining part of the proceeds from the share issue for financing the Group's acquisitions in accordance with the adopted strategy, which will enable the Group to pursue the strategy of organic reinforcement through acquiring other entities. Due to the fact that the Group perceives itself as a consolidator of the Polish internet market and intends to actively pursue its strategy in this respect, concluding hedge contracts in respect of funding future acquisitions will reinforce the Group's competitive and negotiating position in potential acquisitions. Potential acquisitions may also have a material impact on the results achieved by the Group in consecutive periods.

6. SIGNIFICANT EVENTS AND CONTRACTS IN 2015

6.1. INTRODUCTION OF WIRTUALNA POLSKA HOLDING SA SHARES TO EXCHANGE TRADING ON THE MAIN MARKET OF THE WARSAW STOCK EXCHANGE

On 7 May 2015, by way of an ordinary procedure, 12,221,811 series B shares, 301,518 series C shares as well as 3,339,744 rights to ordinary series E bearer shares were permitted to regular exchange trading on the main market.

Rights to series E shares were listed until 26 May 2015, when they were registered by the National Depository of Securities. In consequence, on 27 May 2015 by way of an ordinary procedure, 3,339,744 series E shares were permitted to regular exchange trading on the main market.

The total listing proceeds amounted to PLN 106,872 thousand and was assigned for acquisitions and debt repayment. Details regarding the listing proceeds utilisation are presented in point 8.2 of this report.

6.2. PURCHASE OF SHARES OF NEXTWEB MEDIA SP. Z O.O

On 3 June 2015 Wirtualna Polska Holding S.A. finalized the purchase of 100% shares in NextWeb Media Group, publisher of services abcZdrowie.pl, Parenting.pl and creator of blogging platform Blomedia.pl. Along with this transaction, the Group gained a team of experts and unique know-how as well as enriching its advertising services. This acquisition significantly strengthens the Group's position in popular categories "Health, medicine" and "Children, family".

NextWeb Media Sp. z o.o. was one of the most dynamically growing media companies in our country engaged in publishing and advertising based on its own unique content marketing, native advertising formats and big data technology.

On 31 August 2015, Grupa Wirtualna Polska Sp. z o.o. and NextWeb Media Sp. z o.o. merged by transferring of all the assets of NextWeb Media Sp. z o.o. to Grupa Wirtualna Polska Sp. z o.o. (merger by acquisition).

The group's leading products acquired together with NextWeb Media Sp. z o.o. Group are the services abcZdrowie.pl, one of the most popular health-related websites in Poland, and Parenting.pl, a modern service for parents. Along with NextWeb Media Group the company Blomedia.pl Sp. z o.o. was acquired, which runs a content marketing platform that connects independent and opinion-forming authors. This network brings together a total of 600 blogs in the following categories: fashion, cooking, new technologies, motoring, travel, and parenting.

The purchase price for 100% shares in NextWeb Media Group (including the purchase price adjustment after final calculation of net debt of acquired companies) was PLN 19,300 thousand. Moreover the transaction structure includes three rounds of additional contingent remuneration. The first tranche of PLN 3.5 million of nominal value may be paid by the end of 2016, provided NextWeb Media Sp. z o.o. and Blomedia.pl Sp. z o. o. reach EBITDA level, calculated for twelve months following the acquisition, indicated in the agreement. The second and third tranches will be calculated as a percentage of estimated future value of NextWeb Media Group as of 31 December 2016 and 30 June 2018 respectively. On the transaction day, an advance payment of PLN 1,300 thousand against future earn-out was made.

The aggregate provisionally estimated value of transaction, taking into account the discounted value of the estimated contingent payment and tax on civil law transactions (PLN 209k) amounted to PLN 32,879 thousand.

Detailed information about purchase price and the fair value of the acquired assets and liabilities at the acquisition date are presented in Note 18 to the consolidated financial statements for the year 2015.

6.3. LOAN AGREEMENT FOR MONEY.PL SP. Z O.O. INTENDED FOR PURCHASE OF SHARES IN FINANSOWYSUPERMARKET.PL SP. Z O.O.

On September 16, 2015 the Company granted to its subsidiary Money.pl Sp. z o.o. the loan of PLN 10,869 thousand, which was used to purchase shares in companies Finansowysupermarket Sp. z o.o. and WebBroker Sp. z o.o. The loan bears an interest rate of WIBOR for 3-month deposits plus the margin specified in the agreement. The loan can be repaid at any time, but no later than December 31, 2017.

Finansowysupermarket.pl Sp. z o.o. owns a fully independent comparison engine of financial products, which cooperates with more than 70 financial institutions in Poland. In its portfolio it has offers of loans, fast loans, deposits, cards, accounts, insurance, savings and investment products. Web Broker is the owner of the website jedenwniosek.pl - a comparison engine of loans in several banks in Poland.

The purchase price for 100% shares in Finansowysupermarket.pl Sp. z o.o. amounted to PLN 12,319 thousand.

6.4. ANNEX TO THE LOAN AGREEMENT FOR GRUPA WIRTUALNA POLSKA SA

On 18 June 2015, an amendment to the loan agreement was signed which increased the available loan limit by PLN 80,000 thousand i.e. to PLN 280,000 thousand. During 2015, the subsidiary used the subsequent tranches of the loan in the total amount of PLN 65,936 thousand, which were intended for acquisition activity and partial repayment of the bank loan. The additional loan was primarily used for purchase of 100% shares in Enovatis SA on 23 December 2015. The purchase price of these shares amounted to PLN 83,566 thousand and was financed in following way:

- PLN 33,566 thousand from IPO listing proceeds transffered to Grupa Wirtualna Polska SA in form of a loan;
- PLN 50,000 thousand- from additional bank debt financing.

Enovatis is the largest and fastest growing online travel agency (OTA) in the country. The Company's portfolio consists of three popular travel portals – wakacje.pl, easygo.pl and wypoczynek.pl. The Company operates in four segments: outbound package tourism and leisure tourism, sales of airline tickets and intermediation in hotel reservations in Poland and worldwide. Enovatis is constantly working with several dozen tourism, technological and commercial partners, including the largest tour operators in Poland.

The loan bears an interest rate of WIBOR for 3-month deposits plus the margin specified in the agreement. The loan can be repaid at any time, but no later than 31 December 2019.

7. RISK FACTORS SIGNIFICANTLY EFFECTING COMPANY'S OPERATIONS

The Company, as the parent company of the Group, is exposed to the same risks as the Group as a whole.

7.1. RISKS RELATED TO MARKET ENVIRONMENT

The growth rates of the Internet, the online advertising market and e-commerce in future

The Group's success depends on the development of services and technology, and on the number of Internet users, which in turn drives the development of the online advertising market and e-commerce. The development of the Internet depends primarily on the development of online infrastructure and technological changes. In 2015, 77.9% of households (an increase of 2.9 p.p. compared with 2012) and 92.7% of enterprises in Poland had access to the Internet (source: Społeczeństwo Informacyjne 2015 – GUS). In addition, the percentage of households using broadband access has been growing from year to year. Nevertheless, the current level of development of the broadband infrastructure and the level of its utilisation are relatively low compared with the majority of European Union countries. Moreover, changes in the manner of accessing the Internet have been noted in recent years. This may materially affect the growth rate of the markets on which the Group operates. In an era of rapid technological progress, the number of households and enterprises using mobile access to the Internet is increasing every year. Thus, both changes in trends relating to how the Internet is used and increases in connection speed may affect the growth rate of particular segments of the online advertising and e-commerce markets.

Regardless of the predicted continued development of the Internet in Poland, its current growth rate could significantly decrease in subsequent years. This is because the Internet penetration rate in Poland is relatively high as of the reporting date and is growing from year to year, which gradually reduces the development potential of the Internet market. The weakening of the Internet growth rate in the future may negatively impact the outlook for the Group's development and the execution of its strategy.

The development of the online advertising market and the e-commerce market is also driven by factors other than the growth of the Internet, namely the increasing popularity of online shopping and the effectiveness of online advertising, which translates into interest in and demand for this form of advertising.

The macroeconomic situation

The Group conducts its operations in Poland in an economic sector correlated with the country's economic growth and macroeconomic situation, and long-term fluctuations experienced in the entire economy, especially in commerce, could significantly affect the Group. Consequently, the Group is exposed to the risk associated with the impact of the economic cycle on the financial position of the Group's clients. Therefore, the Group's operations are affected by macroeconomic factors which determine the economic situation on the Polish market, which in turn is significantly affected by the economic situation in the region, the European Union and the global economy. Changes in macroeconomic factors such as, e.g. the GDP growth rate, the unemployment rate, salary levels, consumption or interest rate levels – which are beyond the Group's control – affect the purchasing power of the Group's clients and the consumers of the Group's products and services, as well as their propensity to spend or save, thus driving the advertising budgets of the Group's clients and the demand for the Group's products and services, especially online advertising. Unexpected changes in the economic situation or a protracted period of economic slowdown may also deteriorate the ability of the Group's clients, subcontractors and suppliers to settle their liabilities with the Group, result in their insolvency or bankruptcy, and restrict sales of some of the Group's products and services, in particular, various forms of online advertising.

Competition on the Polish market

Both globally and in Poland, the online advertising and e-commerce markets are highly competitive. The Group's direct competitors include national web portals and websites, including, in particular, Grupa Onet.pl, Grupa Interia.pl and Grupa Gazeta.pl. In addition, the Group competes with entities offering various web-based services (e.g. Google, Facebook and Twitter), including in particular electronic mail services (specifically Google). In addition, other entities operating on what is widely understood as the advertising market, including in particular TV channels, newspapers and radio stations, compete, however indirectly, with the Group. The Group's competitors compete with one another in terms of prices for products and services, especially advertising rates, the ability to reach potential clients with profiles sought after by advertisers, the attractiveness and quality of the content published, the ability to drive or adjust to market trends, and the strength of their brand.

As of the Prospectus Date, the Group is one of two leaders among national web portal and websites in terms of real users and range. A leading position is important because of the so-called leader's bonus, i.e. the propensity of advertisers to place their advertisements with the portals and websites which enjoy leading market positions in terms of access to Internet users, which has a material impact on the revenues generated. Many factors affect the Group's ability to strengthen its current competitive position as one of the two leading portals and providers of websites operating on the Polish market, including mainly the Group's brand recognition and reputation, the attractiveness and quality of the content published on its portals and websites, its user base and the ability to analyse and process user data. It cannot be precluded that as a result of many factors, the majority of which are beyond the Group's control, including as a result of activities undertaken by the Group's competitors, the adoption by the Group of an inappropriate strategy or obstacles to the execution of its adopted strategy, insufficient funds or an inappropriate mix of products and services, the Group will be unable to strengthen its current position as one of the two leading national web portals and providers of websites or that it will lose its current position. Increased competition on the markets on which the Group operates could result in higher pressure on the Group to lower the prices of the products and services it offers, especially various forms of online advertising, and could result in a need to increase expenditures on marketing activities, research and development activities, the development and implementation of new products and services and the improvement thereof, and other innovative solutions.

7.2. RISKS ASSOCIATED WITH THE GROUP'S OPERATIONS

Key clients

A significant part of the Group's revenue is generated by a relatively stable number of key clients, among which media agencies play a significant role. The Group enters into cooperation agreements with its clients for conducting advertising campaigns or, as in the case of media agencies, cooperation based on orders made under cooperation agreements for advertising services.

There is a risk that the Group's clients may, at any time, decide to discontinue cooperating with the Group in conducting advertising campaigns and start cooperating with the Group's competitors. Thus, a loss of the Group's key, direct clients, especially its three largest clients, or a deterioration in the relations with such clients, particularly a deterioration in its cooperation with media agencies, could contribute to a significant reduction in the turnover realised based on the orders placed by or through them. Moreover, the Group is exposed to a risk associated with the failure of the Group's key clients to settle their contractual liabilities towards the Group as they become due, especially with respect to delays in the payment for advertising space sold, and to a risk associated with the financial position of such clients

The risk of a decrease in the number of users of the Group's electronic mail service

According to Megapanel PBI/Gemius (December 2015), the number of real users of the Group's electronic mail service amounted to 8.8 million, giving the Group the leading position on the Polish market, compared to 6.4 million real users of Gmail, Google's e-mail service. E-mail advertising and other forms of advertising distributed to e-mail users represent a significant source of income for the Group. Moreover, the Group's broad base of e-mail users is an important database the proactive utilisation of which is one of the key elements of the Group's strategy. decrease in the number of users of the Group's e-mail service could negatively affect the level of the Group's revenue earned from e-mail advertising and other forms of advertising distributed to users of the Group's e-mail service, as well as the Group's ability to obtain information on Internet users

The risk related to external debt financing

The Group takes advantage of debt financing granted by banks in the form of bank loans. Consequently, the Group is exposed to the risks typically associated with such financing. An infringement of the terms and conditions of loan agreements, including loan repayment dates, specific parameters or any other covenants contained in the documentation of the financing granted to the Group, could result in an unfavorable change in the terms and conditions of the financing granted, and in the case of a failure to obtain a relevant exemption from the applicable terms and conditions from the financing parties, could result in their refusal to provide any further financing and a demand for immediate repayment of the debt. The Group may be unable to roll over, repay or refinance its debt when it becomes due. Moreover, it cannot be ensured that the terms of a rollover or refinancing will be similar to those of the original debt. This could lead to an increase in the cost of servicing the related liabilities.

The risk of losing the position in the rankings based on Megapanel PBI/Gemius surveys or other surveys

The Group's current operations are subject to various surveys, including the Megapanel PBI/Gemius survey of the Internet intended to collect information on the Internet community in Poland, to determine a profile of the Internet users and the intensity of the network utilisation, and to create a ranking of the most popular websites and online applications. The results of the Megapanel PBI/Gemius survey make it possible to compare the popularity of websites and online applications and to estimate their advertising potential based on clearly defined metrics. Thus, the survey is both a tool used by the Group in order to undertake current and long-term activities aimed at increasing the effectiveness of its advertising, and a source of information for potential advertisers on the effectiveness of the Group's advertising activities. there is a risk that a change in the Group's position, and particularly a loss of its current position in the ranking based on the Megapanel PBI/Gemius survey (or other surveys) could significantly affect the Group's operations. The loss of the Group's position in a ranking or rankings may be due to both the Group's acts and omissions, activities undertaken by the Group's competitors on the online advertising market and to any changes in the survey methodology, including those resulting from a replacement of the entity conducting the survey.

The risk associated with the development of the RTB model for purchasing advertising space

In recent years, the development of a real-time bidding (RTB) model for purchasing advertising space has been noted around the world. Under this model, a publisher offering advertising space offers a page view/advertising space for sale, and his offer is sent to advertisers via specialised platforms. The rate for the sale of an advertising space is calculated based on feedback from advertisers interested in purchasing the given advertising space. Such advertising space is then sold to the highest bidder.

Given the fact that the RTB model involves an auction element, the spread of this model may contribute to price pressure on the online advertising market. It cannot be ensured that the price which the Group will be able to obtain for selling advertising space under an RTB model will be as high as the price which the Group could obtain from selling the same space under the traditional model.

The risk of spreading of software which blocks online advertising and interferes with the operation of the Group's portals and websites

As the Internet network grows, so does the popularity of software used to block ads distributed online. The spread of such applications on a larger scale or their increasing effectiveness may negatively affect the position of online advertising as a marketing tool, and therefore could result in a reduction in the advertising budgets for online advertising by the Group's current or potential clients. Various other applications which affect the ability to use online services and portals owned by the Group may additionally affect the Group's operations. Such applications may distort search results relating to specific subjects, products, or information, or otherwise distort the functioning of the Group's websites and portals on the webpages where advertisements are displayed.

The proper functioning of the Group's IT systems and servers

The Group's operations depend on the proper functioning of the IT systems, servers and telecommunication infrastructure used by the Group. Moreover, the Group's development depends on its ability to improve the IT systems and solutions it currently uses and on developing and implementing new ones.

A failure of, a defect in or another disruption in the operation of the IT systems, servers or telecommunication infrastructure could result in a temporary disruption of the operation of the Group's portals and websites and in the provision of the services offered by the Group to Internet users. It is therefore of key importance to ensure the correct maintenance and modernisation of the Group's telecommunication infrastructure and servers, the implementation and maintenance of IT systems, and the introduction of optimum solutions which will enable stable and uninterrupted functioning of servers and systems, also in the case of system overloads or temporary disruptions and defects. It is particularly important that the Group's providers modernise their Internet infrastructure.

The risk of not being able to retain or attract qualified personnel, and other entities providing services to the Group

The success of the Group's operations and the implementation of its strategy depend on the efforts and experience of its management and the support of key personnel. The Group's strategy has been developed and is implemented by top management, including the current Management Board, and the future success of the Group, comprising, inter alia, the further development of the portals owned by the Group and the number of their real users, depends, to a certain extent, on the Group's ability to continue cooperation with the key managers who contributed in the past to its development, as well as on the Group's ability to retain and motivate other key members of the management. Members of the Group's key personnel may, subject to the provisions of their contracts with the Group Companies, including the provisions governing notice periods, resign from their positions. Such resignations may materially affect the possibility of the Group's further development and the implementation of its strategy. Moreover, members of the Group's management leaving the Group may attempt to take business or clients developed while they were working for the Group to their new employers. It cannot be ensured that the Group will be able to retain all or some of such people in the future or that the retention or attraction of key personnel will not require increases in their remuneration and a need to offer them additional benefits.

The quality, attractiveness and presentation of the content made available on the Group's portals and websites

The Group earns the majority of its revenue from its core operations, i.e. sales of online advertising. The level of revenue earned by the Group on the sale of online advertising depends indirectly on the number of users accessing the Group's portals and websites, on the services offered by the Group and on the amount of time spent by users browsing portals and websites and using the solutions or taking advantage of the services offered by the Group. Both the number of users and the time spent by them browsing the Group's portals and websites depend largely on the quality and attractiveness of the content made available on these portals and websites and on how it is delivered by the Group. There is a similar relationship in the case of the services offered by the Group, especially electronic mail, the popularity of which depends in particular on its utility and innovativeness.
In spite of the Group striving to make attractive content available on its portals and websites, it cannot be precluded that both the content developed for the purposes of the Group and on its behalf, as well as the content obtained by the Group from third parties will ensure maintaining or increasing the interest of Internet users and the time spent by them browsing the Group's portals and websites.

The ability to adjust Group's portals and websites to operation on mobile devices

Due to the increase in the number of people who access the Internet using devices other than PCs (such as mobile phones, smartphones, laptops and tablets) which has been observed in recent years, the importance of mobile advertising, and the share of mobile advertising in the online advertising market, has been growing year after year. On the other hand, the growing percentage of users having access to, and the further development of, broadband Internet connections, has resulted in the increasing importance of video advertising in recent years. Since the users of mobile devices often change and upgrade the applications used on mobile devices, and more and more technologically advanced mobile devices continuously appear on the market, in order to maintain its competitiveness, the Group will need to follow the changes and improvements resulting from technological improvements and will have to implement the relevant upgrades. Should the Group be unable to ensure the compatibility of its portals and websites with mobile devices, or to effectively encourage its existing and future clients to use mobile and video advertising, the Group may fail to execute its strategy in the mobile and video advertising segments.

The popularity and strength of the brand of the Group's portals and websites

The Group's market position, growth and ability to attract new users and, consequently, the Group's clients, depend, to a significant extent, on the Group's reputation and the popularity and strength of the brands of the Group's portals and websites, mainly the "WP" brand, but others as well (e.g. o2, Pudelek, Money.pl, Domodi, Wakacje.pl and Sportowe Fakty). There is a risk that the strength of the brands owned by the Group, including in particular the "WP" brand, may weaken, and that the Group's reputation may deteriorate, especially as a result of a generally negative opinion of the Group's portals and websites due to a negative response of Internet users to the content published on these portals and websites and a negative perception of the services offered by the Group. Any negative perception of an event relating to or associated with the Group's image, or a loss of sympathy of the existing users of the Group's portals and websites, could negatively affect users' interest in the Group's portals and websites, and thus the Group's revenue from the sale of online advertising and other products and services offered by the Group.

The risk of losing the Internet traffic generated via search engines and social networking services

A significant part of the Internet traffic on the Group's web portals is generated via search engines or social networking services, especially Google and Facebook. Search engines and social media services operate based on complex algorithms which determine the relative position of a webpage on other webpages according to the best fit between the data searched and the content available on the Internet, as well as the popularity of the content. It cannot be guaranteed that search engines will not change the algorithms applied to position the Group's portals and websites. Such changes could result in the poorer positioning of the Group's portals and websites in the search results performed by Internet users. This, in turn, could lead to a decline in the Internet traffic on the Group's portals and websites.

The risk resulting from the development of the performance-based advertising (lead generation) business

The Group is developing and intends to continue developing its performance-based advertising (lead generation) business, which is intended to expand the traditional advertising business of the Group's portals and websites. The Group's natural advantages on this market include strong, trusted brands, the capability to acquire online traffic from search engines and social networking services, a large number of users of the Group's portals and websites and of the services offered by the Group, and knowledge of users' behaviors and preferences. These factors enable the Group not only to reach a specific group of users with its advertising message, but also to redirect a user with specific shopping interests directly to the e-commerce systems of the Group's clients and charge its fees depending on the effectiveness of sales efforts. The Group's success on the growing market of e-commerce depends mainly on the Group's ability to develop and implement new, innovative business models. An understanding of the e-commerce market and its trends and development directions is critical for developing, implementing and executing the operating strategy and short term objectives which would allow the Group to expand in this segment of the online market. It cannot be guaranteed that the Group's development strategy for performance-based advertising (lead generation) or any subsequent changes thereto will ensure that the Group will attain the desired market position or the expected level of revenues.

The risk of development through acquisitions

The Group's strategy assumes analyzing potential investment targets and acquiring companies which provide services similar or complementary to those offered by the Group which could supplement the Group's offer addressed to Internet users or the Group's clients should an appropriate opportunity present itself.
The execution of such strategy involves certain risks, mainly relating to the identification of appropriate targets, the correct evaluation of their legal and financial position (including the results of operations generated), an appropriate valuation of such targets, the conclusion and finalization of acquisitions on terms satisfactory for the Group, the correct identification of the potential synergies and the level of costs relating to integrating an acquired entity within the Group's structure and the costs of any potential reorganizations. Moreover, depending on the valuation of the acquired entities and other capital investments executed simultaneously, it may be necessary for the Group to obtain a significant amount of external financing or to issue new shares. This, in the case of the exclusion of the pre-emptive rights of the Company's existing shareholders, could result in the dilution of such shareholders' share in the share capital of the Company and their voting rights at the General Meeting. It cannot be guaranteed that such financing will be available on the terms and conditions assumed by the Group or that it will be available at all.

The difficulties in integrating acquired entities

The execution of the Group's strategy, which assumes analyzing potential investment targets and acquisitions of companies which provide services similar or complementary to those offered by the Group, exposes the Group to potential difficulties in integrating the acquired entities into its structure, in restructuring their operations by adjusting them to the Group's operations and managing their operations, as well as to the risk of losing some of the clients of the acquired entities. It cannot be precluded that the assumed integration into and restructuring of the operations of acquired entities with the operations of the Group will not be completed, will take longer than anticipated, will require the incurrence of higher than anticipated costs or that the expected synergies will not be realized, will differ from those anticipated or will be achieved later or to a lesser extent than anticipated. There can also be no certainty that, due to factors beyond the Group's control, including activities undertaken by its competitors, decisions of authorities or the strategies of shareholders in the Internet sector, the Group's plans will fail to be realized.

Court, administrative or other proceedings

In connection with the operations it conducts, the Group is exposed to a risk of court, administrative and other proceedings (e.g. complaints) being instituted against the Group by its clients, employees, shareholders or other individuals. Above all, the Group's main operating activity, consisting of running websites, portals and vortals, creates a risk of claims being brought with regard to the truthfulness, accuracy or legality of the information published there. Given the wide scope of its operations and the number of websites, portals and vortals operated, as well as the diversity of the content published, the Group may be unable, in spite of having adequate internal procedures, to fully control the content, including multimedia content, published on its webpages.

7.3. REGULATORY RISKS

The risk of a breach of the laws

In connection with the Group's operating business comprising the publication of content, including multimedia content, the Group is subject to any risks involving charges, if any, regarding untruthfulness, negligence or the illegal nature of the information disclosed on the Group's Internet services and portals. Additionally, because the Group's business involves the collection, storage and use, within the limits of the law, of legally protected data of the users of its services, portals and email as well as the Group's clients, there is a risk of a breach of the regulations governing the protection of personal data.

The risk of the dissemination of advertising which may be found to be prohibited or unlawful

in connection with the dissemination of advertising through the Internet portals and services owned by the Group, the Group is exposed to the risk of a breach of the statutory prohibition on conducting advertising business or the laws introducing restrictions within the scope of disseminating advertising regarding, inter alia, the form of advertisements and the addressees of the advertisements. Additionally, in view of the fact that there are certain interpretation doubts regarding particular laws which introduce prohibitions and restrictions within the scope of the dissemination of advertisements, there is a risk that the interpretations of laws applied by state authorities may change and thus the Group will need to adjust its policies to such changes.

The interpretation of Polish laws and changes to Polish laws

The Group's business in Poland is subject to numerous regulations which are materially impacted by EU regulations. A significant number of prevailing laws and regulations applicable to the Group's business has been and may in the future be subject to change, including those resulting from the implementation of relevant EU regulations. In view of any ambiguity or inaccuracy as well as the mutual cross referencing of the scope of their application, such regulations could also be subject to various interpretations, court judgments and may be applied inconsistently.
Any change of law, specifically, changes to laws having a direct impact on the operation of the market of new technologies, advertising or e-marketing services may have a material adverse effect on the business conducted by the Group. The volatility of the legal system and regulatory environment increases the risk of incurring material, additional and unexpected expenses as well as the costs of the adjustment of business to the changing legal environment.

Changes in tax law regulations

Polish tax law regulations are complex, unclear and subject to frequent changes. The tax law practice of the tax authorities is not homogenous and there are rather significant discrepancies between the judicial decisions issued by administrative courts in tax law matters. No assurance may be given by the Company that the tax authorities will not issue a different interpretation of the tax laws applied by the Group which will be unfavourable to the Group Companies. One may not exclude the risk that specific tax interpretations already obtained and applied by the Group will not be changed or questioned. There is also a risk that once new regulations are introduced, the Group Companies will need to take actions to adjust thereto, which may result

in the incurrence of greater costs as a result of the circumstances related to complying with the new regulations.
In view of the above, no assurance may be given that the tax authorities will not question the accuracy of the tax settlements of the entities that comprise the Group to the extent of any tax liabilities not subject to the statute of limitations or the determination of the outstanding tax liabilities of such entities, which could adversely impact the Group's business, financial condition, development prospects or results.

Risk involved in executing agreements with related parties

The Group Companies conduct transactions with certain Group entities, including with related parties within the meaning of the tax regulations. Whenever they enter into and execute related-party transactions, the Group Companies exercise every effort to ensure that, specifically, such transactions comply with all prevailing transfer price regulations. Nevertheless, in view of the special nature of related-party transactions, the complex and unclear nature of the laws regulating the methods of auditing applied prices, and the difficulty in identifying comparable transactions for reference purposes, no assurance may be given that specific Group Companies will not be subject to inspections and other investigations by the tax and fiscal control authorities.
If the methods of determining the market conditions for the purposes of the above-mentioned transactions are questioned, it may have a material adverse effect on the Group's business, financial condition, growth prospects and results.

The UOKiK, the UKE and the National Broadcasting Council exercising supervisory measures

The President of the UOKiK may apply supervisory measures with respect to the Group in connection with complying with, the laws prohibiting the application of certain practices which are in breach of common consumer interests, such as providing consumers with unreliable information, unfair market practices or practices restricting competition. The Group's business is also supervised by the National Broadcasting Council since the Group provides video on demand services (VoD) through its Internet services and portals. Additionally, in connection with the collection of data regarding Internet users through Internet services and portals (thanks to the use of cookies) and, to a certain extent, in connection with the rendering of telecommunication services (providing access to text gates and providing the Group Companies with access to telecommunication and data lines), the Group is also subject to the supervision of the UKE. Any cash penalty imposed on the Group Companies by national antimonopoly authorities or by the European Commission, as well as the refusal of consent for the Company or the Subsidiaries to effect a concentration could adversely affect the Group's business, its financial position and results of operations, as well as the price of the shares.

The neutrality of the Internet

The principle of network neutrality is expressed in the equal treatment of data transmitted over the Internet by an Internet operator or supplier. Based on such rule, operators of the Internet exchange points and backbone networks, and Internet providers may not treat selected services in any preferred manner by assigning any priority to packages of such services and, additionally, each Internet user has legally assured equal and identical access to all services on the Internet. No assurance may be given that operators or Internet access suppliers will not enforce the principle of Internet neutrality in the future or that the legislation efforts concerning the introduction of the principle of Internet neutrality will not be sufficient to ensure the neutrality of Internet network.

8. SHARE CAPITAL AND SHARE CAPITAL STRUCTURE

8.1. SHARE CAPITAL STRUCTURE

As of 31 December 2015, the share capital of Wirtualna Polska Holding SA amounted to PLN 1,412,639.10 and consisted of 28,252,782 shares with a par value of PLN 0.05 each, including:

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

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

On 10 April 2015, the Polish Financial Supervision Authority approved a prospectus prepared by Wirtualna Polska Holding SA in connection with a public offering of B and E series shares and the intention to seek admission to trading on the regulated market of B, C and E series shares and rights to E series shares.

On 7 May 2015, 5,852,634 the Company's B series ordinary bearer shares with a par value of PLN 0.05 (five groszy) each and 3,339,744 rights to E series ordinary bearer shares (also with a par value of PLN 0.05 (five groszy) each were admitted to trading on the regulated market. The increase in the share capital was registered at the National Court Register on 13 May 2015.

The offering price of shares and rights to shares was set at PLN 32 enabling the Company to obtain the expected proceeds from the issue of new shares of PLN 107 million.

Shares offered were assigned to specific categories of investors as follows:
- 1,378,857 shares for individual investors;
- 7,813,521 shares for institutional investors.

8.2. USE OF THE PROCEEDS FROM THE PUBLIC OFFERING

The table below presents how the proceeds obtained from the initial public offering were used as of 31 December 2015:

Use of proceeds from the offering (in PLN million)	31 December 2015
Capital contributions	106.90
IPO costs	(7.0)
Repayment of loans	(20.00)
Purchase of shares in NextWeb Media	(21.10)
Purchase of OpenFM and Polska Stacja	(3.80)
Purchase of shares of Finansowysupermarket	(10.90)
Purchase of shares of Enovatis	(33.64)
Transaction advisory services	(0.50)
Proceeds from the offering as at 31 December 2015	**9.96**

8.3. NUMER OF SHARES HELD BY MEMBERS OF MANAGEMENT AND SUPERVISORY BODIES

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

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

Additional information about the structure and changes in the Company's shares are described in detail in note 14 to the financial statements.

8.4. AGREEMENTS CONCERNING POTENTIAL CHANGES IN THE SHAREHOLDING STRUCTURE

Investment agreement

On 23 October 2013, the Selling Shareholder, Michał Brański, Krzysztof Sierota, Jacek Świderski, Borgosia Investments Limited, Jadhave Holdings Limited, Bridge 20 Enterprises Limited, S.A. and o2 sp. z o.o. executed an investment agreement (the "Investment Agreement"). The rights and duties of Borgosia Investments Limited, Jadhave Holdings Limited and Bridge 20 Enterprises Limited under the Investment Agreement were assumed by Orfe S.A., 10x S.A. and Albemuth Inwestycje S.A., respectively, in relation to the transfer of the shares in the Company.

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

Since the public offering of the Company was completed in 2015, the EMH Bonus will be settled in the Company's shares. European Media Holding S.à r.l intends to settle the EMH Bonus by transferring to the Founders' Companies the series A shares preferred in such a way that each series A share entitles its holder to exercise two voting rights.
On November 6, 2015, as a result of initial settlement of EMH Bonus, three registered pledge agreements were concluded between European Media Holding S.à r.l. as an pledger and each of the Founders as a pledgees (Pledge Agreements), placing in the Pledge Agreements the right of pledgees to exercise voting rights attached to the shares of Company pursuant to article 340 sec. 1 of Polish Commercial Companies Code in the manner set out below:

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

The shares will be fully transferred to the Founders upon the final exit of European Media Holding S.à r.l. from the investment.

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

Incentive scheme – share-based payments

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

In connection with the above arrangements, the Group has an incentive scheme which basic principles are defined in Resolution No. 6 of Extraordinary General Meeting dated 12 December 2014. On the basis of the existing incentive plan, selected members of the Supervisory Board and Management Board as well as selected employees or co-workers of the Company or other Group's companies which concluded the management option agreement with the Company or other Group's companies are entitled to take up Company's shares. The right to take up the Company's shares also relates to entities to which the Managers, in accordance with the terms of management option agreement, transferred rights and obligations of management option agreement with the approval of the Company.

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

The scheme was classified as an equity settled share-based incentive 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 5.22 per option. The key input data for the model were as follows: the weighted average share price as of the date of awarding the options, the exercise price, volatility of rates of return on shares in 30.6%-37.1%, dividend rate of 0.0%, the six-year planned vesting period and the annual risk-free interest rate of 2.25%-3.02%. The expected volatility was estimated based on the historical daily rates of return of similar issuers because the Company's shares were not publicly traded as of the date of the agreement. The valuation was based on volatility median of comparable companies. The total value of the scheme established at the moment of awarding the rights was PLN 6,429 thousand. The expected total cost of the scheme as of the balance sheet date to be recognized in the financial statements over the entire period of its validity is PLN 4,606 thousand. The total costs recognized in net profit for the period ended December 31, 2015 in respect of the scheme was PLN 1,393 thousand.

Moreover, the Group intends to create the II option scheme, for which the conditional capital increase was made (series F shares). As of the date of this report, this plan has not been adopted.

8.5. PURCHASE OF TREASURY SHARES

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

9. ADDITIONAL INFORMATION

9.1. REMUNERATION OF KEY MANAGEMENT AND SUPERVISORY PERSONNEL

Remuneration of Management Board Members

The table below presents the remuneration of members of the Company's Management Board for 2015.

in PLN'000	Salaries and related benefits	Incentive scheme – share-based payments
Jacek Świderski	1 197	-
Krzysztof Sierota	876	-
Michał Brański	859	-
Elżbieta Bujniewicz - Belka	919	98
Total	**3 851**	**98**

Remuneration of Supervisory Board

The table below presents the remuneration of the Supervisory Board members in 2015:

in PLN'000	Salaries and related benefits	Incentive scheme – share-based payments
Jarosław Mikos	1 230	857
Krzysztof Krawczyk	-	-
Beata Barwińska-Piotrowska	19	-
Krzysztof Kulig	-	-
Jan Łukasz Wejchert	112	-
Krzysztof Rozen	19	-
Tomasz Czechowicz	9	-
Mariusz Jarzębowski	19	-
Total	**1 408**	**857**

9.2. EVENTS AFTER THE BALANCE SHEET DATE

Detailed information of all significant post- balance sheet events is provided in note 23 to financial statements for the year ended December 31, 2015.

9.3. COMMENTS ON THE DIFFERENCES BETWEEN THE FINANCIAL RESULTS AND PUBLISHED EARLIER FORECASTS

The Company did not publish any forecasts of results for the year 2015.

9.4. PRODUCTS PROVIDED BY WIRTUALNA POLSKA HOLDING

All revenue generated by the Company comes from providing management and guarantee services and to its subsidiaries.

Changes in revenue year over year are discussed in section 2.3 of this report.

9.5. SALES MARKETS AND SOURCES OF SUPPLY

All revenue generated by the Company comes from its subsidiaries located in Poland. The Company is not depended on any external supplier.

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

Due to the specific nature of its operations, mainly operating internet portals, the Capital Group in which the Company is the parent company, is exposed to suits in cases related to protection of personal rights. As of 31 December 2015, a several dozen of such cases were in progress. The Group recorded a provision for pending litigation based on the actual status of cases and cost estimates prepared by the Legal Department conducting the cases. The provisions were recorded in an amount of claims and court fees the adjustment of which is probable in the Group's opinion.

On September 30, 2015, the Supreme Court issued a decision of refusal to accept an appeal in cassation brought by the plaintiff Leszek Bogdanowicz against WP Shopping Spółka z o.o. in which the plaintiff claims that he was a creator of the portal and author of the portal's name, "Wirtualna Polska" and "WP". Leszek Bogdanowicz demanded that the use of the names "Wirtualna Polska" and "WP" as well as the use of the part of the portal which was supposedly created by him, be prohibited. As a result of the Supreme Court's decision mentioned above, the suit filed by Leszek Bogdanowicz was finally dismissed in its entirety. Due to the final termination of the proceeding brought by Leszek Bogdanowicz, the Group intends to resume suspended proceedings regarding the registration of the "wp", "wp.pl" and "wirtualna polska" trademarks.

9.7. INFORMATION ON TRANSACTIONS WITH RELATED ENTITIES

All transactions with related entities are concluded on an arm's length basis. Detailed information on transactions with related entities is presented in Note 21 of the financial statements for the period of 12 months ended 31 December 2015.

9.8. INFORMATION ON FINANCIAL INSTRUMENTS

Information regarding financial instruments related to:

- price change risk, credit risk, risk of significant disruptions to cash flows and risk of financial insolvency, to which the Group is exposed;
- objectives and methods established by the Group in order to manage financial risk, including methods of securing significant types of planned transactions to which hedging accounting is applicable;

is described in Note 19 of the financial statements for the period of 12 months ended 31 December 2015.

9.9. INFORMATION ON GUARANTEES AND WARRANTIES GRANTED IN RESPECT OF LOANS & ADVANCES AND LOANS GRANTED

Guarantees granted to third-party entities

In the period under analysis the Company did not grant any warranties in respect of loans or advances or guarantees – in aggregate to one company or an entity related to that company – the total value of which would constitute at least 10% of the equity of Wirtualna Polska Holding SA.

Intercompany guarantees

Until April 8, 2015 the Company was a guarantor of the previous loan agreement concluded by and between its subsidiary and Bank Pekao and ING Bank Śląski. In connection with the refinancing of the debt, which took place on April 8, 2015 from that date the Company is the guarantor of the loan agreement concluded by and between Grupa Wirtualna Polska SA, mBank SA and ING Bank Śląski SA. The total guarantee amount corresponds to the current balance of the Group's debt on the credit agreement, which as of 31 December 2015 amounts to PLN 229.3 million .

Loans granted

As of 31 December 2015 the Company has several loans granted to its subsidiaries. The details on these loans are described in sections 3.2. and 6 of the report.

9.10. INFORMATION ON AGREEMENTS ON CREDITS AND LOANS TAKEN OUT OR TERMINATED

In 2015 the Company did not take out any credit or loan.

9.11. ASSESSMENT OF FINANCIAL RESOURCES MANAGEMENT

The core activity of the Company is providing management and holding services to its subsidiaries. As the parent company, the Company has implemented centralized financial management through a central model of finance and the Group's liquidity management policy. The development policy of companies and limits of risk exposure are set at the highest level of the Group. Measures implemented enabled the effective management of financial resources.

According to the adopted central model of financing, the Company is responsible for obtaining financial resources for the companies of the Capital Group. Current operations of companies reporting the need for resources is financed from financial surpluses generated by other companies through intragroup loans. Such form of obtaining funding sources allows, mainly to decrease the costs of capital, increase the possibility to obtain financing, reduce the number and forms of collaterals established on Capital Group's assets and covenants required by financial institutions, as well as reduce the administrative costs.

Acquisition activity in 2015 was mainly financed with the proceeds from the issue of shares and the capex tranche of bank loan.

In 2015, the Wirtualna Polska Holding SA had the full ability to discharge its liabilities as they due.

9.12. ASSESSMENT OF THE POSSIBILITIES TO CARRY OUT INVESTMENT PLANS

The Management Board believes that the Company is able to finance the current and future investment plans with own funds.

9.13. CHANGES IN THE BASIC PROCEDURES APPLIED BY THE COMPANY AND ITS CAPITAL GROUP

In 2015, no significant changes in the Company's management rules were introduced. Moreover, there were no changes in the composition of the management body of the Group in 2015.

9.14. AGREEMENTS WITH MEMBERS OF THE MANAGEMENT BOARD AND MEMBERS OF THE SUPERVISORY BOARD WHICH DETERMINE A COMPENSATION IN CASE OF RESIGNATION OR TERMINATION OF EMPLOYMENT WITHOUT A SIGNIFICANT REASON OR WHEN TERMINATION OCCURS BECAUSE OF A MERGER OF THE COMPANY

Contracts of employment with members of the Management Board - Jacek Świderski, Michał Brański and Krzysztof Sierota were concluded for unspecified term and may be terminated by each of the parties upon 12 month notice. If the contract is terminated by the Company or pursuant to a mutual understanding of the parties at the initiative of the Company, members of the Management Board are entitled to severance, except for the circumstances indicated below:

1) circumstances entitling the employer to terminate the employment agreement without notice on grounds of employee's culpability, provided that the termination occurs in accordance with respective provisions of law regarding the terms and conditions of such termination,
2) inability of the employee to perform his duties because of an illness lasting longer than the total time of receiving remuneration, benefit and rehabilitation allowance within the first 3 months

Management contract with member of the Management Board – Elżbieta Bujniewicz-Belka may be terminated by each of the parties upon 3 month notice. In case of termination of the contract on the above mentioned terms after December 31, 2016 on grounds unrelated with the member of the Management Board, the Member of the Management Board shall be entitled to 6-months basic remuneration. In cases specified in the management contract it is possible to terminate the contract in writing without notice. The Company predicts that from 1 April 2016 the employment contract of Elżbieta Bujniewicz-Belka shall be substituted by an employment contract determining a 6-month termination notice. If the contract is terminated by the Company or pursuant to a mutual understanding of the parties at the initiative of the Company, member of the Management Board is entitled to severance pay unless the sole reason of the termination of the contract include:

- circumstances entitling the employer to terminate the employment agreement without notice on grounds of employee's culpability, provided that the termination occurs in accordance with respective provisions of law regarding the terms and conditions of such termination,
- inability of the employee to perform his duties because of an illness lasting longer than the total time of receiving remuneration, benefit and rehabilitation allowance within the first 3 months

Jarosław Mikos has executed an agreement with the Company regarding his function on the Supervisory Board. In case of dismissal from the function of a member of the Supervisory Board the Company is obliged to pay a compensation in the amount of a 6-month basic remuneration. In case of a dismissal on grounds of a significant matter in particular in case of a significant or repetitive infringement of law, Articles of Association of the Company or other binding regulations regarding the functioning of the Chairman of the Supervisory Board including but not limited to: internal policies, regulations and guidelines, the Chairman of the Supervisory Board is not entitled to compensation.

Members of the Management Board and Chairman of the Supervisory Board are required to observe non-competition restrictions, on the terms as provided in the respective contracts (including the notice period) and for 12 months after the termination date. In exchange for observance of the non-competition restrictions within 12 months after discontinuation of the contract, members of the Management Board and Chairman of the Supervisory Board have the right to compensation in the amount specified in the respective contract as a part of average monthly remuneration (including parts of the remuneration specified in the contract) payable to the Management Board member and the Chairman during 12 months preceding the date of termination of the agreement. If the Member of the Management Board is in breach of the non-competition restrictions, the Member of the Management Board will forfeit his right to compensation and will be required to reimburse the Company for any compensation he has already received.

9.15. REASEARCH AND DEVELOPMENT

Due to the profile of the activities conducted, the Company has not adopted any research and development strategy and does not finance any R&D activities.

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

Detailed information about the entity authorized to perform the audit of the financial statements and information about its remuneration are presented in note 24 of financial statements for the period of 12 months ended December 31, 2015.

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

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

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

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Jacek Świderski, President of the Management Board

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Michał Brański, Member of the Management Board

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Krzysztof Sierota, Member of the Management Board

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Elżbieta Bujniewicz-Belka, Member of the Management Board

Warsaw, 17 March 2016

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT OF WIRTUALNA POLSKA HOLDING S.A REGARDING THE YEAR ENDED 31 DECEMBER 2015

This corporate governance statement of Wirtualna Polska Holding S.A. ("Company") regarding the year 2015 was prepared on the basis of art. 91 section 5 point 4 of the Regulation of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and on conditions under which such information may be recognised as being equivalent to information required by the regulations of law of a state which is not a member state (Journal of laws of 2014, item 133) and the resolution of the Management Board of the Warsaw Stock Exchange no. 718/2009 of 16 December 2009.

1. CORPORATE GOVERNANCE PRINCIPLES REGULATING THE OPERATIONS OF THE COMPANY IN 2015

In 2015 the Company was subject to the set of principles of the corporate governance for joint-stock companies issuing shares, convertible bonds, or senior bonds that are admitted to trade on the stock exchange. The principles of corporate governance in the form of the Best Practices of WSE Listed Companies ("Best Practices") were set out by the Warsaw Stock Exchange ("WSE") as an appendix to the resolution No. 12/1170/2007 of the Council of WSE of 4 July 2007, amended by the following resolutions of WSE Council: no. 17/1249/2010 dated 19 May 2010, no. 15/1282/2011 dated 31 August 2011, no. 20/1287/2011 dated 19 October 2011 and no. 19/1307/2012 dated 21 November 2012 (amendments introduced in 2012 came into force on 1 January 2013). The contents of the document, adopted by the WSE, is publicly available at the seat of the Warsaw Stock Exchange (WSE) and on the website of WSE dedicated to those issues available at http://corp-gov.gpw.pl.

On 13 October 2015 the Council of WSE adopted a resolution on adoption of new set of Corporate Governance Principles referred to as "Best Practices of WSE Listed Companies 2016". The new rules came into force on 1 January 2016. The Company plans to comply with the new rules in 2016.

1.1.INFORMATION ON THE APPLICATION OF THE CORPORATE GOVERNANCE PRINCIPLES

The Company strives to ensure the maximum transparency of its operations, the best quality of communication with its investors and the protection of its shareholders' rights, also in areas not governed by law. Accordingly, the Company takes the necessary actions to observe all the rules comprising the "WSE Best Practices" to the fullest extent possible. In 2015 the Company observed all the WSE Best Practices that are subject to the comply-or-explain rule, subject to the following:

- **Recommendation 5** – to the extent that it applies to the Company's remuneration policy and the rules of the establishment thereof. The Company does not have a remuneration policy or terms for the establishment thereof with respect to the members of the Supervisory or the Management Board. The Company is considering the possibility of creating such a policy and rules in the future. Remuneration of the Members of the Management Board is related to the scope of duties and responsibilities they are entrusted and the financial standing of the Company. The remuneration of the Members of the Management Board is set out by the Supervisory Board. Remuneration of the members of the Supervisory Board is set out by the General Meeting of the Company. All remunerations of the members of Management and Supervisory Board are disclosed in the yearly financial statement of the Company.
- **Recommendation 9** – to the extent that it relates to the Company ensuring a balanced representation of women and men in management and supervisory functions. The Company does not ensure a balanced representation of women and men on the Management Board and the Supervisory Board. The Company exercises a policy whereby the Company employs competent and creative individuals with the relevant professional experience and education; gender1 is of no importance as regards employing any specific person in the Company. In accordance with the Articles of Association, the President of the Management Board is appointed by the General Meeting, the other members of the Management Board are appointed

by the Supervisory Board at the request of the President of the Management Board and to the extent provided therein, while the Supervisory Board is appointed by the General Meeting. Under the Articles of Association it is possible to add a new member to the Supervisory Board by way of co-option by the other members of the Supervisory Board if the number of the mandates of certain members of the Supervisory Board appointed by the General Meeting decreases below the minimum number of members of the Supervisory Board as provided for in the Articles of Association. Consequently, the composition of the Management Board will depend at the general meeting (with respect to the President of the Management Board) and the President of the Management Board and the Supervisory Board (with respect to the other members of the Management Board), while the composition of the Supervisory Board will principally depend on the Company's shareholders who will act by voting at the General Meeting.

- **Recommendation 12** – to the extent of the obligation to ensure that the shareholders have the right to exercise voting rights during a General Meeting either in person or through a proxy outside the venue of a General Meeting by using means of electronic communication. In accordance with the Articles of Association, the Company will ensure participation in the General Meeting using the means of electronic communication if the announcement of the convocation of the General Meeting contains information about the shareholders having the option to participate in the General Meeting by using the means of electronic communication. The Company did not comply with the aforementioned rule in 2015 due to the assuring an efficient and economical course of the General Meetings and avoiding certain organisational, technical and legal difficulties. The Company is confident that the form of General Meetings of the Company appropriately secures the interests of all shareholders by ensuring them the possibility of exercising all the rights attached to the shares.
- **Best Practice II.1 pt. 9a)** – for management board members – to the extent that it applies to the obligation for the Company to present on its website the recordings of the General Meetings of the Company either in audio or video. The General Meetings of the Company are organised in a transparent and efficient way allowing shareholders to exercise all the rights attached to the shares on the basis of the comprehensive documentation of resolutions and motions of the General Meetings. The Company publishes all documents related to the General Meetings on its website including the announcement of the convening of such meetings, dates and terms of its course and resolutions adopted by each General Meeting. Thus in 2015 the Company did not provide a direct broadcast of the General Meetings and did not publish the recordings of the meetings, also given certain legal problems arising thereout.
- **Best Practice III.8** – for supervisory board members – to the extent that it applies to the existence of committees of the Supervisory Board the tasks and operations of which should be subject to Annex I to the Commission Recommendation. The Supervisory Board has appointed the Audit Committee. Pursuant to the Articles of Association, the Supervisory Board may also appoint committees other than the audit committee, specifically the nominations committee and the remuneration committee. There is no remuneration committee or nomination committee of the Supervisory Board.
- **Best Practice IV.10** – of the shareholders – to the extent that it applies to the obligation of the Company to enable its shareholders to participate in the general meeting by using means of electronic communication through: (1) live broadcast of the general meeting; and (2) real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the venue of the general meeting. Pursuant to the Articles of Association, the Company will ensure participation in the General Meeting using means of electronic communication if the announcement of the General Meeting will contain information about the shareholders having an option to participate in the General Meeting using means of electronic communication.

2. WIRTUALNA POLSKA GROUP'S SOCIAL ACTIVITY

2.1. SOCIAL COMMITMENT

Corporate social responsibility ("CSR") is an important element of doing business for the Company and the Wirtualna Polska Group ("WP Group"). It helps the Company achieve its business objectives, shape its image and drive corporate value. In the pursuit of its strategy the WP Group endeavours to give consideration to social interests, environmental aspects and establish and cultivate sound relationships with various stakeholder groups, including its clients and employees. The WP Group treats being socially responsible as the basis, among others, for investing in human resources, endorsing educational and cultural projects and supporting the promotion of a healthy lifestyle, preventive medical checkups and tests and environmental protection. The WP Group strives to report to the community on the projects it executes and furnish complete information concerning its business, as this translates into greater business competitiveness and is conducive to sustainable social and economic development. The bulk of the WP Group's CSR activity is regular and ongoing or takes the form of a response to specific problems and social needs. By acting in this manner the WP Group tries to create a friendly culture of cooperation, a professional environment in which all employees are afforded the opportunity to develop their interests and passions while also having the freedom to attain their professional objectives.

2.2. CHARITABLE CAMPAIGNS

The WP Group has a diverse product portfolio enabling it to lend active support to socially-significant events, campaigns and initiatives dedicated to a broad range of topics, among others, through its editorial efforts. In 2015 the WP Group implemented a project entitled "Wirtualna Polska Akcja Humanitarna #logujemy się dla Nepalu" [Wirtualna Polska Humanitarian Campaign #we are logging in for Nepal]. The users of Poland's most popular e-mail service, WP Poczta, the WP Group and the Polish Humanitarian Action undertook cooperation for the purpose of rebuilding a school in Nepal that had been ravaged by an earthquake. A nationwide and far-reaching advertising campaign encouraged people to participate in this project accompanied by the following slogan: "Connecting people in Poland for 20 years. Wirtualna Polska". To provide aid to injured children it sufficed to log into WP Poczta. After logging into the service, it was also possible to provide additional support to the project by remitting a payment of the donor's choice using the Polish Humanitarian Action's form. The WP Group provided editorial and social media support for this campaign. Topical articles concerning the catastrophe and the needs of the injured were presented on the pages of the WP Wiadomości news service, as was an interview with Janina Ochojska, the founder of the Polish Humanitarian Action. Well-known figures from the world of culture and entertainment declared support for this campaign on their social profiles. At the time of wrapping up the project, nearly 1,000 people had contributed PLN 51 thousand directly to the Polish Humanitarian Action's bank account and the WP Group transferred another PLN 70 thousand to this organisation. After analysing the needs of Nepal's injured residents, the Polish Humanitarian Action elected to rebuild a primary school consisting of three classes in the Dhading District that had suffered the greatest damage during this calamity.

The WP Group also harnessed WP Poczta's potential in its charitable activities in a project entitled "Help by Logging In". It involved internet users in pro-social activities four times in 2015 with the aim of providing assistance in achieving the dreams of the charges of the "I Have a Dream" Foundation cooperating with the WP Group. In each one of these editions it sufficed to log in regularly to one's e-mail account and in exchange, the WP Group transferred funds to the "I Have a Dream" Foundation for this purpose. Advertising and editorial support (publications in the WP portal's services) were also provided to this project. The editorial staff of WP SportoweFakty also participated actively.

On 1 September 2015 the WP Group launched a nationwide educational contest entitled "First E-Mail. Safety on the Internet". The Minister of National Education was its honorary patron. The WP Group's project targeted pupils in state primary schools and emphasised the importance of developing practical skills such as setting up an e-mail account and issues related to observing safety in the web. The WP Group, Poland's largest provider of electronic mail services has the necessary knowledge and appropriate experience to help pupils enter the world of using e-mail responsibly. The campaign entitled "First E-mail. Safety in the Internet" ended on 31 December 2015. 1,270 schools took part. The two victorious schools, namely, Primary School no. 9 in Legnica and the Władysław Jagiełło Primary School no. 1 in Stryków will receive equipment from the WP Group for computer labs: modern tablets fitted with keyboards, suitable for learning at school. In addition, teachers' workstations from the contest's winning schools will be equipped. Under this project the WP Group launched a special service called pierwszymail.wp.pl.

2.3. POPULARISING A HEALTHY LIFESTYLE AND PREVENTION

On the pages of its services the WP Group promotes educational and sporting events and pro-health measures, concurrently encouraging employees to lend their active support to these initiatives. In 2015, it once again served as the patron for a project entitled "Gdańsk Biega" (Gdansk on the run), to popularise a healthy lifestyle among residents of the Tri-City area from which the WP Group comes and where it has one of its offices. More than 30 WP Group employees participated as they espouse the Company's values such as energy, commitment and teamwork. The WP Group also supported the third annual campaign entitled "Wolf Trail. The Run to Remember Outcast Soldiers" - almost 60 WP Group employees in Warsaw, Gdansk, Wrocław and Poznań took part in this run, PZU's 7th Run for New Life and the largest marathon relay in Europe called Ekiden 2015 (with WP Group employees demonstrating their active participation in each one of them). In 2015 WP Group employees additionally participated in the European Cycling Challenge, a cycling competition between European cities. As part of the support it gives to employees commuting to work by bicycle, the WP Group furnished self-service bicycle repair stations in its offices in Gdansk and Warsaw. A number of other projects in which the WP Group serves as a media patron and to which it has provided editorial support may also be listed, including: "I eat a second breakfast" and "We Brush Our Teeth - the Aquafresh Academy".

2.4. SOCIAL AND EDUCATIONAL CAMPAIGNS

For years the WP Group has cooperated with the Kwiat Kobiecości Association [Flower of Femininity], a nationwide organisation Combating Cervical Cancer. On the pages of its service WP Kobieta presents numerous publications to popularise preventive medical checkups and tests and to educate women on this subject. In 2015 the WP Group joined the Sixth Annual Edition of the Nationwide Social Campaign entitled "She Is Beautiful Because She Is Healthy".

2.5. EMPLOYEE COMMITMENT

In the WP Group there are many employees who have a penchant for social activity. The support provided by the Company, which popularises a number of social initiatives among its employees also contributed to employees participating in providing assistance in 2015 to the Pomeranian Hospice for Children in Gdansk and the "Hear the World" Foundation in Warsaw. Plastic capsules were collected in the Company's offices for the entire year under this campaign entitled "Let's Twist Ourselves into Helping". Rehabilitation classes for deaf children, among others, are funded by selling them. In 2015 WP Group employees also joined a campaign entitled "Give Blood - the Gift of Life" organised in cooperation with the Regional Centre for Blood Donation and Blood Treatment in Warsaw.

For many years our employees have also been involved in the "Noble Box" project. In 2015 WP Group volunteers in Gdansk and Warsaw coordinated assistance for needy families in Gdansk and Warsaw. Support was provided to 11 persons who received, among others, food, cleaning agents, clothing, towels, sheets, school supplies, toys, books, kitchen equipment and electronic equipment.

3. DESCRIPTION OF THE MAIN CHARACTERISTICS OF INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE PROCESS OF GENERATING THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

The Management Board of the Company is responsible for the internal control system in the Company and its effectiveness in the process of preparing financial statements and interim reports prepared and published in accordance with the Regulation of the Minister of Finance of 19 February 2009 regarding current and periodic information submitted by issuers of securities.

The internal control and risk management system in relation to the financial reporting process is realised through:

- procedures specifying the principles and responsibility for the process of preparing financial statements,
- verification of reporting data provided by the Capital Group's companies in relation to the consistency of applied accounting principles and IFRS,
- semi-annual review and annual audit of the financial statements by an independent auditor,
- the process of authorisation and approval of the financial statements before the publication.

An Audit Committee, appointed within the Parent Company's Supervisory Board, supervises the financial reporting process in the Group. The Audit Committee consists of, among others, two members of the Supervisory Board who meet the independence criteria mentioned in the Best Practices of WSE Listed Companies. The Audit Committee supervises the financial reporting process to ensure the sustainability, transparency and integrity of financial information, including among others:

- analysis of the accounting methods adopted by the Company and its Capital Group,
- review of the management accounting system,
- analysis, together with the Management Board and certified auditors (external auditors) of the financial statements and audit's results with particular emphasis on significant adjustments resulting from the audit, statements about the continuation of operations and compliance with applicable accounting regulations.

Moreover, as part of monitoring the effectiveness of internal control systems, internal audit and risk management, the Audit Committee tasks include:

- verification of the adequacy of the internal control systems to ensure compliance with laws and internal regulations;
- performing at least once a year, the review of internal control procedures and risk management;
- reviewing the performance of the internal control systems and internal audit.

The substantive supervision over the process of preparing the financial statements and periodic reports is conducted by the Chief Financial Officer or Management Boards of the Group's Companies. The Financial Reporting and Cash Flow Management Department and financial-accounting departments of the Group's companies are responsible for the organisation of work related to the preparation of the financial statements. The Group's companies are required to apply uniform accounting policies in the preparation of reporting packages, which are the basis for preparation of the consolidated financial statements of the Wirtualna Polska Holding Capital Group. Separate reporting packages are reviewed by the Group's Financial Reporting and Cash Flow Management Department and by the independent auditor during the audit or review of the consolidated financial statements of the Capital Group.

The Capital Group's Companies use IT and organisational solutions securing access to the financial accounting system and providing adequate protection and archiving of the books. Access to the IT systems is limited by relevant authorisations for authorised employees. In 2015 the process of implementation of one integrated accounting system for all Groups' companies has started. The purpose of this process is to unify the recording of the economic events taking into account the specificity of the particular entities in the Group.

The financial statements and interim reports before publication are subject to verification by the Management Board and the Audit Committee of the Supervisory Board. According to the applicable laws, the financial statements are also subject to review or audit by an independent auditor. The results of the reviews and audits are presented by the auditor to the Management Board and the Audit Committee of the Supervisory Board. Certifies auditors are selected by the Supervisory Board of the Company from a group of reputable auditing companies, guaranteeing the proper standards of the services and their independence.

3.1. ENTITY AUTHORISED TO REVIEW THE FINANCIAL STATEMENTS OF THE COMPANY

PricewaterhouseCoopers sp. z o.o., with its registered seat in Warsaw (00-683 Warsaw, Aleja Armii Ludowej 14) ("PWC") is an entity authorised to review the financial statements of the Company for the year 2015.

Moreover, PWC carried out in 2015 an interim review of financial report and consolidated financial report of the Company for the 6 months ending 30 June 2015.

PricewaterhouseCoopers sp. z o.o. is entered on the list of entities authorised to audit financial statements under No. 144.

On 15 February 2016 the Supervisory Board of the Company acting according to provisions of law, professional rules and the opinion of the Audit Committee adopted a resolution No. 6/2016 on electing PWC as an auditor authorised to review financial statements and consolidated financial statements of the Company for the years 2016-2018.

4. SHARE CAPITAL AND SHAREHOLDERS

4.1. STRUCTURE OF THE SHARE CAPITAL

As of 31 December 2015, the share capital of Wirtualna Polska Holding S.A. amounted to PLN 1,412,639.10 and consisted of 28,252,782 shares with a par value of PLN 0.05 each, including:

- 12,389,709 A series registered shares with preferential voting rights,
- 12,221,811 B series ordinary shares
- 301,518 C series ordinary shares
- 3,339,744 E series ordinary shares

A series shares are privileged registered shares and B, C, E series shares are ordinary bearer shares.

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

On 7 May 2015, 5,852,634 the Company's B series ordinary bearer shares with a par value of PLN 0.05 (five groszy) each and 3,339,744 rights to E series ordinary bearer shares (also with a par value of PLN 0.05 (five groszy) each were admitted to trading on the regulated market.

The shares were assigned to specific categories of investors as follows:

- 1,378,857 (in words: one million three hundred and seventy-eight thousand eight hundred and fifty-seven) shares for Individual Investors;
- 7,813,521 (in words: seven million eight hundred and thirteen thousand five hundred and twenty-one) shares for Institutional Investors

On 13 May 2015 the increase of the share capital from 1,245,651.90 PLN to 1,412,639.10 PLN was registered at the National Court Register. As a result of the registration of the increase in share capital, 3,339,744 rights to ordinary E series bearer shares were recast into 3,339,744 ordinary E series bearer shares.

On 27 May 2015, 3,339,744 ordinary series E bearer shares were registered by the Central Securities Depository of Poland and admitted for trading on the regulated market.

The Group has introduced an employee stock ownership plans providing selected key employees of the Company with stock options.

I stock option plan

The total number of shares assigned within the programme amounts to 1,230,576 and shall not exceed 5% of the share capital of the Company. The rights to shares are vested in time, quarterly, during a certain period of time generally no longer than 6 years provided that the employment relation lasts. The plan was classified as an equity settled share-based incentive plan.

For the purpose of the plan the share capital of the Company was increased through an issue of 301,518 ordinary C series bearer shares that were taken up by selected managers of the Company. There was also a conditional increase of the share capital of the Company through an issue of no more than 929,058 ordinary series D shares and series B warrants.

II stock option plan

Moreover the Group is in the course of preparing a second stock option plan and for the purpose of such a scheme an additional conditional increase of the share capital was made through an issue of no more than 593.511 ordinary series F shares and series C warrants.

WP Holding SA

4.2. SHAREHOLDERS HOLDING AT LEAST 5% OF THE TOTAL VOTING RIGHTS

In accordance with notifications received by the Company and to its best knowledge, as of 31 December 2015 as well as of the date of publication of this report, the structure of shareholders who hold, directly or indirectly by their subsidiaries, at least 5% of the total voting rights at the General Shareholders' Meetings of the Company as follows:

Shareholder	Number of shares	% of share capital	Number of votes	% of votes
European Media Holding SARL	10 869 177	38.47%	10 631 853	26.16%
Jacek Świderski* with subsidiary Orfe SA	2 629 903	9.31%	6 838 914	16.83%
Michał Brański* with subsidiary 10X SA	2 629 903	9.31%	6 838 914	16.83%
Krzysztof Sierota* with subsidiary Albemuth Inwestycje SA	2 629 903	9.31%	6 838 914	16.83%
Other	9 493 896	33.60%	9 493 896	23.36%
Total	**28 252 782**	**100.00%**	**40 642 491**	**100.00%**

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

4.3. SHARES OWNED BY THE MANAGEMENT AND SUPERVISORY BOARD MEMBERS

As of the date of this Report, the number of shares held by members of the managing and supervisory bodies as follows:

- Jacek Świderski (President of the Management Board) holds, indirectly through Orfe S.A. (in which Jacek Świderski holds 99% of the shares), 2,629,903 A series shares in the Company.
- Michał Brański (Member of the Management Board) holds, indirectly through 10x S.A. (in which Michał Brański holds 99% of the shares) 2,629,903 A series shares in the Company.
- Krzysztof Sierota (Member of the Management Board) holds, indirectly through Albemuth Inwestycje S.A. (in which Krzysztof Sierota holds 99% of the shares), 2,629,903 A series shares in the Company.
- In addition, under first phase I of the implementation of an stock option plan, Elżbieta Bujniewicz-Belka (Member of the Management Board) and Jarosław Mikos (Chairman of the Supervisory Board) acquired, respectively, 18,664 and 136,919 ordinary bearer shares in the new C series issued based on the resolution approving the issue of C series shares. Elżbieta Bujniewicz-Belka and Jarosław Mikos are also entitled to participate in the next phase of the stock option plan.
- As of the date of this Report, other members of the Supervisory Boards do not hold any shares or rights to shares in the Company.

As a result of the conclusion of three registered pledge agreements on 6 November 2015 between European Media Holding S.à r.l. as an pledger and Jacek Świderski, Michał Brański, and Krzysztof Sierota as a pledgees ("Founders"), which authorises the pledgees to exercise voting rights attached to shares in Company pursuant to article 340 sec. 1 of Polish Commercial Companies Code and registration of pledges in the Register of Pledges, consent of Extraordinary General Meeting of the Company convened on 8 December 2015 to exercise the voting rights by pledgees, and entry of mentions concerning registration of register pledges and authorisation of Founders to exercise voting rights in the share register of the Company on 8 December 2015:

1) Jacek Świderski and Orfe S.A. are entitled to exercise voting rights attached to 3,419,457 A series registered shares (including 2,629,903 shares owned by Orfe S.A., described above), which constitute 12.10% of shares in share capital of the Company and the right to exercise 6,838,914 votes at the general meeting of shareholders of the Company (which constitute 16.83% of the total number of votes);
2) Krzysztof Sierota and Albemuth Inwestycje S.A. are entitled to exercise voting rights attached to 3,419,457 A series registered shares (including 2,629,903 shares owned by Albemuth Inwestycje S.A., described above), which constitute 12.10% of shares in share capital of the Company and the right to

exercise 6,838,914 votes at the general meeting of shareholders of the Company (which constitute 16.83% of the total number of votes);

3) Michal Brański and 10x S.A. are entitled to exercise voting rights attached to 3,419,457 A series registered shares (including 2,629,903 shares owned by 10x S.A., described above), which constitute 12.10% of shares in share capital of the Company and the right to exercise 6,838,914 votes at the general meeting of shareholders of the Company (which constitute 16.83% of the total number of votes)

On 19 March 2015, an agreement was concluded between Founders and Orfe S.A., 10x S.A., Albemuth Inwestycje S.A.("Founders' Companies"), concerned with joint voting at the general meeting of shareholders and conducting a long-term policy towards the Company within the meaning of article 87 sec. 1 point 5 of the Act dated 29 July 2005 on Public Offering, the Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies ("Founders Cooperation Agreement").

As a result of Founders Cooperation Agreement, Founders and Founders' Companies are entitled to collectively exercise voting rights attached to 10,258,371 A series registered shares (including 7,889,709 shares owned by Founders' Companies, described above), which constitute 36.31% shares in share capital of the Company and the right to exercise 20,516,742 votes at the general meeting of shareholders of the Company (which constitute 50.84% of total number of votes).

None of the Founders nor Founding Companies have subsidiaries that hold shares in the Company (except Founders' Companies).

None of the Founders nor Founders' Companies has entered into any agreement that would convey the voting rights as referred to in Article 87.1.3.c of the Act.Special rights attached to shares.

4.4. OWNERS OF SECURITIES PROVIDING SPECIAL CONTROL RIGHTS

Shareholders do not have voting rights at the General Meeting of the Company other than arising from shares subject to the rights granted to the Founders as pledgees. None of the shareholders of Company have any personal rights associated with their shares.

Series A shares in the amount of 12,389,709 (in words: twelve million three hundreds eighty nine thousands seven hundred and nine) are preferred in such a way that each series A share entitles its holder to exercise two voting rights. The other shares are registered shares.

Preferred shares are owned by:

- European Media Holding S.à.r.l with its registered seat in Luxembourg, which hold 4,500,000 A series registered shares, entitling it to exercise 9,000,000 votes at the General Meeting of the Company
- Orfe S.A. with its registered seat in Warsaw, which hold 2,629,903 A series registered shares, entitling it to exercise 5,259,806 votes at the General Meeting of the Company
- Albemuth Inwestycje S.A. with its registered seat in Warsaw, which held 2,629,903 A series registered shares, entitling it to exercise 5,259,806 votes at the General Meeting of the Company
- 10X S.A. with its registered seat in Warsaw, which held 2,629,903 A series registered shares, entitling it to exercise 5,259,806 votes at the General Meeting of the Company

The conversion of bearer shares into registered shares is not permitted.

The conversion of registered shares into bearer shares may be effected at the request of a shareholder. The Management Board, following the receipt of such request, will immediately convert the shares in accordance with the request.

Each shareholder whose shares are not admitted to trading on such market has the right to request the admission of those shares to trading on such a market. The shares will be admitted to trading on the regulated market on an alternative trading system immediately, however, not later than within six months from the date of receipt of a request by an authorised shareholder.

4.5. LIMITATION CONCERNING THE SHARES

The grant of the right to vote to a pledgee or a user of shares requires the consent of the General Meeting. No consent is required if the right to vote is granted to mBank S.A. with its registered seat in Warsaw and ING Bank Śląski S.A. with its registered seat in Katowice which, as pledgees, may exercise voting rights in accordance with the terms of the respective pledge agreements. At the date of 31 December 2015 and as of the this report shares in the Company are not pledged in favour of the mentioned entities.

In relation to three registered pledge agreements concluded on 6 November 2015 between European Media Holding S.à r.l. and Jacek Świderski, Michał Brański, and Krzysztof Sierota, authorised by pledgees to exercise voting rights attached to shares in Company pursuant to article 340 sec. 1 of Polish Commercial Companies Code and in relation to registered of pledges in the Register of Pledges, in relation to expressed consent by Extraordinary General Meeting of the Company convened on 8 December 2015 to exercise the voting rights by pledgees, and in relation to entry of mentions in the share register of the Company on December 8, 2015:

1) Jacek Świderski is entitled to exercise voting rights attached to 789,554 A series registered shares, which constitute 2.79% of shares in share capital of the Company and the right to exercise 1,579,108 votes at the general meeting of shareholders of Company (which constitute 3.89% of all votes);

2) Krzysztof Sierota is entitled to exercise voting rights attached to 789,554 A series registered shares, which constitute 2.79% of shares in share capital of the Company and the right to exercise 1,579,108 votes at the general meeting of shareholders of Company (which constitute 3.89% of all votes); and
3) Michał Brański is entitled to exercise voting rights attached to 789,554 A series registered shares, which constitute 2.79% of shares in share capital of the Company and the right to exercise 1,579,108 votes at the general meeting of shareholders of Company (which constitute 3.89% of all votes).

Any disposal of the series A shares held by EMH in favour of any entities other than the Founders requires the prior amendment of the Company's Articles of Association and the exclusion of the preference described in §5, section 4 of these Articles of Association with respect to those series A shares which are to be subject to the disposal.

5. THE MANNER OF OPERATION AND ESSENTIAL AUTHORITIES OF THE GENERAL MEETING OF SHAREHOLDERS, DESCRIPTION OF THE SHAREHOLDERS` RIGHTS AND THEIR EXECUTION

The General Meeting of the Company shall act on the basis of the provisions of the Polish Commercial Companies Code, of the Articles of Association and on the basis of the By-laws of the General Meeting of the Company, adopted by the resolution no. 10 of the Extraordinary General Meeting of the Company on 23 June 2015.

General Meetings may be held at the registered office of the Company in Warsaw.

The powers of the General Meeting, apart from the matters reserved under the Commercial Companies Code, include:
1) appointment and dismissal of the President of the Management Board;
2) appointment and dismissal of the members of the Supervisory Board;
3) determination of the number of members of the Supervisory Board;
4) approval of the by-laws of the Supervisory Board;
5) determination of the remuneration of the members of the Supervisory Board;

6) grant of consent for the Company to execute a facility agreement, a loan or surety or any similar agreement with a member of the Management Board, the Supervisory Board, registered proxy (prokurent), liquidator or in favour of any of those persons.

If any shareholder (except for entities that are the Company's shareholders on the date of 1 January 2015, i.e. European Media Holding S.à r.l. and Orfe S.A., 10x S.A. and Albemuth Inwestycje S.A) reaches or exceeds the threshold of 30% of the overall number of outstanding votes in the Company, the matters stated in section 3, points 8) – 12) Articles of Association will no longer constitute the powers of the Supervisory Board, but will become the powers of the General Meeting.

The acquisition and sale of real estate, perpetual usufruct or a share in real estate do not require a resolution of the General Meeting.

The right to participate in the General Meeting shall only be held by persons being shareholders of the Company at sixteen days prior the date of the General Meeting.

The persons entitled to registered shares or temporary certificate and pledgees or usufructuaries entitled to exercise the right to vote may participate in the General Meeting if they are entered to Share Register on the Registration Date.

A shareholder may participate in the General Meeting and exercise the right to vote in person or through an attorney.

The power of attorney to take part in the General Meeting and to exercise the right to vote should be granted in writing or in electronic form. A shareholder is obliged to send the Management Board a notification of having issued a power of attorney using electronic means of communication The above-mentioned notification should be sent to the following e-mail address walnezgromadzenia@grupawp.pl, no later than by 23:59 pm. the day prior to the General Meeting (failure to meet the time limit of the Company's notification shall not preclude taking part in the General Meeting on the basis of the power of attorney granted in writing.

Members of the Supervisory Board and the Management Board should participate in the General Meeting in sufficient numbers to allow for substantive answers to questions raised during the General Meeting.

The General Meeting may also be attended by the following persons with the right to speak: experts invited by the entity convening the General Meeting, as well as candidates for members of the Management Board, candidates for members of the Supervisory Board and the notary taking the minutes of the General Meeting.

The Chairperson of the General Meeting shall be selected among the persons entitled to attend the General Meeting, whose candidacies have been submitted by the persons entitled to attend the General Meeting and who agree to be a candidate.The election of the Chairperson of the General Meeting shall be made by secret ballot by casting consecutive votes on each of the candidates. The Chairperson is the person who receives the largest number of votes.

The Chairperson shall preside over the General Meeting in accordance with the agreed agenda, provisions of law, the Code of Best Practice for WSE Listed Companies, the Articles of Association and Regulations.

The Chairperson of the General Meeting immediately after the election shall draft and sign the attendance list containing the names of participants in the General Meeting, specifying the number of shares they represent and the number of votes to which they are entitled. After signing the attendance list the Chairperson of the General Meeting shall put the agenda to vote.

After calling each subsequent matter on the agenda, the Chairperson shall describe the matter and, in particular, shall present the draft of the resolution proposed for adoption by the General Meeting, then shall open the discussion, giving the floor in the order of the application of speakers. The Chairperson may order that a discussion be conducted on several items of the agenda.

The Chairperson of the General Meeting may give the floor to members of the Management Board, Supervisory Board and invited experts.

A shareholder has the right until the closure of the discussion on the agenda item to bring proposals for changes to the draft of the resolution proposed for adoption by the General Meeting. The proposal should be justified by the shareholder. Proposals must be submitted in writing to the Chairperson or orally for the minutes. The proposal must indicate the name and surname or company name of the shareholder, or in the case of a shareholder represented by a representative, the name and surname of the representative.

In formal matters the Chairperson of the General Meeting may give the floor out of turn. A formal motion may be submitted by any shareholder of the Company.

Adjournments in the General Meeting may not last longer than thirty (30) days.

A General Meeting shall be valid regardless of the number of shares represented thereat.

Resolutions of the General Meeting are adopted by a simple majority of votes, unless the applicable law or the terms of these articles of association provide for more stringent requirements for the adoption of a given resolution.

Upon completion of the agenda, the Chairperson of the General Meeting shall announce the closure of the proceedings.

5.1. AMENDMENTS OF THE ARTICLES OF ASSOCIATION

Amendments of the Articles of Association in accordance with the Commercial Code, requires a resolution of the General Meeting and entry into the court registry. The Management Board shall report the amendments to the Articles of Association to the court registry. The resolution of the General Meeting to amend the Articles of Association requires a three-quarters majority of the votes. The General Meeting may authorise the Supervisory Board to determine the uniform text of the amended Articles of Association or introduce other editorial changes as set out in the resolution of the General Meeting.

6. COMPOSITION AND OPERATION OF MANAGEMENT AND SUPERVISORY BODIES OF THE COMPANY AND ITS COMMITTEES

6.1. MANAGEMENT BOARD OF THE COMPANY

6.1.1. GENERAL INFORMATION

The governing body of the Company is the Management Board.

The Management Board operates in accordance with provisions of the Polish commercial code, Articles of Association of the Company, By-laws of the Management Board and resolutions adopted by General Meeting and Supervisory Board.

The Management Board manages the Company's operations and assets and represents the Company before courts, authorities and third parties. The Management Board takes decisions regarding all matters that are not reserved under the provisions of the Articles of Association or the provisions of law for the determination by the Supervisory Board or the General Meeting on an exclusive basis. All members of the Management Board are required and authorised to jointly conduct the Company's affairs.

The Management Board is appointed for a joint three-year term.

Resolutions of the Management Board are adopted by an ordinary majority of votes. In the case of an equal number of votes "in favour" and "against", the President of the Management Board shall have the casting vote. The Management Board may adopt resolutions in writing or by means of remote communication. Members of the Management Board may participate in the adoption of resolutions of the Management Board by voting in writing through another member of the Management Board. Voting in writing cannot pertain to any matters introduced to the agenda during a meeting of the Management Board.

In accordance with the Articles of Association, the President of the Management Board supervises the activities of the Management Board and determines the internal division of tasks and powers among particular members of the Management Board, specifically, the President of the Management Board may entrust the management of the specific departments to specific members of the Management Board. Furthermore, the President of the Management Board calls and chairs meetings of the Management Board. The President of the Management Board may authorise other members of the Management Board to convene and chair meetings of the Management Board. In the absence of the President of the Management Board or if the position of the President of the Management Board is vacant, the meetings of the Management Board are convened by the longest-standing member of the Management Board. Additionally, special rights of the President of the Management Board in terms of managing the work of the Management Board may be determined in the By-laws of the Management Board.

If the Management Board consists of one member, the sole member of the Management Board is authorised to make representations on behalf of the Company. If the Management Board consists of more than one member, two members of the Management Board acting jointly or one member of the Management Board acting jointly with a registered proxy are authorised to make representations on behalf of the Company.

6.1.2. MANAGEMENT BOARD MEMBERS

The Management Board consists of four members. The mandates of the members of the Management Board expire no later than on the date of the General Meeting which approves the financial statements for the last full financial year of holding their positions as members of the Management Board, i.e. for the year 2016.

As of 31 December 2015 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 responsible for finance

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

Jacek Świderski - President of the Management Board, CEO

From February 10, 2014 President of the Management Board, CEO

Jacek Świderski commenced his professional career by conducting business activity as a sole trader from 1997 to 1998 while still studying at university. In 1999, together with Michał Brański and Krzysztof Sierota, he established an Internet portal under the name go2.pl (later o2.pl), and in 2000, he incorporated MediaOne sp. z o.o. (later, o2.pl sp. z o.o.), and, subsequently, Grupa o2 sp. z o.o., which, in 2011, was transformed into a joint stock company, Grupa o2 S.A. (currently, Wirtualna Polska Holding S.A.). Since the creation of the portal, Jacek Świderski has developed the business of the Company and its Subsidiaries on the Polish Internet market as currently the President of the Management Board of the Company and of the following Subsidiaries: Grupa Wirtualna Polska S.A. and WP Shopping sp. z o.o. In 2009, he was appointed as a member of the management board of Bridge20 Enterprises Limited and continues to perform such a function today. Since 2014, he has been the president of the management board of Orfe S.A. Additionally, Jacek Świderski is a member of the supervisory boards of the following companies: Perflow S.A. (since 2013), Money.pl sp. z o.o. (since 2014), Domodi sp. z o.o. (since 2014 as chairman of the supervisory board), Dobreprogramy sp. z o.o. (since 2013 as chairman of the supervisory board), Blomedia.pl sp. z o.o. (since 2015 as chairman of the supervisory board) and Enovatis S.A. (since 2015).

Jacek Świderski graduated the Warsaw School of Economics in 2002 with a magister degree in management.

Michał Brański - Member of the Management Board/ VP Strategy

From February 10, 2014 Member of the Management Board / VP Strategy.

In 1999, Michał Brański, together with Jacek Świderski and Krzysztof Sierota, established an Internet portal under the name go2.pl (later o2.pl), and in 2000, he incorporated MediaOne sp. z o.o. (later, o2.pl sp. z o.o., and, subsequently, Grupa o2 sp. z o.o., which, in 2011, was transformed into a joint stock company, Grupa o2 S.A. (currently, Wirtualna Polska Holding S.A.). Since the creation of the portal, he has developed the business of the Company and its Subsidiaries on the Polish Internet market as currently a member of the Management Board of the Company and of the Subsidiaries Grupa Wirtualna Polska S.A. and WP Shopping sp. z o.o. Since 2009, Michał Brański has been a director of Borgosia Investments Limited, and since 2014, the president of the management board of 10x S.A. Additionally, Michał Brański is a member of the supervisory boards of Blomedia.pl sp. z o.o. (since 2015).

Michał Brański studied management and marketing at the Warsaw School of Economics.

Krzysztof Sierota - Member of the Management Board/ VP IT

From February 10, 2014 Member of the Management Board / VP IT.

In 1999, Krzysztof Sierota, together with Jacek Świderski and Michał Brański, established an Internet portal under the name go2.pl (later o2.pl), and in 2000, he incorporated MediaOne sp. z o.o. (later, o2.pl sp. z o.o., and subsequently, Grupa o2 sp. z o.o., which, in 2011, was transformed into a joint stock company, Grupa o2 S.A. (currently, Wirtualna Polska Holding S.A.)). Since the creation of the portal, Krzysztof Sierota has developed the business of the Company and its Subsidiaries on the Polish Internet market as currently a member of the Management Board of the Company and of the Subsidiaries Grupa Wirtualna Polska S.A. and WP Shopping sp. z o.o. Since 2009, Krzysztof Sierota has also been a director of Jadhave Holdings Limited, and since 2010, a member of the management board of Bwave.pl sp. z o.o. and since 2014, the president of the management board of Albemuth Inwestycje S.A.

Krzysztof Sierota studied quantitative methods in economics and information systems as well as finance and banking at the Warsaw School of Economics.

Elżbieta Bujniewicz-Belka - Member of the Management Board/ CFO / VP Finanse

From February 11, 2014 Member of the Management Board, CFO / VP Finanse.

Elżbieta Bujniewicz-Belka commenced her professional career in 1993 as an analyst at Enterprise Investors – a Polish-American Enterprise Fund. Starting in 1995 she was an accounting supervisor at Young&Rubicam, and in of 1996 she continued her professional career as financial controller and director of the analyses and investments department at ComputerLand S.A. (currently Sygnity S.A.). Subsequently, in 1999, she was appointed as the vice president (chief financial officer) and member of the management board of the company and continued in that position until 2007. In 2010, Elżbieta Bujniewicz-Belka was appointed as a member of the management board of DRUMET Liny i Druty sp. z o.o. From 2012 to 2013, Elżbieta Bujniewicz-Belka cooperated with the Iglotex group as a member of the management board of Iglotex S.A. and as a member of the management board of Iglotex Dystrybucja sp. z o.o. Since February 2014, she has been connected with the Group – she is a member of the Management Board of the Company and of the Subsidiaries Grupa Wirtualna Polska S.A., WP Shopping sp. z o.o. and WP1 sp. z o.o.

Elżbieta Bujniewicz-Belka graduated the Warsaw School of Economics in 1993 with a magister degree in economics.

6.1.3. POWERS OF THE MANAGEMENT BOARD

The Management Board manages the Company's operations and assets and represents the Company before courts, authorities and third parties.

In particular, the powers of the Management Board include:

a) acting on behalf of the Company and represent it to third parties,
b) preparation of periodic information of the Company (including individual and consolidated financial statements of the Company) and the report on the activities of the Company in an appropriate terms to be published in accordance with relevant laws,
c) subjecting the financial statements for examination or review by an auditor.
d) submitting to the assessment of the Supervisory Board the documents referred to in point b) together with the opinion and report of the auditor (if required by law)
e) timely convening General Meetings, submitting proposals to the General Assembly and preparing draft resolutions of this body,
f) submitting to the General Meeting for consideration and approval Company's activities statements and financial statements for the last financial year, together with the opinion and report of the auditor,
g) developing and adopting the Company's by-laws, unless they are reserved for the competence of another body of the Company,
h) drawing up the draft budget and investment plans of the Company presented to the Supervisory Board for approval,
i) other matters not reserved for other bodies of the Company.

If the provisions of the Statute or the law so require, prior to a specific activity Management Board is obliged to obtain the consent appropriate the Supervisory Board or the General Meeting.

The Management Board shall provide the transparent and effective information policy using both traditional methods and using modern technologies ensuring fast, secure and broad access to information. The Management Board, using the fullest extent of these methods of communication, ensure adequate communication with investors and analysts.

The Management Board shall determine the place and date of the General Meeting so as to enable the participation of the largest number of shareholders.

The Management Board shall endeavour that a cancellation of the General Meeting or change of its date should not prevent or restrict a shareholder of the Company exercising the right to participate in the General Meeting.

6.1.4. COMPOSITION AND ELECTION OF THE MANAGEMENT BOARD

The Management Board consists of one to five members, including the President of the Management Board and, in the case of the Management Board consisting of more than one person, the President of the Management Board and the other members of the Management Board elected for a joint term of office. The number of the members of the Management Board is determined by the Supervisory Board in accordance with a motion of the President of the Management Board.

The President of the Management Board is appointed and dismissed by the General Meeting. The other members of the Management Board are appointed and dismissed by the Supervisory Board in accordance with a motion of the President of the Management Board.

A Member of the Management Board may also be dismissed or suspended from his duties by way of a resolution of the General Meeting.

6.2. SUPERVISORY BOARD

6.2.1. GENERAL INFORMATION

The Supervisory Board exercises regular supervision over the Company's operations in all areas of its activity.

The Supervisory Board operates in accordance with provisions of the Polish Commercial Code, Articles of Association of the Company and By-laws of the Supervisory Board adopted in resolution No. 9 of the General Meeting of the Company on the 23 December 2015.

In order for the Supervisory Board's resolutions to be valid, all of the members must be invited to a meeting of the Supervisory Board and at least one half of the members of the Supervisory Board must be present at such a meeting.

Unless the Articles of Association provide otherwise, the resolutions of the Supervisory Board are adopted by a simple majority of votes. In case of an equal number of votes "in favour" and "against", the Chairman of the Supervisory Board shall have the casting vote.

Members of the Supervisory Board may participate in the adoption of the resolutions of the Supervisory Board by casting their vote in writing through the intermediation of another member of the Supervisory Board. Votes in writing may not be cast with respect to any matters introduced to the agenda during a meeting of the Supervisory Board.

The Supervisory Board may adopt resolutions in writing or by means of remote communication. The adoption of resolutions in accordance with the above-mentioned procedure (casting a vote in writing through the intermediation of another member of the Supervisory Board, in writing or using means of direct remote communication) does not apply to the election of the Chairman or the Deputy Chairman of the Supervisory Board, the appointment of a member of the Management Board or dismissing or suspending such persons from their duties.

Meetings of the Supervisory Board are convened by the Chairman of the Supervisory Board when needed but not less often than once in every quarter of a given year.

The Chairman of the Supervisory Board manages the activities of the Supervisory Board and represents it before the Management Board and other persons. In his actions the Chairman of the Supervisory Board may not contradict the resolutions adopted by the Supervisory Board with the majority required for a certain matter.

The Supervisory Board may delegate its members to independently perform specific supervisory duties including participating in Management Board meetings or duties if necessary.

Supervisory Board in 2015 delegated Mr Jarosław Mikos – Chairman of Supervisory Board to independently perform specific supervisory activities.

6.2.2. MEMBERS OF THE SUPERVISORY BOARD

Currently the Supervisory Board consists of nine members.

The mandates of the members of the Supervisory Board expire on the date of holding the General Meeting approving the financial statements for the last full fiscal year in which the members of the Supervisory Board fulfilled their duties, i.e. for 2016, at the latest.

As of 31 December 2015 the composition of the Supervisory Board was as follows:

Jarosław Mikos	- Chairman of the Supervisory Board
Krzysztof Krawczyk	- Vice-Chairman of the Supervisory Board
Beata Barwińska-Piotrowska	- Member of the Supervisory Board
Tomasz Czechowicz	- Member of the Supervisory Board
Mariusz Jarzębowski	- Member of the Supervisory Board

Krzysztof Kulig	- Member of the Supervisory Board
Magdalena Magnuszewska	- Member of the Supervisory Board
Magdalena Pasecka	- Member of the Supervisory Board
Krzysztof Rozen	- Member of the Supervisory Board

During the period covered in this Report, the following changes to the composition of the Supervisory Board took place:

- on 5 April 2015, European Media Holding S.à.r.l., in execution of its personal right specified in §17 clause 1 item 2 of the Articles of Association, recalled Mr Krzysztof Krawczyk as a member of the Supervisory Board;
- on 22 April 2015, European Media Holding S.à.r.l., in execution of its personal right specified in §17 clause 1 item 2 of the Articles of Association, appointed Mr Krzysztof Rozen as a member of the Supervisory Board;
- on 23 June 2015 Mr Tomasz Jacygard resigned from the position of the Member of Supervisory Board;
- on 23 June 2015 Mr Krzysztof Krawczyk, Mrs Magdalena Magnuszewska and Mr Mariusz Jarzębowski were appointed by Extraordinary General Meeting of the Company as a member of the Supervisory Board;
- on 30 November 2015 Mr Jan Łukasz Wejchert resigned from the position of Member of the Supervisory Board
- on 8 December 2015 Mrs Magdalena Pasecka was appointed by Extraordinary General Meeting of the company as a Member of the Supervisory Board

Jarosław Mikos - Chairman of Supervisory Board

Since 1 April 2015 Chairman of the Supervisory Board.

Jarosław Mikos commenced his professional career in 1991 at Dziennik Nowa Europa, where he worked until 1992 as a journalist. From 1993 – 1994 he was a journalist at Tygodnik Cash as the head of the business editorial office. In 1995, Jarosław Mikos commenced his cooperation with Delloite&Touche Tohmatsu Ltd. as senior consultant, and from 1996 to 1997 he worked as senior consultant for Coopers&Lybrand. From 1997 to 1999 he was a manager at the Department of Advising in Privatisation Processes and M&A at the London office of PriceWaterhouseCoopers, and from 1999 to 2000, the senior manager at the Warsaw office of PriceWaterhouseCoopers at the Department of Counselling in M&A Processes. From 2001 to 2005 he was the CFO, and since 2002 he has been the President of the Management Board at Energis Polska sp. z o.o. Subsequently, from 2006 to 2008 and from 2009 to 2010 he was the President of the Management Board of Stolarka Wołomin S.A. Additionally, from 2007 to 2011 he was the President of the Management Board of Stolarka S.A., Seegerdach sp. z o.o. and Remix sp. z o.o., while from 2011 to 2013 he was a member of the Supervisory Board of Mediatel S.A., Info TV FM sp. z o.o. and Info TV Operator sp. z o.o. In the meantime, he also acted as the President of the Management Board of Magna Polonia S.A. Since 2014, Jarosław Mikos has been related to the Group, in which he is a member of the supervisory boards of both the Company and the following Subsidiaries: Wirtualna Polska sp. z o.o., Domodi and Money.pl.

Jarosław Mikos graduated from the Faculty of Law and Administration at the University of Warsaw in 1994 as a Master of Law.

Krzysztof Krawczyk - Vice – chairman of the Supervisory Board

Since 23 June 2015 Member of Supervisory Board, from 31 August 2015 Vice - chairman of the Supervisory Board.

Krzysztof Krawczyk is a Head of Warsaw office at CVC Capital Partners, one of the world's leading private equity and investment advisory firms.

Krzysztof Krawczyk has an over 18-year successful track record in European private equity and has served on the boards of numerous private and publicly-listed companies in telecom, media, manufacturing, logistics and healthcare sectors throughout the CEE region. Prior to joining CVC, Krzysztof Krawczyk was Managing Partner at Innova Capital, a leading mid-market private equity firm in Central Europe. Krzysztof Krawczyk also worked at Pioneer Investment, a Poland-based private equity fund, and Daiwa Institute of Research, an advisory arm of Japanese investment bank Daiwa.

Krzysztof Krawczyk is a Vice President and Treasurer of Polish Private Equity Association and co-founded and co-chaired its LBO Committee in the past.

Krzysztof Krawczyk holds a degree (with Honours) in Finance & Banking from the Warsaw School of Economics. He is also an alumnus of Executive Program at Harvard Business School. Krzysztof has been awarded a PE Person of the Year for 2014 by members of Polish Private Equity Association.

Beata Barwińska-Piotrowska – Member of the Supervisory Board

Since February 10, 2014 Member of the Supervisory Board.

Beata Barwińska-Piotrowska commenced her professional career in 1997 at the law office of Kancelaria Żebrowski i Wspólnicy, where she worked until 1998. From 1998 to 2001 she was an attorney at the law office of Kancelaria Adwokacka Wardyńscy i Wspólnicy, and from 2001 to 2004 at the law office of Linklaters. Subsequently, until 2005, Beata Barwińska-Piotrowska ran her own law firm, Indywidualna Kancelaria Adwokacka Beaty Barwińskiej. In 2005, she commenced cooperation as a senior attorney with the law firm of Weil, Gotshal & Manges. Since 2010 she has been an Of Counsel at the Warsaw office of the law firm of CMS Cameron McKenna.

Beata Barwinska – Piotrowska is a Member of the Supervisory Board of the Company, as well as Grupa Wirtualna Polska S.A. – the Company's subsidiary

Beata Barwińska-Piotrowska graduated the University of Łódź with a Master of Law degree. Additionally, in the same year, she completed the School of American Law organised by the Jagiellonian University in cooperation with the Catholic University of America. In 2004, she was registered on the list of advocates of the District Advocates Council in Łódź.

Krzysztof Kulig - Member of the Supervisory Board

Since February 10, 2014 Member of the Supervisory Board.

Krzysztof Kulig commenced his professional career in 1996 at Euronet Worldwide Inc. as national manager for Poland. From 2000 to 2001 he worked at Heidrick & Struggles as head consultant and director of professional services and e-business. Since 2001, Krzysztof Kulig has cooperated with Innova Capital sp. z o.o. sp. k., first as partner and later as the managing partner.

Krzysztof Kulig graduated from the University of Łódź in 1995 with a Master of Science degree in Foreign Trade. During his studies, from 1992 to 1993, he spent a year in Great Britain, where he studied at the University of Kent. In 1998 he completed his MBA studies at the University of Calgary in Canada.

Magdalena Pasecka – Member of the Supervisory Board

Since 8 December 2015 Member of the Management Board

Magdalena Pasecka graduated with MA degree from Banking and Finance at the Warsaw School of Economics and studied also at Johannes Gutenberg University in Mainz (Germany); she is a member of Association of Charted Accountants in Great Britain (ACCA) and Polish Statutory Auditor. She gained professional experience as an analyst/ intern in Feri Alternative Assets GmbH (Germany), a fund of funds advisor (2002), KPMG Audit (2003-2006), Financial Controller in Innova Capital (2006-2010) and CFO/ Board Member in MCI Management S.A. (2010-2014), a Warsaw Stock Exchange listed VC and PE house.

Magdalena Pasecka is a Member of the Audit Committee of the Supervisory Board.

Since July 2014, Ms. Magdalena Pasecka has held the position of chief financial officer (CFO) in the Innova Capital Fund.

Tomasz Czechowicz – Member of the Supervisory Board

Since February 11, 2014 Member of the Supervisory Board.

Tomasz Czechowicz commenced his professional career by establishing in 1990 a company named JTT-Computer S.A., of which he was the President of the Management Board from 1994 to 1998. From May 1998 to 17 March 2014 he was the President of the Management Board, and since 18 March 2014 he has been the Vice President of the

Management Board of MCI Management S.A., while being the managing partner of the MCI Management S.A. group, one of the largest private equity groups in Poland. In 2006, he was also a member of the Supervisory Board of One-2-One S.A. until May 2010, from 2006 to 2010 at Alternative Investment Partners sp. z o.o. and for several months in 2006 at Easycall.pl sp. z o.o. From 2007 to 2013 he also performed such function in MCI.Bioventures sp. z o.o. In 2007, he was appointed to the Supervisory Board of ABC Data S.A., where he was elected a member of the Supervisory Board for consecutive terms and currently performs this function. From 2007, Tomasz Czechowicz assumed a position at MCI Capital Towarzystwo Funduszy Inwestycyjnych S.A. as a member of the management board and at MCI Fund Management sp. z o.o. as the President of the Management Board, and currently holds such positions. Since 2008 he has been and he currently is a member of the supervisory boards of two Czech companies, Geewa a.s. and Invia.cz.a.s. Between July 2009 and January 2010 he was a member of the management board of Śpiący Rycerz sp. z o.o., and in 2010 he was elected the President of the Management Board of Alternative Investment Partners sp. z o.o., and he currently continues to hold such position. From 2010 to 2013, he was a member of the Supervisory Board of Fin Ventures Management sp. z o.o., and from 2011 to 2012 at Immopartners sp. z o.o. Since 2012 he has been and he currently is a member of the Supervisory Board of Frisco.pl sp. z o.o. and Morele.NET sp. z o.o., whereas in MCI Venture Projects sp. z o.o. he is the President of the Management Board and in ABCD Management sp. z o.o. the Vice President of the Management Board. In 2012, Tomasz Czechowicz also assumed and currently continues to hold the position of a member of the advisory council at the European Institute of Innovation and Technology, where he opines on long-term programmes intended to stimulate innovation in EU countries, and he was also appointed an observer in a Russian company, KupiVIP Holding, where he monitors the key strategic aspects of that company on the e-commerce market. One year later he was appointed the President of the Management Board of MCI Asset Management sp. z o.o., Fin Ventures Management sp. z o.o., Immopartners sp. z o.o. and DI Roberto sp. z o.o.; currently he continues to hold such positions. Since 2013, he has been a member of the board of directors of the German company Windeln.de and the Turkish company Indeks Bilgisayar Sistemleri Mühendislik Sanayi ve Ticaret A.Ş. In 2014, he assumed the position of a member of the Strategy Committee at the Warsaw Stock Exchange.

Tomasz Czechowicz graduated from the Warsaw University of Technology in 1994 with an engineering industry organiser degree. In 1997 he was granted a master's degree in Business Management at the University of Economics (Akademia Ekonomiczna) in Wrocław, and in 1998 he completed post-graduate studies in management at the Warsaw School of Economics.

Krzysztof Rozen – Member of the Supervisory Board

Since April 22, 2015 Member of the Supervisory Board.

Krzysztof Rozen commenced his professional career in 1993 at the International Finance Corporation, a member of the World Bank Group, and was involved with this corporation until 1995. In 1996, he was a director of the Project and Structured Finance Division at Citibank Polska. From 1998 to 2014 he worked for KPMG, first as the director responsible for the Corporate Finance division at KPMG Polska, then as the manager of the Corporate Finance team for Central Europe at KPMG CEE, and subsequently as a member of the European Corporate Finance Board at KPMG. From 2000 to 2014 he was the managing partner of the Corporate Finance division at KPMG Polska.

Krzysztof Rozen is the Member of the Supervisory Board who satisfies the independence criteria and he holds a position of the Chairman of the Audit Committee

Krzysztof Rozen is a graduate of the Central School of Planning and Statistics (now the Warsaw School of Economics). He graduated with a master degree in economics in 1986. From 1992 to 1994 he completed studies in management at the Rotman School of Management at the University of Toronto, from which he graduated with an MBA.

Magdalena Magnuszewska - Członek Rady Nadzorczej

Magdalena Magnuszewska commenced her professional career in 2003 in the Corporate Department of BZ WBK S.A.

In 2004 she joined Innova and began her career as an intern. Later on, she worked as an Analyst, Associate and Director and from 2011 Managing Director. Magdalena Magnuszewska has more than 10 years of experience in

Private Equity. During her career she participated in many M&A transactions. She is also involved in supervision of the Innova's portfolio companies.

Magadalena Magnuszewska also conducts a private business under the name "Magdalena Magnuszewska" where she provides consulting services for Innova Capital.

Magdalena Magnuszewska is a Member of the Supervisory Board of the Company, as well as Grupa Wirtualna Polska S.A. – the Company's subsidiary.

Ms. Magnuszewska graduated from Leon Kozminski Academy of Entrepreneurship and Management with honours. She holds a master degree in Finance and Banking.

Mariusz Jarzębowski – Member of the Supervisory Board

Since 23 June 2015 Member of the Supervisory Board

Mariusz Jarzębowski is an entrepreneur who has worked in the high-tech industry in the United States, Austria and Germany. Before coming back to Europe, Mariusz Jarzębowski worked in Silicon Valley at NeXT and Apple run by Steve Jobs. In Poland he was involved in establishing and running new ventures. Mariusz Jarzębowski worked at a venture capital firm where he continued to be involved in new venture development, and served on the Board of Directors and the Advisory Board. Mariusz Jarzębowski helped companies find and enter new markets. At Microsoft, as a specialist in competitive strategy and new markets, he helped organisations create new sources of growth, and learn from start-ups. Founder and owner a technology intelligence firm and Technology Policy Advisor at demosEUROPA–Centre for European Strategy, a think-tank based in Warsaw. He holds MS and MBA degrees from the Warsaw University of Technology Business School in partnership with London Business School.

Mariusz Jarzębowski is the Member of the Supervisory Board who satisfies the independence criteria and a member of the Audit Committee.

6.2.3. MEMBERS OF THE SUPERVISORY BOARD WHO SATISFIES THE INDEPENDENCE CRITERIA

According to Articles of Association at least two members of the Supervisory Board need to satisfy the criteria of independence from the Company and the entities materially related with the Company. The independence criteria need to comply with Annex II to the Commission Recommendation. Irrespective of Annex II to the Commission Recommendation, a person who is an employee of the Company, a subsidiary, or an associated company cannot be considered as a person who satisfies the independence criteria as specified in Annex II to the Commission Recommendation. Additionally, a relation of the shareholder that precludes the independence of a member of the Supervisory Board is any actual and important relationship with a shareholder who is entitled to exercise at least 5% of all of the votes at the General Meeting.

If the Management Board obtains a written representation from a member of the Supervisory Board who had thus far satisfied the aforementioned criteria to the effect that he no longer satisfies such criteria, or obtains such information from another source, the Management Board, within two weeks from the receipt of such representation or obtaining such information, will convene a General Meeting to appoint a member of the Supervisory Board who will satisfy the criteria set out in section 1.

It is assumed that the failure to satisfy the independence criteria by a member of the Supervisory Board and the failure to appoint an independent member of the Supervisory Board does not result in the invalidity of the resolutions adopted by the Supervisory Board. If an independent member of the Supervisory Board becomes dependent while performing the duties of a member of the Supervisory Board, it shall not impact the validity or expiry of his mandate.

Currently, there are two members of the Supervisory Board who satisfy the independence criteria, i.e.:

- Krzysztof Rozen – Member of the Supervisory Board
- Mariusz Jarzębowski – Member of the Supervisory Board

6.2.4. POWERS OF THE SUPERVISORY BOARD

Pursuant to §20, section 3 of the Articles of Association, subject to §20, section 4 Articles of Association, the powers of the Supervisory Board, aside from the matters stated in the Commercial Companies Code, include:

1) the election or change of the entity authorised to compile the financial statements of the Company and to audit the Company;
2) the appointment and dismissal of members of the Management Board in accordance with a request of the President of the Management Board;
3) the determination of the number of members of the Management Board in accordance with a request of the President of the Management Board;
4) the adoption of the By-laws of the Supervisory Board and the By-laws of the Management Board;
5) the granting of consent for the execution by the Company of any material transaction with a related party, excluding any standard transactions concluded on financial markets within the scope of the business conducted by the Company with a subsidiary in which the Company holds a majority share package;
6) reviewing and opining on matters which are to be the subject of resolutions of the General Meeting;
7) opining on long-term development programmes of the Company and the annual financial plans of the Company;
8) the granting of consent for:
    i) the acquisition or sale by the Company or any of its subsidiaries, in a single transaction or during any specific year, of a block or blocks of shares in other entity(ies), or any put or call option or bonds convertible into such shares having a joint value in any one year of the EBITDA consolidated profit;
    ii) the execution by the Company or any of its subsidiaries of an agreement resulting in a consolidated financial indebtedness in excess of 2.25 times the EBITDA consolidated profit;
    iii) the establishment by the Company or any Subsidiary thereof in favour of any third party, in a single transaction or during any year, of a pledge or the sale of assets having a fair market value or book value, on a joint basis, of one time the EBITDA consolidated profit;
    iv) the assumption of any obligation or the disposal of any right by the Company or its subsidiary, in a single transaction or during any specific year, having a joint value in excess of one time the EBITDA consolidated profit;
    v) both with respect to the Company and its subsidiaries, the execution of contracts of employment, mandate agreements, service agreements (or any other agreements of a similar nature) where the amount of annual remuneration exceeds PLN 1.2 million (including the maximum payable bonus under any such agreement.

Pursuant to §20, section 4 of the Articles of Association, if any shareholder (except for entities who are shareholders of the Company on 14 January 2015, i.e. the European Media Holding S.a.r.l. and Orfe S.A., 10x S.A. and Albemuth Inwestycje S.A.) reaches or exceeds 30% of the overall number of outstanding votes in the Company, the matters referred to in sections 8) – 12) Articles of Associations will no longer constitute the powers of the Supervisory Board, but will become the powers of the General Meeting.

6.2.5. STRUCTURE AND METHOD OF ELECTION OF THE SUPERVISORY BOARD

The Supervisory Board consists of five to nine members appointed and dismissed by the General Meeting.

The number of members of the Supervisory Board is determined by the General Meeting. In the case of the election of the Supervisory Board by way of separate group voting in compliance with Article 385 of the Commercial Companies Code, the number of Supervisory Board members will be nine (9).

The Supervisory Board which, in consequence of the expiry of the mandates of certain members of the Supervisory Board (for reasons other than dismissal), consists of fewer members than required under the Articles of Association, but not fewer than five, may adopt binding resolutions.

If, as a consequence of the expiry of the mandates of certain members of the Supervisory Board (for any reason other than dismissal) the number of members of the Supervisory Board of a given term of office is lower than the statutory minimum number, the other members of the Supervisory Board may appoint a new member of the Supervisory Board by way of co-option (kooptacja) and such a member will perform his duties until his successor is appointed by the next General Meeting, unless the General Meeting approves the member of the Supervisory Board appointed by way of co-option.

In the case of the expiry of a mandate of an independent member of the audit committee as referred to in §23, the member of the Supervisory Board appointed by way of co-option should satisfy the independence criteria referred to in Article 86 section 5 of the Auditors' Act and should have qualifications in accounting and auditing.

The Supervisory Board that appointed a member of the Supervisory Board by way of co-option will immediately convene a General Meeting to procure the approval of the member of the Supervisory Board appointed by way of co-option or the appointment of his successor.

Members of the Supervisory Board may appoint new members by way of co-option if the number of Supervisory Board members is at least two (2).

Members of the Supervisory Board shall effect the appointment of a new member by way of co-option on the basis of a written statement of all the members of the Supervisory Board on the appointment of a member of the Supervisory Board.

6.2.6. THE SUPERVISORY BOARD'S COMMITTEES

The Supervisory Board may appoint permanent committees or ad hoc committees acting as collective advisory bodies to the Supervisory Board. A Committee shall be established by the Supervisory Board from among its members by means of a resolution. A committee shall consist of 3 to 5 members.

The detailed tasks and rules of the appointment and operation of the committees shall be set out in the by-laws of the committee adopted by the Supervisory Board.

The Supervisory Board may in particular appoint a permanent the Audit Committee or the Nomination and Remuneration Committee.

6.2.6.1. THE AUDIT COMMITTEE

In accordance with § 22 of the Articles of Association, the Supervisory Board will appoint an audit committee consisting of at least three members, including at least one member who should meet the independence criteria within the meaning of Article 86 clause 5 of the Auditors Act and have qualifications in the area of accounting or auditing pursuant to Article 86 clause 4 of the Auditors Act.

A Supervisory Board which consists of not more than five members may fulfil the duties of the audit committee.

The tasks of the audit committee include, in particular:

(a) supervising over the organisational unit performing an internal audit;
(b) monitoring the process of financial reporting,
(c) monitoring the effectiveness of the internal control systems, internal audit systems and risk management;
(d) monitoring the performance of financial auditing;
(e) monitoring the independence of the statutory auditor and the entity authorised to audit financial statements, including cases of the provision of services other than the financial auditing of the Company; and
(f) recommending to the Supervisory Board an entity authorised to audit financial statements to perform such financial auditing of the Company.

The Audit Committee shall hold a meeting , as needed, at least four times a year.

The Audit Committee is chaired by a Chairman.

The Audit Committee's meetings shall be convened by its Chairman on his own initiative or at the request of a member of the Audit Committee, and also at the request of the Management Board, internal or external auditor.

The chairman of the Audit Committee invites all members of the committee and notifies all other Members of the Supervisory Board. All Members of the Supervisory Board may participate in the meetings of the committees.

The chairman of the Audit Committee may invite to the meetings Members of the Management Board, employees of the Company and other persons who may be useful in performance of the committees' duties.

6.2.6.2. MEMBERS OF THE AUDIT COMMITTEE

- Krzysztof Rozen - Chairman of the Audit Committee, Member of the Supervisory Board satisfying the independence criteria
- Magdalena Pasecka - Member of the Audit Committee
- Mariusz Jarzębowski - Member of the Audit Committee, Member of the Supervisory Board satisfying the independence criteria

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, March 17, 2016

MANAGEMENT BOARD'S REPRESENTATION

The Management Board of Wirtualna Polska Holding SA confirms that, to their best knowledge, the annual financial statements together with comparative figures have been prepared according to all applicable accounting standards and reflect a true and fair view of the state of affairs and the financial results of the Issuer for the period.

Moreover, the Management Board of Wirtualna Polska Holding SA confirms that the report of the management board on the activities of the Company shows true view of the development and achievements and state of affairs of the Issuer, including evaluation of dangers and risks.

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

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, March 17, 2016

STANDALONE FINANCIAL STATEMENTS OF WIRTUALNA POLSKA HOLDING S.A.

for the year ended 31 December 2015

WP Holding SA

Standalone income statement and other comprehensive income

in PLN'000	Note	For the year ended 31 December 2015	For the year ended 31 December 2014
Sales	4	**5 257**	**4 605**
Amortization and depreciation		(9)	(2)
Materials and energy used		-	(1)
Costs of the employee option scheme	15	(955)	(1 812)
Other external services		(5 184)	(2 129)
Other salary and employee benefit expenses		(4 944)	(3 092)
Other operating expenses	5	(113)	(41)
Other operating income/gains		7	1
Revaluation of financial assets		-	(500)
Dividends received		633	166
Gain/loss on disposal of other financial assets	8	2	1 591
Operating loss		**(5 306)**	**(1 214)**
Finance income	6	11 720	13 743
Finance costs	7	(1 032)	(514)
Profit before tax		**5 382**	**12 015**
Income tax	9	(1 006)	(2 712)
Net profit		**4 376**	**9 303**
Other comprehensive income		-	-
Comprehensive income		**4 376**	**9 303**
Net profit attributable to equity holders of the Company per share (in PLN)			
Basic	10	0.16	0.41
Diluted	10	0.16	0.40

Standalone statement of financial position

in PLN'000	Note	As at 31 December 2015	As at 31 December 2014
Non-current assets			
Intangible assets	11	59	-
Investments in subsidiaries	12	203 123	169 700
Loans granted	12	263 124	189 063
		466 306	**358 763**
Current assets			
Trade receivables and other assets	13	1 524	3 496
Cash and cash equivalents		18 144	514
		19 668	**4 010**
TOTAL ASSETS		**485 974**	**362 773**
Equity			
Share capital	14	1 413	1 231
Supplementary capital		310 454	206 664
Other reserves		3 347	1 954
Retained earnings		149 583	140 280
Result for the period		4 376	9 303
		469 173	**359 432**
Long-term liabilities			
Other long-term liabilities	18	9 373	-
Deferred tax liability	16	2 625	1 740
		11 998	**1 740**
Short-term liabilities			
Trade and other payables	18	4 665	1 601
Provisions for employee benefits		17	-
Current income tax liabilities		121	-
		4 803	**1 601**
TOTAL EQUITY AND LIABILITIES		**485 974**	**362 773**

Standalone statement of changes in equity

in PLN'000	Note	Equity					
		Share capital	Supplementary capital	Other reserves	Retained earnings	Result for the period	Total
Equity as at 1 January 2015		1 231	206 664	1 954	140 280	9 303	**359 432**
Net profit		-	-	-	-	4 376	**4 376**
Total comprehensive income		**-**	**-**	**-**	**-**	**4 376**	**4 376**
Share capital increase from initial public offering	14	167	106 705	-	-	-	**106 872**
Cost of share issue	14	-	(4 916)	-	-	-	**(4 916)**
Incentive scheme - share-based payments	15	15	2 001	1 393	-	-	**3 409**
Distribution of net profit		-	-	-	9 303	(9 303)	**-**
Equity as at 31 December 2015		**1 413**	**310 454**	**3 347**	**149 583**	**4 376**	**469 173**

in PLN'000	Note	Equity					
		Share capital	Supplementary capital	Other reserves	Retained earnings	Result for the period	Total
Equity as at 1 January 2014		378	-	-	157 733	-	**158 111**
Net profit		-	-	-	-	9 303	**9 303**
Total comprehensive income		**-**	**-**	**-**	**-**	**9 303**	**9 303**
Share capital increase	14	853	206 664	-	-	-	**207 517**
Incentive scheme - share-based payments	15	-	-	1 954	-	-	**1 954**
Payment of dividend	14	-	-	-	(17 453)	-	**(17 453)**
Equity as at 31 December 2014		**1 231**	**206 664**	**1 954**	**140 280**	**9 303**	**359 432**

Standalone cash flow statement

in PLN'000	Note	For the year ended 31 December 2015	For the year ended 31 December 2014
Cash flows from operating activities			
Profit before tax		**5 382**	**12 015**
Adjustments for:		**(10 365)**	**(12 663)**
Amortization and depreciation		9	2
Gain/loss on disposal of other financial assets		-	(1 081)
Finance income and costs		(10 688)	(13 230)
Costs of the employee option scheme		955	1 812
Dividends received		(633)	(166)
Other adjustments		(8)	-
Change in working capital		**(4 382)**	**(644)**
Change in trade and other	22	1 180	(1 052)
Paid IPO costs recognized in equity		(4 916)	-
Change in trade and other payables	22	(663)	408
Change in provisions		17	-
Income tax paid		-	-
Net cash flows from operating activities		**(9 365)**	**(1 292)**
Cash flows from investing activities			
Purchase of intangible assets and property, plant and equipment		(68)	-
Sale of other financial assets and subsidiaries		2	8 489
Dividends received		633	166
Repayment of guarantees granted		2 030	-
Loans granted		(76 855)	(178 490)
Repayment of loans granted		6 725	-
Repayment of interest on loans granted		6 000	-
Purchase of shares in subsidiary		(20 910)	-
Purchase of long-term financial assets		-	(500)
Net cash flows from investing activities		**(82 443)**	**(170 335)**
Net cash flows from financing activities			
Payments due to share capital increase		108 887	203 504
Loans and advances received		-	5 122
Interest paid		-	(1 813)
Interest received on cash at banks		551	-
Repayment of loans and advances received		-	(20 688)
Dividends to shareholders		-	(14 150)
Other financial proceeds		-	50
Net cash flows from financing activities		**109 438**	**172 025**
Total net cash flows		**17 630**	**398**
Cash and cash equivalents at the beginning of the period		**514**	**116**
Cash and cash equivalents at the end of the period		**18 144**	**514**

NOTES TO THE STANDALONE FINANCIAL STATEMENTS

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.
Until 21 March 2014, the Company operated as Grupa o2 SA.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union and were in force as at 31 December 2015.

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

In order to fully understand the financial position and results of the Company as the Parent Company of the Capital Group, these financial statements should be read in conjunction with annual consolidated financial statements of the Capital Group Wirtualna Polska Holding S.A. for the year ended 31 December 2015, published on 18 March 2016.

2.2. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

Standards, amendments and interpretations not yet binding and not applied by the Company before the date of their coming into force in these financial statements

In these financial statements, the Company has not decided to apply early the following published standards before the date of their coming into force:

IFRS 9 "Financial Instruments: Classification and measurement and hedge accounting"

IFRS 9 replaces IAS 39. The standard is binding for annual periods starting on or after 1 January 2018.

The standard introduces a single model providing for two categories of financial assets only: measured at fair value and measured at amortized cost. Classification is performed at initial recognition and it depends on the management model of financial instruments adopted by the entity and on the characteristics of contractual cash flows from such instruments. IFRS 9 introduces a new model for determining impairment losses – the expected loss model. Most IAS 39 requirements concerning classification and measurement of financial liabilities were transferred to IFRS 9 unchanged. An important change is the requirement to present the effects of changes in credit risk on financial liabilities designated for measurement at fair value through profit or loss in other comprehensive income. The purpose of the changes within the scope of hedge accounting was to better match hedge accounting to risk management.

The Company is going to apply IFRS 9 on its endorsement by the European Union. The Management Board is in the course of analyzing the effect of the amendments on the financial statements. As of the date of preparing these financial statements, IFRS 9 has not yet been endorsed by the European Union.

IFRS 15 "Revenue from Contracts with Customers"

The standard was published by the International Accounting Standards Board on 28 May 2014 and is binding for the annual periods starting on or after 1 January 2017.

The core principle of the new standard is recognizing revenue at the moment of transferring goods or services to the customer in an amount of the transaction price. All goods or services sold in bundles that can be made distinct within a bundle should be recorded separately; moreover, all discounts and rebates relating to the transaction price should in principle be allocated to the individual elements of a bundle. When an amount of revenue is variable, the variable amounts are classified as revenue according to the new standard if it is highly probable that the revenue recognition will not be reversed in the future as a result of revaluation. Moreover, according to IFRS 15 costs incurred to obtain and secure a contract with a customer should be capitalized and deferred over the period of consuming the benefits from the contract.

The Company is going to apply IFRS 15 on its endorsement by the European Union. The Management Board is in the course of analyzing the effect of the amendments on the financial statements.

IAS 27 relating to equity method in separate financial statements

Amendment to IAS 27 allows to use the equity method as one of the optional methods to account for investments in subsidiaries, joint ventures and associates in the separate financial statements.
Changes are binding in the European Union for annual periods beginning 1 January 2016.

The Company is going to apply the change from 1 January 2016. The Management Board believes the change will not impact on Company's approach to recognition of investments in subsidiaries, joint ventures and associates.

The amendments to standards and interpretations not listed above which have been published but are not yet binding will have no effect on the financial statements of the Company.

2.3. SEGMENT REPORTING

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

2.4. MEASUREMENT OF ITEMS DENOMINATED IN FOREIGN CURRENCIES

(a) Functional and presentation currencies

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

(b) Transactions and balances

Transactions denominated in foreign currencies are translated into the functional currency at the exchange rate as at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

2.5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment items are measured at cost (cost of purchase or manufacture), less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their initial cost less their residual values. As of 31 December 2015 and 31 December 2014 the Company had no property, plant and equipment.

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

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

2.6. INTANGIBLE ASSETS

Copyrights

Purchased copyrights relating to the contents of the websites operated by the Group are carried at the amounts corresponding to the costs incurred on their purchase. These costs are amortized over the estimated useful lives of 5 years.

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

2.7. IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

2.8. FINANCIAL ASSETS

The Company has financial assets belonging to the following categories: available for sale financial assets and loans and receivables (see note 2.10 and 2.11).
Available for sale financial assets and loans are presented in “other financial assets”.
Available for sale financial assets are initially recognized at fair value plus transaction costs. After initial recognition, they are measured at fair value with the measurement results carried in other comprehensive income. If the fair value of available for sale financial assets, representing shares in an unlisted company, cannot be reliably established the valuation is performed at cost lest impairment.

2.9. NON-CURRENT ASSETS HELD FOR SALE

Non-current assets are classified as held for sale if their carrying amount will be recovered mainly through a sale transaction and the sale is considered highly probable. They are recorded at the lower of: their carrying amount and fair value less costs to sell.

2.10. TRADE RECEIVABLES

Trade receivables are amounts due from customers mainly for services provided in the course of normal business activities. Receivables repayable within one year (or in the course of normal business activities, if it is

longer) are classified as current assets. Otherwise, they are shown as non-current assets. Trade receivables are initially carried at fair value. After initial recognition, receivables are stated at amortized cost using the effective interest rate method, taking account of impairment losses. In the case of short-term receivables, valuation at amortized cost corresponds to the amount due.
Write-downs on doubtful receivables are estimated when collecting the full amounts receivable on initial terms is no longer probable. The costs of recording receivables write-downs are charged to other operating expenses in the financial statements.

2.11. LOANS GRANTED

Loans include financial assets arising when the cash is directly delivered to the counterparty, with fixed or determinable payments, excluding financial assets intended for sale in the short term. The Company includes into this category only loans granted to subsidiaries. Loans granted are measured at amortised cost, less impairment losses. At the end of each reporting period the Company assesses whether there is objective evidence which indicates that the financial asset is impaired. The impairment loss is the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted using the effective interest rate. Changes in impairment loss are recognized in income statement. Interest accrued is recognized in finance income, in the period to which they relate. The Company creates write downs for doubtful accrued interest on the accrual date.

2.12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include mainly cash in hand and at bank.
Cash equivalents are current investments with high liquidity, easily exchangeable for specific amounts of cash and exposed to insignificant risk of value fluctuations, with original maturity not exceeding three months.

2.13. SHARE CAPITAL

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

2.14. DIVIDEND DISTRIBUTION

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

2.15. LOANS AND BORROWINGS

Loans and borrowings are recognized initially at fair value, net of transaction costs incurred. Loans and borrowings are subsequently shown at amortized cost. Any differences between the proceeds (net of transaction costs) and the redemption value are recognized in the statement of profit and loss over the period of the relevant agreements using the effective interest rate method.
Fees for availability of loan are recorded as transaction costs to an extent to which it is probable that the loan shall be used in whole or in part in the future. In this case, the fees are deferred until the time the loan is actually used. Where it is not probable that a loan would be used in whole or in part, the fee is capitalized as an advance payment for liquidity-related services and amortized over the period of the loan to which it relates.

2.16. TRADE PAYABLES

Trade payables are obligations to pay for goods and services acquired in the course of normal business activities. Trade payables are classified as short-term liabilities if their settlement is expected within one year (or in the normal business cycle of the enterprise, if longer). Otherwise, they are shown as long-term.
Trade payables are initially recognized at fair value and subsequently they are stated at amortized cost using the effective interest rate method. In the case of short-term liabilities, valuation at amortized cost corresponds to the amount due.

2.17. CURRENT AND DEFERRED INCOME TAX

Corporate income tax for a reporting period comprises current and deferred tax. Current income tax is calculated on the basis of taxable income (tax base) for a given financial year and the binding tax rate, based on the binding tax regulations.
Deferred income tax liabilities and assets are recorded on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax is not recorded if it arose on initial recognition of goodwill or initial recognition of an asset or a liability as part of a transaction other than a business combination, which does not affect profit or loss or taxable income (tax loss).
Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized.
Deferred income tax is determined using tax rates (and laws) that were enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
Deferred tax is recognized in profit or loss, except for situations when it relates to items recorded in other comprehensive income or directly in equity. Deferred tax is then also recorded in other comprehensive income or in equity.
Deferred tax assets and liabilities can be balanced off when the entity has an enforceable title to balance off its current income tax receivables and liabilities and when the deferred tax assets and provisions relate to income tax imposed on the same tax-payer by the same tax authorities.

2.18. INCENTIVE SCHEME – SHARE-BASED PAYMENTS

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

Equity settled share-based incentive schemes

The Group obtains services from its employees in return for the Company's equity instruments (options). The fair value of the employee services obtained in return for granting options is recognized as cost. The aggregate amount to be recorded in costs is determined with reference to fair values of the granted options:

- taking account of all market conditions (such as the entity's share price);
- without taking into account the effect of all the conditions related to years of service and non-market vesting conditions (e.g. profitability of sales, sales growth targets and the indicated mandatory period of an employee's employment in a given entity); and
- taking into account the effect of all non-vesting conditions (for example, a requirement for the employees to hold the instruments obtained).

Non-market conditions have been included in the assumptions related to the expected number of options which will be vested. The aggregate cost is recorded over the entire vesting period, which is the period during which all the vesting conditions must be fulfilled.
Additionally, in certain circumstances the employees may render services before the date of the share options being granted to them. In such case, the fair value as of the date of granting the share options is estimated in order to record the costs over the period from the employees starting to render their services until the date of the options being actually granted to them. At the end of each reporting period, the entity reviews the adopted estimates of the expected number of options vested as a result of satisfying non-market vesting conditions. The entity presents the effect of a potential adjustment of the initial estimates in the statement of profit and loss, with an appropriate adjustment in equity. The entity issues new shares the moment the options have been exercised. Funds obtained after deducting all costs that can be directly attributed to the transaction increase share capital (the par value) and share premium at the moment the options have been exercised.

Social insurance contributions payable in connection with granting the share options are considered an integral part of the benefit granted, and the costs are treated as a cash-settled transaction.

Cash settled share-based incentive schemes

Under cash settled share-based payments, the entity measures the services obtained and the liability incurred at fair value of the liability. Until the time the liability is settled, at each reporting date and at the settlement date, the entity measures the liability at fair value over the vesting period for the employees. The cost of the scheme is charged to profit or loss for the period.

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

2.19. PROVISIONS

Provisions are recognized when there is an obligation (legal or constructive) following from past events and when it is certain or highly probable that meeting the obligation will lead to the necessity of an outflow of funds embodying economic benefits and the amount of the liability can be reliably assessed. Provisions are measured at the present value of the expenditure which according to expectations will be necessary to fulfil the obligation.

2.20. REVENUE RECOGNITION

Revenue is stated at fair value of consideration received or receivable for the sale of services in the normal course of the Company's business. Revenue is presented net of value added tax, returns, rebates and discounts. The Company recognizes revenue when the amount of revenue can be reliably measured and when it is probable that the entity will obtain economic benefits in the future. Revenue from services is recognized when the service is performed.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The main assumptions relating to the future and other key sources of uncertainty as of the balance sheet date, involving a significant risk of material adjustments to the carrying values of assets and liabilities in the following financial year, are discussed below.

(a) Deferred tax asset

As a result of IFRS adoption, the value of shares held in Grupa Wirtualna Polska Sp. z o.o. decreased by PLN 148,155 thousand due to valuation of these shares to fair value as of 31.12.2012. This caused the deductible temporary difference arose on this investment of PLN 148,145 thousand. Due to the fact that the Company does not plan to sell its shares in the foreseeable future, pursuant to IAS 12.44, no deferred tax asset was recorded on this temporary difference of PLN 28,155 thousand in the financial statements.

(b) Impairment of financial assets

An impairment loss of financial assets is recognized when there is objective evidence that one or more events have had a negative effect on the estimated future cash flows of that asset. If the carrying amount of the asset is greater than its recoverable amount, the asset is impaired and its carrying amount is reduced to its recoverable amount. Impairment losses are recognized in the income statement.
Impairment losses are reversed if a subsequent increase in recoverable value can be related objectively to the event occurring after the impairment losses were recognized.

(c) Valuation of the contingent liability relating to acquisition of shares in NextWeb Media

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 income statement and other comprehensive income.

The Group analyzes 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.

4. SALES

in PLN'000	For the year ended 31 December 2015	For the year ended 31 December 2014
Management services	5 257	4 605
Total	**5 257**	**4 605**

in PLN'000	For the year ended 31 December 2015	For the year ended 31 December 2014
Domestic sales	5 257	4 605
Total	**5 257**	**4 605**

Total Company's sales relate to services provided to subsidiaries.

5. OTHER OPERATING EXPENSES

in PLN'000	For the year ended 31 December 2015	For the year ended 31 December 2014
Representation and other costs by type	93	1
Revaluation of state receivables (Note 13)	-	22
Taxes and charges	9	2
Revaluation and liquidation of non-financial assets	-	9
Foreign exchange differences recognized in operating activities	2	-
Other	9	7
Total	**113**	**41**

6. FINANCE INCOME

in PLN'000	For the year ended 31 December 2015	For the year ended 31 December 2014
Interest income on loans granted	9 931	12 951
Interest income on cash at banks	551	-
Income from guarantees	1 238	792
Total	**11 720**	**13 743**

7. FINANCE COSTS

in PLN'000	For the year ended 31 December 2015	For the year ended 31 December 2014
Interest and commissions	-	513
Reversal of discount on contingent liabilities due to acquisition of subsidiary	1 032	-
Other	-	1
Total	**1 032**	**514**

8. GAIN ON DISPOSAL OF OTHER FINANCIAL ASSETS

In 2015 the Company sold shares held in Kupbon SA and the minority stake in Szopuje Sp. z o.o. As of 31 December 2014 and as of the date of sale, the value of these shares was fully covered by impairment allowance. As a result of this transaction the Company recognized gain of PLN 2 thousand.

On 17 January 2014 the Company sold shares held in Socializer S.A. Group for PLN 8,506 thousand. As of 31 December 2013 shares were classified as held for sale, and their value amounted to PLN 6,898 thousand. The Company recognized gain on this transaction of PLN 1,591 thousand.

9. CORPORATE INCOME TAX AND DEFERRED TAX

in PLN'000	For the year ended 31 December 2015	For the year ended 31 December 2014
Current income tax	**(121)**	**-**
For the financial year	(121)	-
Deferred tax (note 16)	**(885)**	**(2 712)**
Temporary differences arising and reversed	(885)	(2 712)
Total income tax	**(1 006)**	**(2 712)**

The notional amount of corporate income tax on profit before tax of the Company differs as follows from the income tax amount shown in the profit or loss:

in PLN'000	For the year ended 31 December 2015	For the year ended 31 December 2014
Profit before tax	**5 382**	**12 015**
Income tax at the statutory rate of 19%	**1 023**	**2 283**
Tax effects of the following items:		
Non-taxable income	(95)	-
Dividends received	(120)	(32)
Non-deductible costs	193	461
Other	5	-
Total income tax	**1 006**	**2 712**

Tax settlements and other regulated areas of activities (for example, customs or foreign currency issues) may be subject to inspections by administrative bodies which are entitled to impose high penalties and sanctions. The lack of reference to established legal regulations in Poland results in ambiguities and inconsistencies in the binding regulations. Frequent differences of opinion as to the legal interpretation of tax regulations, both internally within the state bodies and between the state bodies and enterprises, result in areas of uncertainty and conflict arising. Due to these factors the tax risk in Poland is considerably higher than that usually existing in countries with better developed tax systems. Tax settlements may be subject to inspections within 5 years from the end of the year in which tax was paid. As a result of inspections, the Company's tax settlements may be increased by additional tax liabilities. The Company is of the opinion that as of 31 December 2015 there were no premises to record a provision against identifiable and measurable tax risk.

10. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the year. The dilutive items include shares under the option scheme (Note 15).
The option scheme had a dilutive impact in 2015 and 2014.

in PLN'000	For the year ended 31 December 2015	For the year ended 31 December 2014
Net profit attributable to equity holders of the Company	**4 376**	**9 303**
Weighted average number of shares shown for the purpose of calculating basic earnings per share (no. of units)	27 085 948	22 716 907
Effect of diluting the number of ordinary shares	483 342	694 227
Weighted average number of ordinary shares shown for the purpose of calculating diluted earnings per share (no. of units)	27 569 290	23 411 134
Basic (in PLN)	0.16	0.41
Diluted (in PLN)	0.16	0.40

11. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

In the period from 1 January 2015 to 31 December2015 the Company did not purchase property, plant and equipment.
As of 31 December 2015 and 2014 the Company has no property, plant and equipment.

Changes in intangible assets are as follows:

in PLN'000	Other intangible assets
Gross carrying amount as at 1 January 2015	-
Additions due to:	**68**
- purchases	68
Gross carrying amount as at 31 December 2015	**68**
Accumulated depreciation as at 1 January 2015	-
Additions due to:	**9**
- depreciation	9
Accumulated depreciation as at 31 December 2015	**9**
Net carrying amount as at 31 December 2015	**59**

As of 31 December 2015 and 31 December 2014 the Company did not have any commitments to purchase property, plant and equipment and intangible assets.
The Company does not use contracts classified as finance leases.

12. LONG-TERM FINANCIAL ASSETS

in PLN'000	31 December 2015	31 December 2014
Shares	203 123	169 700
Loans granted	263 124	189 063
TOTAL	**466 247**	**358 763**

The table below shows changes in the value of long-term investments during the financial year ended 31 December 2015.

in PLN'000	Shares	Loans granted	Total long-term financial assets
As at 1 January 2015	**169 700**	**189 063**	**358 763**
Additions	**33 423**	**86 786**	**120 209**
Purchase of shares	32 985	-	**32 985**
Loans granted	-	76 855	**76 855**
Costs of the option scheme in the subsidiary	438	-	**438**
Interest accrued using effective interest rate	-	9 931	**9 931**
Decreases	**-**	**(12 725)**	**(12 725)**
Sale of shares	-	-	**-**
Repayment of loans granted	-	(12 725)	**(12 725)**
Impairment allowances	-	-	**-**
As at 31 December 2015	**203 123**	**263 124**	**466 247**

The table below shows changes in the value of long-term investments during the financial year ended 31 December 2014.

in PLN'000	Shares	Loans granted	Total long-term financial assets
As at 1 January 2014	**169 558**	**-**	**169 558**
Additions	**642**	**191 393**	**192 035**
Purchase of shares	500	-	**500**
Loans granted	-	178 490	**178 490**
Costs of the option scheme in the subsidiary	142	-	**142**
Interest accrued using effective interest rate	-	12 903	**12 903**
Decreases	**(500)**	**(2 330)**	**(2 830)**
Sale of shares	-	-	**-**
Repayment of loans granted	-	(2 330)	**(2 330)**
Impairment allowances	(500)		**(500)**
As at 31 December 2014	**169 700**	**189 063**	**358 763**

Loans granted

On 10 February 2014 the Company signed with its subsidiary o2 Sp. z o.o. (currently Grupa Wirtualna Polska S.A.) a loan agreement of PLN 200,000 thousand for the purpose, among other, of purchase shares in Wirtualna Polska S.A. The loan could have been paid in one or several tranches.
Until 31 December 2014, the subsidiary used PLN 178,500 thousand of the available amount.
On 18 June 2015, the Company signed an amendment to the loan agreement which increases the available loan limit by PLN 80,000 thousand i.e. to PLN 280,000 thousand. During 2015, the subsidiary used the subsequent tranches of the loan in the total amount of PLN 65,936 thousand, which were intended for acquisition activity and partial repayment of the bank loan. In the same year Grupa Wirtualna Polska paid capital of PLN 6,725 thousand and interest of PLN 6,000 thousand. The loan bears an interest rate of WIBOR for 3-month deposits plus the margin specified in the agreement. The loan can be repaid at any time, but no later than 31 December 2019.

Additionally, on 16 September 2015 the Company granted to its subsidiary Money.pl Sp. z o.o. the loan of PLN 10,869 thousand, which was used to purchase shares in companies Finansowysupermarket Sp. z o.o.and WebBroker Sp. z o.o. The loan bears an interest rate of WIBOR for 3-month deposits plus the margin specified in the agreement. The loan can be repaid at any time, but no later than 31 December 2017.

Furthermore, on 20 November 2015 the Company granted to its subsidiary WP1 Sp. z o.o. the loan of PLN 50 thousand. The loan bears an interest rate of WIBOR for 3-month deposits plus the margin specified in the agreement.

Shares

As of 31 December 2015 the structure of shares held by the Company is as follows:

Name of the company	Value of shares at purchase price	Adjustments	Carrying value of shares	Percentage of shares held	Percentage of votes held
Grupa Wirtualna Polska S.A.	196 397	-	196 397	100%	100%
http Sp. z o.o.	24	-	24	100%	100%
dobreprogramy Sp. z o.o.	6 697	-	6 697	51%	51%
WP1 Sp. z o.o.	5	-	5	100%	100%
As at 31 December 2015	**203 123**	**-**	**203 123**		

As of 31 December 2014 the structure of shares held by the Company is as follows:

Name of the company	Value of shares at purchase price	Adjustments	Carrying value of shares	Percentage of shares held	Percentage of votes held
Grupa Wirtualna Polska Sp. z o.o.	162 979	-	162 979	100%	100%
Http Sp. z o.o.	12	-	12	100%	100%
Free4Fresh Sp. z o.o.	12	-	12	100%	100%
dobreprogramy Sp. z o.o.	6 697	-	6 697	51%	51%
Kupbon S.A.	250	(250)	-	6%	6%
Szopuje Sp. z o.o.	250	(250)	-	17%	17%
As at 31 December 2014	**170 200**	**(500)**	**169 700**		

On 3 June 2015 the Group purchased 100% shares in NextWeb Media Sp. z o.o. together with its subsidiary i.e. Blomedia Sp. z o.o. The total purchase price was set at PLN 32,980 thousand, of which the value of new shares paid amounted to PLN 20,700 thousand. At the same time, according to the share purchase agreement, the previous shareholder will be entitled to three rounds of additional remuneration. The first tranche of PLN 3,500 thousand nominal value may be paid in 2016, provided NextWeb Media reaches EBITDA level, calculated for twelve months following the acquisition, indicated in the agreement. The second and third tranches will be calculated as a percentage of estimated future value of NextWeb Media Sp. z o.o as of 31 December 2016 and 30 June 2018 respectively. Total discounted value of the additional contingent liability recognized in relation to business combination amounted to PLN 12,070 thousand as at the acquisition date and increased the value of shares purchased. Transaction costs (tax on civil law transactions) which increased the purchase price of the investment amounted to PLN 210 thousand.

On 31 August 2015, Grupa Wirtualna Polska Sp. z o.o. and NextWeb Media Sp. z o.o. merged by transferring of all assets of NextWeb Media Sp. z o.o. to Grupa Wirtualna Polska Sp. z o.o. Group (merger by acquisition). As a result of the merger, the value of shares of Grupa Wirtualna Polska increased by PLN 32,980 thousand.
Aditionally, the value of shares of Grupa Wirtualna Polska S.A. was increased by PLN 438 thousand due to option rights vested during the year by beneficiaries of option scheme providing services for the the subsidiary (note 15).
On 13 October 2015, the company Grupa Wirtualna Polska Sp. z o.o. was transformed into a join-stock company.

On 21 August 2015 the company WP1 Sp. z o.o. was set up and registered with 100% of shares owned by Wirtualna Polska Holding SA. The share capital of new company amounted to PLN 5 thousand.

On 30 October 2015 , companies http Sp. z o.o. and Free4Fresh Sp. z o.o. merged by transferring of all assets of Free4Fresh Sp. z o.o. to http Sp. z o.o.

In the Management Board's opinion, there are no triggers of impairment of shares which were not written-down as of 31 December 2015.

As of 31 December 2015, the financial pledge on shares of total of PLN 203,123 thousand was established as a collateral for the repayment of loan taken by the subsidiary.

13. TRADE RECEIVABLES AND OTHER ASSETS

in PLN'000	As at 31 December 2015	As at 31 December 2014
Receivables from related parties	716	1 132
State receivables	798	606
Guarantees granted	-	792
Prepayments	9	966
Other assets	1	-
Total	**1 524**	**3 496**

Trade receivables do not bear any interest and are usually payable within 30 days.

As of 31 December 2015, state receivables of PLN 27 thousand (31 December 2014: PLN 69 thousand) were individually considered as non-collectible and therefore covered by an allowance. Changes in impairment allowances for trade receivables were as follows:

in PLN'000	As at 31 December 2015	As at 31 December 2014
Impairment allowances for trade and other receivables at the beginning of the period	**69**	**47**
Increases, including:	**-**	**22**
- allowances recorded	-	22
Decreases including:	**(42)**	**-**
- utilization of impairment allowances	(42)	-
Impairment allowances for trade and other receivables at the end of the period	**27**	**69**

As of 31 December 2015 and 31 December 2014, the Company has no overdue receivables.

14. SHARE CAPITAL

On 14 January 2015, the Extraordinary General Meeting passed a resolution on changing the marking of the share series, changing part of the ordinary shares into preference shares with preferential voting rights, and amending the Articles of Association. On the basis of this resolution two new share series were introduced in place of the former A, B and C series - A and B series. The following shares were marked as A series shares: (i) all the former A series shares; (ii) 3,801,197 B series shares; and (iii) all the former C series shares, and the following shares were marked as the new B series shares: 12,221,811 of the former B series shares. The resolution also stipulated that A series shares (pursuant to the new marking) will be preferred shares, so that two votes will be attributed to one A series share.

Moreover, the Extraordinary General Meeting of 14 January 2015 passed a resolution on increasing the Company's share capital by issuing C-series shares, cancelling the pre-emptive rights of the then shareholders of the Company to all C-series shares and amending the Articles of Association. Pursuant to the above-mentioned resolution, the Company's share capital was increased by PLN 15 thousand to PLN 1,245 thousand by issuing 301,518 ordinary new C-series bearer shares with a par value of PLN 0.05 each. The ordinary C-series bearer shares were taken up under the incentive scheme (see Note 15) at the issue price of PLN 0.05 – 145,436 shares, and of PLN 12.17 – 156,082 shares. As a result of the final settlement based on the actual issue price on debut, option takers, who took up shares for PLN 0.05 were obliged to pay an additional PLN 108 thousand which was recognized in supplementary capital.

Moreover, the Extraordinary General Meeting of 14 January 2015 passed a resolution on the contingent increase of the Company's share capital by issuing D-series ordinary shares and issuing B-series subscription warrants, cancelling the pre-emptive rights of the then shareholders of the Company and amending the Articles of Association. Pursuant to the above-mentioned resolution, the Company's share capital was conditionally increased by no more than PLN 46 thousand by issuing not more than 929,058 ordinary new D-series bearer shares with a par value of PLN 0.05 each. The ordinary D-series bearer shares can be taken up solely by the holders of B-series subscription warrants under the incentive scheme (see Note 15) at the issue price of PLN 12.17.

Furthermore, the Extraordinary General Meeting of 14 January 2015 passed a resolution on increasing the Company's share capital by issuing E-series ordinary shares, cancelling the pre-emptive rights of the then shareholders and amending the Articles of Association. The E-Series Shares were issued in the form of open subscription carried out through a public offering. The E-Series Shares were offered on terms specified in the prospectus, in connection with the admission and introduction of the Company's shares to trading on the regulated market conducted by the Warsaw Stock Exchange.

On 5 March 2015, the Extraordinary General Meeting adopted a resolution on a conditional increase of the Company's share capital with the exclusion of the pre-emptive rights of the existing shareholders and the amendment of the Articles of Association as well as the admission and introduction to trading and dematerialization of the new shares. Pursuant to the above-mentioned resolution, the Company's share capital was conditionally increased by no more than PLN 29,675.55 through the issuance of no more than 593,511 ordinary new series F shares with a nominal value of PLN 0.05 each. The ordinary series F bearer shares will be subscribed for by the holders of subscription warrants by way of a private placement within the scope of the New Incentive Scheme.

On 7 May 2015, 12,221,811 the Company's B series ordinary bearer shares with a par value of PLN 0.05 (five groszy) each, 301,518 C series ordinary bearer shares with a par value of PLN 0.05 (five groszy) each and 3,339,744 rights to E series ordinary bearer shares with a par value of PLN 0.05 (five groszy) each were introduced to trading on the primary stock exchange market in accordance with the ordinary procedure. The offering price of shares and rights to shares was set at PLN 32, enabling to obtain the expected proceeds from the issue of new shares of PLN 106,872 thousand.

The increase of share capital by issuing E-series shares was registered on 13 May 2015.

On 9 November 2015, the Management Board of the Company obtained a notification from their shareholders: Orfe S.A. with its registered seat in Warsaw, 10x S.A. with its registered seat in Warsaw, Albemuth Inwestycje S.A. with its registered seat in Warsaw (hereinafter collectively referred to as Founding Companies) and from Michał Brański, Krzysztof Sierota and Jacek Świderski (hereinafter collectively referred to as Founders), that in relation to three registered pledge agreements concluded on 6 November 2015 between European Media Holding S.à r.l. as an pleger and each of the Founders as a pledgees (Pledge Agreements) and in relation to placing in the Pledge Agreements the right of pledgees to exercise voting rights attached to the shares of Company pursuant to article 340 sec. 1 of Polish Commercial Companies Code, there was a change in general number of votes held by the Founding Companies and Founders at the General Meeting of the Company.

The Notification was submitted collectively by all of the Founding Companies and Founders in relation to shareholders' cooperation agreement concluded on 19 March 2015 between the Founding Companies and the Founders, which is an agreement on joint voting at the general meeting of shareholders and conducting a long-term policy towards the company, within the meaning of article 87 sec. 1 point 5 of the Act on offering.

Pursuant to article 87 sec. 5 point 1 of the Act on offering, including the block of shares of the Company owned by Founding Companies, in relation to expressed consent by Extraordinary General Meeting on 8 December 2015 to exercise the voting rights by Founders as pledgees and entry of mentions in the share register on 8 December 2015 on establishing pledges and entitling Founders to exercise voting rights attached to Shares of the Company, the Founders and Founding Companies are entitled to exercise voting rights as follows:

1. Jacek Świderski and Orfe S.A. – entitled to exercise voting rights attached to 3,419,457 A series registered shares (including 2,629,903 shares owned by Orfe S.A., described above), which constitute 12.10% of shares in share capital of the Company and right to exercise 6,838,914 votes on the general meeting of shareholders of the Company (which constitute 16.83% of all votes);
2. Krzysztof Sierota and Albemuth Inwestycje S.A. – entitled to exercise voting rights attached to 3,419,457 A series registered shares (including 2,629,903 shares owned by Albemuth Inwestycje S.A., described above), which constitute 12.10% of shares in share capital of the Company and right to exercise 6,838,914 votes on the general meeting of shareholders of the Company (which constitute 16.83% of all votes);
3. Michal Brański and 10x S.A. – entitled to exercise voting rights attached to 3,419,457 A series registered shares (including 2,629,903 shares owned by 10x S.A., described above), which constitute 12.10% of shares in share capital of the Company and right to exercise 6,838,914 votes on the general meeting of shareholders of the Company (which constitute 16.83% of all votes).

As of 31 December 2015, the share capital was composed of 28,252,782 shares with a par value of PLN 0.05 each, including 12,389,709 preferred voting shares and 15,863,073 ordinary shares. The structure of share capital was as follows:

Shareholder	Number of shares	% of share capital	Number of votes	% of votes
European Media Holding SARL	10 869 177	38.47%	10 631 853	26.16%
Orfe S.A.	2 629 903	9.31%	6 838 914	16.83%
10x S.A.	2 629 903	9.31%	6 838 914	16.83%
Albemuth Inwestycje S.A.	2 629 903	9.31%	6 838 914	16.83%
Other	9 493 896	33.60%	9 493 896	23.36%
Total	**28 252 782**	**100.00%**	**40 642 491**	**100%**

As of 31 December 2014, share capital was composed of 24,611,520 ordinary shares with a par value of PLN 0.05 each, and its structure was as follows:

Shareholder	Number of shares	% of share capital	Number of votes	% of votes
European Media Holding SARL	16 721 811	67.93%	16 721 811	67.94%
Orfe S.A. w organizacji	2 629 903	10.69%	2 629 903	10.69%
10x S.A.	2 629 903	10.69%	2 629 903	10.69%
Albemuth Inwestycje S.A.	2 629 903	10.69%	2 629 903	10.69%
Total	**24 611 520**	**100.00%**	**24 611 520**	**100.00%**

Share capital of the Company was fully paid up as of 31 December 2015 and 2014.

The table below shows the information on the dividend passed and paid out:

in PLN'000	For the year ended 31 December 2015	For the year ended 31 December 2014
Dividend passed for the prior years	-	17 453
Interim dividend paid out in the prior year	-	-
Dividend offset against the Shareholders' commitment to pay in cash contributions in respect of the Company's capital increase	-	4 013
Dividend passed and paid out during the year for the current and prior years	-	14 150
Dividend liability at the end of the period	-	-
Dividend per share in PLN	-	0.71

15. INCENTIVE SCHEME-SHARE-BASED PAYMENTS

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

In connection with the above arrangements, the Company has an incentive scheme which basic principles are defined in Resolution No. 6 of Extraordinary General Meeting dated 12 December 2014. On the basis of the existing incentive plan, selected members of the Supervisory Board and Management Board as well as selected employees or co-workers of the Company or other Group's companies which concluded the management option agreement with the Company or other Group's companies, are entitled to take up Company's shares. The right to take up the Company's shares also relates to entities to which the Managers, in accordance with the terms of management option agreement, transferred rights and obligations of management option agreement with the approval of the Company.

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

Moreover, the Company provides for the II option scheme, for which the conditional capital increase was made (series F shares). As of the date of preparation of these financial statements, this plan has not been adopted.

Due to the fact that cash settlement is not probable, the scheme has been classified as equity settled share-based incentive scheme. The change in the balance of the options is as follows:

	Share options (in units)
As at 1 January 2015	**1 069 375**
Awarded	98 448
Exercised	(373 935)
As at 31 December 2015	**793 888**
Including the number of options vested as of the balance sheet date	**294 989**

The weighted average fair value of the options awarded during the period, determined as of 31 December 2014 using the BMS valuation model developed by Fisher Black, Myron Scholes and Robert Merton amounted to PLN 5.22 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 of 30.6%-37.1%, dividend rate of 0.0%, the six-year planned vesting period and the annual risk-free interest rate of 2.25%-3.02%. The expected volatility was estimated based on the historical daily rates of return of similar issuers because the Company's shares were not publicly traded as of the date of the agreement. The valuation was based on volatility median of comparable companies. The total value of the scheme established at the moment of awarding the rights was PLN 6,429 thousand. The expected total cost of the scheme as of the balance sheet date to be recognized in the financial statements over the entire period of its validity is PLN 4,606 thousand.

The total costs recognized in the financial result for the period ended 31 December 2015 in respect of the scheme was PLN 955 thousand, while the costs recognized in the previous period amounted to PLN 1,812 thousand. In 2015, the value of shares in subsidiary Grupa Wirtualna Polska S.A. was increased by PLN 438 thousand due to participation of persons providing services for this company in the scheme.

16. DEFERRED TAX ASSET AND LIABILITY

Deferred tax in connection with tax losses deductible in the following years is recorded as an asset when the realization of the tax benefits is probable by reducing future taxable income by the amount of these losses. As of 31 December 2015, tax losses of PLN 522 thousand and PLN 810 thousand expire in 2017 and 2018 respectively (as of 31 December 2014 tax losses of PLN 1,318 thousand and PLN 1,620 thousand were to expire accordingly in 2017 and 2018). As of 31 December 2015 and 2014, there were no tax losses on which a deferred tax asset was not recorded.

in PLN'000	As at 1 January 2015	Financial result	As at 31 December 2015
Deferred tax assets:			
Unutilized tax losses	558	(305)	253
Differences in tax and carrying amounts of liabilities	153	167	320
Deferred tax assets	**711**	**(138)**	**573**
Deferred tax liability:			
Differences in tax and carrying amounts of loans granted	2 451	747	3 198
Deferred tax liability	**2 451**	**747**	**3 198**
Deferred tax asset/liability net	**(1 740)**	**(885)**	**(2 625)**

It is expected that the asset of PLN 141 thousand and the liability of PLN 3,198 thousand will be realized after 12 months from 31 December 2015.

17. LOANS RECEIVED

The Company is one of the guarantors of the loan agreement concluded by Grupa Wirtualna Polska Sp. z o.o. on 24 March 2015. Grupa Wirtualna Polska Sp. z o.o. concluded the loan agreement of PLN 279,500 thousand for repayment of the loan granted by Bank Pekao and ING Bank Śląski on the basis of the agreement dated 12 December 2013. The fair value of the long-term loans concluded by Grupa Wirtualna Polska Sp. z o.o. as of 31 December 2015 amounted to PLN 227,999 thousand.

Under the agreement of 24 March 2015, concluded with mBank S.A. and ING Bank Śląski, the Company undertaken to join the agreement as an additional guarantor and to establish the security for the loan, among others:

- financial and registered pledge on shares held by the Company in share capitals of significant Subsidiaries
- financial and registered pledge on bank account;
- registered pledge on items and rights;
- transfer of rights from insurances and other agreements;

The Company believes there is no need to recognize the guarantee liabilities.

18. TRADE AND OTHER PAYABLES

in PLN'000	As at 31 December 2015	As at 31 December 2014
Long-term:		
Contingent consideration liabilities	9 373	-
	9 373	**-**

in PLN'000	As at 31 December 2015	As at 31 December 2014
Short-term:		
Trade payables, accruals and operating provisions	256	936
Contingent consideration liabilities	3 728	-
State liabilities	131	62
Wages and salaries payables	550	603
	4 665	**1 601**

As part of settlement of purchase of shares in subsidiary NextWeb Media, on 3 June 2015 the Company recognized contingent liability in discounted value of PLN 12,069 thousand (note 12). During the year as a result of settlement of discount costs, the value of liability increased by PLN 1,032 thousand i.e. to PLN 13,101 thousand, of which PLN 9,373 thousand was presented in long-term liabilities and remaining PLN 3,728 thousand in short-term part.

19. OBJECTIVES AND PRINCIPLES OF FINANCIAL RISK MANAGEMENT

The Company is exposed to credit risk and liquidity risk. Neither as of 31 December 2015 and 2014, were the Company's operations subject to significant currency risk due to an insignificant share of currency transactions in the Company's total transactions. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

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

Credit risk

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

- Trade receivables

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

- Cash at banks

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

in PLN'000	As at 31 December 2015	As at 31 December 2014
Banks with A-rating	18 144	514
Total cash at banks	**18 144**	**514**

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

Liquidity risk

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

The table below presents the Company's financial liabilities as of 31 December 2015 and as of 31 December 2014 by maturity, based on undiscounted contractual payments.

in PLN'000	up to 3 months	3 to 12 months	1 to 5 years
As at 31 December 2015			
Trade payables, accruals and operating provisions and other payables	939	4 000	12 635
As at 31 December 2014			
Trade payables, accruals and operating provisions and other payables	1 601	-	-

20. CAPITAL MANAGEMENT

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

The Company manages the capital structure and introduces changes to it based on changes in economic circumstances. In order to maintain or adjust the capital structure, the Company may change the payment of a dividend to the shareholders, return capital to shareholders or issue new shares.

In 2014, the Company repaid all financial liabilities due to related parties. Current operations are financed with equity.

21. RELATED PARTY DISCLOSURES

The following transactions were concluded with related entities:

in PLN'000	For the year ended 31 December 2015	For the year ended 31 December 2014
Purchases:		
Subsidiaries	1 040	182
Total	**1 040**	**182**
Sales of services		
Subsidiaries	5 264	4 620
Total	**5 264**	**4 620**
Interest income, guarantees and dividends		
Subsidiaries	11 802	13 861
Total	**11 802**	**13 861**
Interest expense		
Subsidiaries	-	513
Total	**-**	**513**

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

in PLN'000	As at 31 December 2015	As at 31 December 2014
Receivables:		
Subsidiaries	716	1 924
Total	**716**	**1 924**
Loans granted:		
Subsidiaries	263 124	189 063
Total	**263 124**	**189 063**
Liabilities:		
Subsidiaries	-	15
Total	**-**	**15**

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

in PLN'000	As at 31 December 2015	As at 31 December 2014
Short-term employee costs (salaries and related benefits)	4 908	4 223
External services	350	-
Incentive scheme - share-based payments (note 20)	955	1 812
Total	**6 213**	**6 035**

The value of short-term employee costs mentioned above comprises the remuneration paid for the function of Supervisory Board Member and Management Board Member, as well as the value of advisory services rendered by the Supervisory Board Member. These services of PLN 350 thousand were presented in income statement in line *Other external services*.

22. EXPLANATIONS TO THE CASH FLOW STATEMENT

in PLN'000	As at 31 December 2015	As at 31 December 2014
Change in receivables arises from the following items:	**1 180**	**(1 052)**
Change in trade and other receivables per balance sheet	1 972	(1 843)
Guarantees granted	(792)	792
Other	-	(1)
Change in short-term liabilities arises from the following items:	**(663)**	**408**
Change in trade payables, accruals, operating provisions and other and long-term liabilities per balance sheet	12 438	(301)
Adjustment for change in contingent liability related to purchase of subsidiary	(13 101)	-
Adjustment for change in dividend liabilities	-	709
Purchase of shares in subsidiary	**(20 910)**	**-**
Nominal purchase price	(20 700)	-
Taxes and charges directly related to the purchase increasing the value of the investment	(210)	-

As of 31 December 2015 and 2014, cash and cash equivalents comprised solely cash at banks and in hand of the Company.
As of 31 December 2015 and 2014, Company's bank account was subject to the financial pledge established as the security for the repayment of the loan taken by the subsidiary.

23. EVENTS AFTER THE BALANCE SHEET DATE

23.1. Conclusion of annex to the loan agreement, in which the Company is a guarantor

On 16 February2016 there was a conclusion of annex to the loan agreement concluded on 24 March 2015, later amended, between, among others, Grupa Wirtualna Polska S.A. as the Borrower, the Company as the Guarantor and mBank S.A and ING Bank Śląski S.A, which increases the amount of Capex loan, in the original amount of PLN 50,000 thousand by PLN 50,000 thousand.

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

On 25 November 2015, the Company concluded an agreement on the audit of financial statements of the Company for the financial year ended 31 December 2015 with PricewaterhouseCoopers Sp. z o.o. with its registered office in Warsaw, Al. Armii Ludowej 14.

The following table includes the list of services provided for the Company by the entity authorized to audit financial statements or the company from its group, as well as remuneration for these services (in PLN thousand) for the period of 12 months ended 31 December 2015 and 31 December 2014.

in PLN'000	For the year ended 31 December 2015	For the year ended 31 December 2014
Audit of the annual financial statements	120	140
Tax advisory	14	-
Review of interim financial statements	95	-
Audit services related to IPO	873	27
Due dilligance services	277	-
Total	**1 379**	**167**

25. SELECTED STANDALONE FINANCIAL DATA TRANSLATED INTO EUR

Standalone income statement and other comprehensive income

	For the year ended 31 December 2015	For the year ended 31 December 2014	For the year ended 31 December 2015	For the year ended 31 December 2014
Income statement	**in PLN'000**		**in EUR'000**	
Sales	5 257	4 605	1 256	1 099
Operating profit / (loss)	(5 306)	(1 214)	(1 268)	(290)
Profit / (loss) before tax	5 382	12 015	1 286	2 868
Net profit / (loss)	4 376	9 303	1 046	2 221
Cash flows				
Net cash flows from operating activities	(9 365)	(1 292)	(2 238)	(308)
Net cash flows from investing activities	(82 443)	(170 335)	(19 701)	(40 660)
Net cash flows from financing activities	109 438	172 025	26 151	41 063
Total net cash flows	17 630	398	4 213	95

Standalone statement of financial position

	As at 31 December 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2015
Balance sheet	**in PLN'000**		**in EUR'000**	
Total assets	485 974	362 773	114 038	85 112
Non-current assets	466 306	358 763	109 423	84 171
Current assets	19 668	4 010	4 615	941
Long-term liabilities	11 998	1 740	2 815	408
Short-term liabilities	4 803	1 601	1 127	376
Equity	469 173	359 432	110 096	84 328
Share capital	1 413	1 231	332	289

Conversion into euro was performed based on the following principles:

- amounts presented in zloty as of 31 December 2015 were converted into euro at the exchange rate of 4.2615 (the NBP exchange rate as of 31 December 2015),
- amounts presented in zloty as of 31 December 2014 were converted into euro at the exchange rate of 4.2623 (the NBP exchange rate as of 31 December 2014),
- amounts presented in zloty for the year ended 31 December 2015 were converted into euro at the exchange rate of 4.1848 (the arithmetic mean of the NBP exchange rates as of the last day of each month of 2015),

- amounts presented in zloty for the year ended 31 December 2014 were converted into euro at the exchange rate of 4.1893 (the arithmetic mean of the NBP exchange rates as of the last day of each month of 2014).

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Jacek Świderski, President of the Management Board

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Michał Brański, Management Board Member

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Krzysztof Sierota, Management Board Member

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Elżbieta Bujniewicz-Belka, Management Board Member

Warsaw, March 17, 2016

CONDENSED STANDALONE INTERIM FINANCIAL STATEMENTS OF WIRTUALNA POLSKA HOLDING S.A.

for the periods of 3 and 12 months ended 31 December 2015 (unaudited)

WP Holding SA

Condensed standalone interim income statement and other comprehensive income

in PLN'000	For the year ended 31 December 2015	For the year ended 31 December 2014	For 3 months ended 31 December 2015	For 3 months ended 31 December 2014
Sales	**5 257**	**4 605**	**1 371**	**1 287**
Amortization and depreciation	(9)	(2)	(3)	1
Materials and energy used	-	(1)	-	-
Costs of the employee option scheme	(955)	(1 812)	(239)	(1 812)
Other external services	(5 184)	(2 129)	(717)	(657)
Other salary and employee benefit expenses	(4 944)	(3 092)	(1 304)	(806)
Other operating expenses	(113)	(41)	(24)	(27)
Other operating income/gains	7	1	7	1
Revaluation of financial assets	-	(500)	-	(500)
Dividends received	633	166	-	-
Gain/loss on disposal of other financial assets	2	1 591	-	-
Operating loss	**(5 306)**	**(1 214)**	**(907)**	**(922)**
Finance income	11 720	13 743	2 761	3 936
Finance costs	(1 032)	(514)	(489)	(24)
Profit before tax	**5 382**	**12 015**	**1 365**	**2 990**
Income tax	(1 006)	(2 712)	(312)	(705)
Net profit	**4 376**	**9 303**	**1 053**	**2 285**
Other comprehensive income	**-**	**-**	**-**	**-**
Comprehensive income	**4 376**	**9 303**	**1 051**	**694**

Condensed standalone interim statement of financial position

in PLN'000	As at 31 December 2015	As at 31 December 2014
Non-current assets		
Intangible assets	59	-
Investments in subsidiaries	203 123	169 700
Loans granted	263 124	189 063
	466 306	**358 763**
Current assets		
Trade receivables and other assets	1 524	3 496
Cash and cash equivalents	18 144	514
	19 668	**4 010**
TOTAL ASSETS	**485 974**	**362 773**
Equity		
Share capital	1 413	1 231
Supplementary capital	310 454	206 664
Other reserves	3 347	1 954
Retained earnings	149 583	140 280
Result for the period	4 376	9 303
	469 173	**359 432**
Long-term liabilities		
Other long-term liabilities	9 373	-
Deferred tax liability	2 625	1 740
	11 998	**1 740**
Short-term liabilities		
Trade and other payables	4 665	1 601
Provisions for employee benefits	17	-
Current income tax liabilities	121	-
	4 803	**1 601**
TOTAL EQUITY AND LIABILITIES	**485 974**	**362 773**

WP Holding SA

Condensed standalone interim statement of changes in equity

in PLN'000	Equity					
	Share capital	Supplementary capital	Other reserves	Retained earnings	Result for the period	Total
Equity as at 1 January 2015	1 231	206 664	1 954	140 280	9 303	**359 432**
Net profit	-	-	-	-	4 376	**4 376**
Total comprehensive income	**-**	**-**	**-**	**-**	**4 376**	**4 376**
Share capital increase from initial public offering	167	106 705	-	-	-	**106 872**
Cost of share issue	-	(4 916)	-	-	-	**(4 916)**
Incentive scheme - share-based payments	15	2 001	1 393	-	-	**3 409**
Distribution of net profit	-	-	-	9 303	(9 303)	**-**
Equity as at 31 December 2015	**1 413**	**310 454**	**3 347**	**149 583**	**4 376**	**469 173**

in PLN'000	Equity					
	Share capital	Supplementary capital	Other reserves	Retained earnings	Result for the period	Total
Equity as at 1 January 2014	378	-	-	157 733	-	**158 111**
Net profit	-	-	-	-	9 303	**9 303**
Total comprehensive income	**-**	**-**	**-**	**-**	**9 303**	**9 303**
Share capital increase	853	206 664	-	-	-	**207 517**
Incentive scheme - share-based payments	-	-	1 954	-	-	**1 954**
Payment of dividend	-	-	-	(17 453)	-	**(17 453)**
Equity as at 31 December 2014	**1 231**	**206 664**	**1 954**	**140 280**	**9 303**	**359 432**

Condensed standalone interim cash flow statement

in PLN'000	For the year ended 31 December 2015	For the year ended 31 December 2014
Cash flows from operating activities		
Profit before tax	**5 382**	**12 015**
Adjustments for:	**(10 365)**	**(12 663)**
Amortization and depreciation	9	2
Gain/loss on disposal of other financial assets	-	(1 081)
Finance income and costs	(10 688)	(13 230)
Costs of the employee option scheme	955	1 812
Dividends received	(633)	(166)
Other adjustments	(8)	-
Change in working capital	**(4 382)**	**(644)**
Change in trade and other	1 180	(1 052)
Paid IPO costs recognized in equity	(4 916)	-
Change in trade and other payables	(663)	408
Change in provisions	17	-
Income tax paid	-	-
Net cash flows from operating activities	**(9 365)**	**(1 292)**
Cash flows from investing activities		
Purchase of intangible assets and property, plant and equipment	(68)	-
Sale of other financial assets and subsidiaries	2	8 489
Dividends received	633	166
Repayment of guarantees granted	2 030	-
Loans granted	(76 855)	(178 490)
Repayment of loans granted	6 725	-
Repayment of interest on loans granted	6 000	-
Purchase of shares in subsidiary	(20 910)	-
Purchase of long-term financial assets	-	(500)
Net cash flows from investing activities	**(82 443)**	**(170 335)**
Net cash flows from financing activities		
Payments due to share capital increase	108 887	203 504
Loans and advances received	-	5 122
Interest paid	-	(1 813)
Interest received on cash at banks	551	-
Repayment of loans and advances received	-	(20 688)
Dividends to shareholders	-	(14 150)
Other financial proceeds	-	50
Net cash flows from financing activities	**109 438**	**172 025**
Total net cash flows	**17 630**	**398**
Cash and cash equivalents at the beginning of the period	**514**	**116**
Cash and cash equivalents at the end of the period	**18 144**	**514**

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.
Until 21 March 2014, the Company operated as Grupa o2 SA.

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

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

These interim standalone 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 interim condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2015.

IAS 34 requires minimum disclosures, assuming that the readers of the interim financial statements have access to the most recent published annual financial statements, and that this information are material and are not presented elsewhere in the financial reporting.

The most recent standalone financial statements of the Group was prepared and audited for the year ended 31 December 2015. Annual standalone financial statements fully disclose accounting policies adopted by the Company.

The standalone financial statements of the Company for the year ended December 31, 2015 prepared in accordance with IFRS as adopted by EU, is available a:: http://inwestor.wp.pl/

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Jacek Świderski,
President of the Management Board

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Michał Brański,
Management Board Member

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Krzysztof Sierota,
Management Board Member

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Elżbieta Bujniewicz-Belka,
Management Board Member

Warsaw, 17 March 2016