

# STANDALONE FINANCIAL STATEMENTS

FOR THE YEAR ENDING  
31 DECEMBER 2016

**Standalone income statement and other comprehensive income**

in PLN'000	Note	For the year ending 31 December 2016	For the year ending 31 December 2015
<b>Sales</b>	4	<b>7 163</b>	<b>5 257</b>
Amortization and depreciation		(14)	(9)
Materials and energy used		(8)	-
Costs of the employee option scheme	15	(1 660)	(955)
Other external services		(1 483)	(5 184)
Other salary and employee benefit expenses		(7 047)	(4 944)
Other operating expenses	5	(248)	(113)
Other operating income/gains		-	7
Dividends received		360	633
Gain/loss on disposal of other financial assets		-	2
<b>Operating loss</b>		<b>(2 937)</b>	<b>(5 306)</b>
Finance income	6	12 177	11 720
Finance costs	7	(2 399)	(1 032)
<b>Profit before tax</b>		<b>6 841</b>	<b>5 382</b>
Income tax	8	(2 232)	(1 006)
<b>Net profit</b>		<b>4 609</b>	<b>4 376</b>
<b>Other comprehensive income</b>		-	-
<b>Comprehensive income</b>		<b>4 609</b>	<b>4 376</b>
<b>Net profit attributable to equity holders of the Company per share (in PLN)</b>			
Basic	9	0,16	0,16
Diluted	9	0,16	0,16

**Standalone statement of financial position**

in PLN'000	Note	As of 31 December 2016	As of 31 December 2015
<b>Non-current assets</b>			
Intangible assets	10	46	59
Investments in subsidiaries	11	203 230	203 123
Loans granted	11	280 935	263 124
		<b>484 211</b>	<b>466 306</b>
<b>Current assets</b>			
Trade receivables and other assets	12	811	1 524
Cash and cash equivalents		1 273	18 144
		<b>2 084</b>	<b>19 668</b>
<b>TOTAL ASSETS</b>		<b>486 295</b>	<b>485 974</b>
<b>Equity</b>			
Share capital	13	1 434	1 413
Supplementary capital		315 830	310 454
Other reserves		5 113	3 347
Retained earnings		158 568	153 959
		<b>480 945</b>	<b>469 173</b>
<b>Long-term liabilities</b>			
Other long-term liabilities	17	-	9 373
Deferred tax liability	15	3 449	2 625
		<b>3 449</b>	<b>11 998</b>
<b>Short-term liabilities</b>			
Trade and other payables	17	1 493	4 665
Provisions for employee benefits		17	17
Current income tax liabilities		391	121
		<b>1 901</b>	<b>4 803</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>486 295</b>	<b>485 974</b>

### Standalone statement of changes in equity

in PLN'000	Note	Equity				
		Share capital	Supplementary capital	Other reserves	Retained earnings	Total
<b>Equity as of 1 January 2016</b>		1 413	310 454	3 347	153 959	<b>469 173</b>
Net profit		-	-	-	4 609	<b>4 609</b>
<b>Total comprehensive income</b>		-	-	-	<b>4 609</b>	<b>4 609</b>
Share capital increase	13	21	5 377	-	-	<b>5 398</b>
Incentive scheme - share-based payments	14	-	-	1 766	-	<b>1 766</b>
Distribution of net profit		-	-	-	-	-
<b>Equity as at 31 December 2016</b>		<b>1 434</b>	<b>315 830</b>	<b>5 113</b>	<b>158 568</b>	<b>480 945</b>

in PLN'000	Note	Equity				
		Share capital	Supplementary capital	Other reserves	Retained earnings	Total
<b>Equity as of 1 January 2015</b>		1 231	206 664	1 954	149 583	<b>359 432</b>
Net profit		-	-	-	4 376	<b>4 376</b>
<b>Total comprehensive income</b>		-	-	-	<b>4 376</b>	<b>4 376</b>
Share capital increase from initial public offering	13	167	106 705	-	-	<b>106 872</b>
Cost of share issue	13	-	(4 916)	-	-	<b>(4 916)</b>
Incentive scheme - share-based payments	14	15	2 001	1 393	-	<b>3 409</b>
Distribution of net profit		-	-	-	-	-
<b>Equity as at 31 December 2015</b>		<b>1 413</b>	<b>310 454</b>	<b>3 347</b>	<b>153 959</b>	<b>469 173</b>

As of 31 December 2016, the equity of PLN 158,568 thousand may be used for the dividend payment.

**Standalone cash flow statement**

in PLN'000	Note	For the year ending 31 December 2016	For the year ending 31 December 2015
<b>Cash flows from operating activities</b>			
<b>Profit before tax</b>		<b>6 841</b>	<b>5 382</b>
<b>Adjustments for:</b>			
Amortization and depreciation		14	9
Finance income and costs		(9 778)	(10 688)
Costs of the employee option scheme		1 660	955
Dividends received		(360)	(633)
Other adjustments		-	(8)
<b>Changes in working capital</b>			
Change in trade and other receivables	21	713	1 180
Change in trade and other payables	21	556	(663)
Change in provisions		-	17
Paid IPO costs recognized in equity		-	(4 916)
Income tax paid		(1 139)	-
<b>Net cash flows from operating activities</b>		<b>(1 493)</b>	<b>(9 365)</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets and property, plant and equipment		(1)	(68)
Sale of other financial assets and subsidiaries		-	2
Dividends received		360	633
Repayment of guarantees granted		1 289	2 030
Loans granted		(18 109)	(76 855)
Repayment of loans granted		4 500	6 725
Repayment of interest on loans granted		6 591	6 000
Purchase of shares in subsidiary	21	-	(20 910)
Repayment of liabilities due to contingent consideration		(15 500)	-
<b>Net cash flows from investing activities</b>		<b>(20 870)</b>	<b>(82 443)</b>
<b>Net cash flows from financing activities</b>			
Payments due to share capital increase		5 398	108 887
Interest received on cash at banks		94	551
<b>Net cash flows from financing activities</b>		<b>5 492</b>	<b>109 438</b>
<b>Total net cash flows</b>		<b>(16 871)</b>	<b>17 630</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>18 144</b>	<b>514</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>1 273</b>	<b>18 144</b>

## **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.

The Company was established for an indefinite term. The company’s 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 2016.

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 ending 31 December 2016, published on 13 March 2017.

#### **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”***

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 from 1 January 2018. The Management Board is in the course of analysing the effect of the amendments on the standalone financial statements.

##### ***IFRS 15 “Revenue from contracts with customers”***

The standard is binding for annual periods starting on or after 1 January 2018.

The principles set out in IFRS 15 will apply to all contracts resulting with revenues. 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 9 from 1 January 2018. The Management Board is in the course of analyzing the effect of the amendments on the financial statements, however, no risk was identified that the revised standard will have a significant impact on the value and the way of recognition of Company's revenues.

### ***IFRS 16 „Leases”***

IFRS 16 „Leases” was published by the International Accounting Standards Board on 13 January 2016 and is binding for the annual periods starting on or after 1 January 2019.

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset and liability arising from the payment obligation. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognize: (a) assets and liabilities for all leases with a period of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement.

IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Company is going to apply IFRS 16 after its adoption by the European Union. The Management Board has appointed a project team whose aim will be to conduct a detailed analysis of the company's agreements with respect to their recognition in accordance with the new standard and to assess the impact of this change on the Company's financial statements.

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 2016 and 31 December 2015 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.

An 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 as "Investments in subsidiaries" and "Loans granted"

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 less 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 payable 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 of receivables on initial terms is no longer probable. The costs of recording of 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 amortized 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.

When there is a deductible temporary difference between the carrying and tax amount of the investment in subsidiaries, for which the Company does not plan to sell its shares in the foreseeable future, pursuant to IAS 12.44, no deferred tax asset is recorded on this temporary difference in the financial statements.

## **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 Company 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 into account 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 fulfill 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 148,155 thousand. Due to the fact that the Company does not plan to sell its shares in the foreseeable future, pursuant to IAS 12.44, no deferred tax asset was recorded on this temporary difference of PLN 28,155 thousand in the financial statements.

Additionally, on 25 November 2016 the Company concluded the agreement concerning the early settlement of earn-out amounts in connection with the agreement for the purchase of shares in NextWeb Media Sp. z o.o. The amount paid in this respect amounted to PLN 15.5 million and was by PLN 3,431 thousand higher than originally included in the purchase price of shares the discounted value of this liability. The total amount paid was recognized as the tax purchase price of shares in NextWeb Media Sp. z o.o. (and after the merger in Grupa Wirtualna Polska Sp. z o.o.). Due to such tax recognition the temporary difference arose in the value of shares in respect to which no deferred tax asset was recorded by the Company.

**(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 liabilities related to business combinations**

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

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

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

**4. SALES**

in PLN'000	For the year ending 31 December 2016	For the year ending 31 December 2015
Management services	7 163	5 257
<b>Total</b>	<b>7 163</b>	<b>5 257</b>

in PLN'000	For the year ending 31 December 2016	For the year ending 31 December 2015
Domestic sales	7 163	5 257
<b>Total</b>	<b>7 163</b>	<b>5 257</b>

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

## 5. OTHER OPERATING EXPENSES

in PLN'000	For the year ending 31 December 2016	For the year ending 31 December 2015
Representation and other costs by type	110	93
Taxes and charges	135	9
Foreign exchange differences recognized in operating activities	1	2
Other	2	9
<b>Total</b>	<b>248</b>	<b>113</b>

## 6. FINANCE INCOME

in PLN'000	For the year ending 31 December 2016	For the year ending 31 December 2015
Interest income on loans granted	10 794	9 931
Interest income on cash at banks	94	551
Income from guarantees	1 289	1 238
<b>Total</b>	<b>12 177</b>	<b>11 720</b>

## 7. FINANCE COSTS

in PLN'000	For the year ending 31 December 2016	For the year ending 31 December 2015
Reversal of discount and revaluation of contingent liabilities due to acquisition of subsidiary	2 399	1 032
<b>Total</b>	<b>2 399</b>	<b>1 032</b>

## 8. CURRENT AND DEFERRED INCOME TAX

in PLN'000	For the year ending 31 December 2016	For the year ending 31 December 2015
<b>Current income tax</b>	<b>(1 409)</b>	<b>(121)</b>
For the financial year	(1 409)	(121)
<b>Deferred tax (note 15)</b>	<b>(823)</b>	<b>(885)</b>
Temporary differences arising and reversed	(823)	(885)
<b>Total income tax</b>	<b>(2 232)</b>	<b>(1 006)</b>

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 ending 31 December 2016	For the year ending 31 December 2015
<b>Profit before tax</b>	<b>6 841</b>	<b>5 382</b>
<b>Income tax at the statutory rate of 19%</b>	<b>1 300</b>	<b>1 023</b>
Tax effects of the following items:		
Non-taxable income	-	(95)
Dividends received	(68)	(120)
Non-deductible costs	348	193
Unrecognized tax assets on temporary difference in shares value	652	-
Other	-	5
<b>Total income tax</b>	<b>2 232</b>	<b>1 006</b>

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 2016 there were no premises to record a provision against identifiable and measurable tax risk.

## 9. 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 14). The option scheme had a dilutive impact in 2016 and 2015.

in PLN'000	For the year ending 31 December 2016	For the year ending 31 December 2015
<b>Net profit attributable to equity holders of the Company</b>	<b>4 609</b>	<b>4 376</b>
Weighted average number of shares shown for the purpose of calculating basic earnings per share (no. of units)	28 339 622	27 085 948
Effect of diluting the number of ordinary shares	251 121	483 342
<i>Weighted average number of ordinary shares shown for the purpose of calculating diluted earnings per share (no. of units)</i>	28 590 743	27 569 290
Basic (in PLN)	0,16	0,16
Diluted (in PLN)	0,16	0,16

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

In the period from 1 January 2016 to 31 December 2016 the Company did not purchase property, plant and equipment. As of 31 December 2016 and 2015 the Company has no property, plant and equipment.

Changes in intangible assets are as follows:

in PLN'000	Other intangible assets
<b>Gross carrying amount as of 1 January 2016</b>	<b>68</b>
<b>Additions due to:</b>	<b>1</b>
- purchases	1
<b>Gross carrying amount as of 31 December 2016</b>	<b>69</b>
<b>Accumulated depreciation as of 1 January 2016</b>	<b>9</b>
<b>Additions due to:</b>	<b>14</b>
- depreciation	14
<b>Accumulated depreciation as of 31 December 2016</b>	<b>23</b>
<b>Net carrying amount as of 31 December 2016</b>	<b>46</b>

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

As of 31 December 2016 and 31 December 2015 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.

## 11. LONG-TERM FINANCIAL ASSETS

The following table shows changes in the value of long-term investments during the financial year ending 31 December 2016.

in PLN'000	Shares	Loans granted	Total long-term financial assets
<b>As of 1 January 2016</b>	<b>203 123</b>	<b>263 124</b>	<b>466 247</b>
<b>Additions</b>	<b>107</b>	<b>28 902</b>	<b>29 009</b>
Loans granted	-	18 109	18 109
Costs of the option scheme in the subsidiary	107	-	107
Interest accrued using effective interest rate	-	10 793	10 793
<b>Decreases</b>	<b>-</b>	<b>(11 091)</b>	<b>(11 091)</b>
Repayment of loans granted	-	(11 091)	(11 091)
Impairment allowances	-	-	-
<b>As of 31 December 2016</b>	<b>203 230</b>	<b>280 935</b>	<b>484 165</b>

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

in PLN'000	Shares	Loans granted	Total long-term financial assets
<b>As of 1 January 2015</b>	<b>169 700</b>	<b>189 063</b>	<b>358 763</b>
<b>Additions</b>	<b>33 423</b>	<b>86 786</b>	<b>120 209</b>
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
<b>Decreases</b>	<b>-</b>	<b>(12 725)</b>	<b>(12 725)</b>
Sale of shares	-	-	-
Repayment of loans granted	-	(12 725)	(12 725)
Impairment allowances	-	-	-
<b>As of 31 December 2015</b>	<b>203 123</b>	<b>263 124</b>	<b>466 247</b>

### Loans granted

#### Grupa Wirtualna Polska S.A.

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. As at 31 December 2016 the total limit of the loan was PLN 250,000 thousand. The loan could have been paid in one or several tranches.

In 2014 the subsidiary used PLN 178,500 thousand of the loan to finance the purchase of shares in Wirtualna Polska S.A. and during 2015, subsequent tranches in the total amount of PLN 65,936 thousand were used to finance the acquisition activity and partial repayment of the bank loan. In the same year Grupa Wirtualna Polska paid the loan principal of PLN 6,725 thousand and interest of PLN 6,000 thousand.

During 2016 Grupa Wirtualna Polska S.A. used the subsequent tranches of the loan of PLN 9,959 thousand for the acquisition activity (purchase of shares in Totalmoney.pl Sp. z o.o.) and paid the loan principle of PLN 4,500 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.

#### Money.pl Sp. z o.o.

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 for the purchase of shares in companies Finansowysupermarket.pl Sp. z o.o. and WebBroker Sp. z o.o. In the analyzed period the subsidiary paid the interest of PLN 591 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 2018.

WP1 Sp. z o.o.

On 20 November 2015 the Company granted to its subsidiary WP1 Sp. z o.o. the loan of PLN 50 thousand. In 2016 the Company signed amendments to the loan agreement concluded with the subsidiary WP1 Sp. z o.o. which increase the available loan limit to PLN 20 million. During 2016 the company WP1 Sp. z o.o. used the subsequent tranches of the loan of PLN 8,150 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 2018.

In the Management Board's opinion, there are no indicators of the impairment of loans granted, for which impairment allowance was not recognized.

## Shares

As of 31 December 2016 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.	196 487	-	196 487	100%	100%
Http Sp. z o.o.	41	-	41	100%	100%
Dobreprogramy Sp. z o.o.	6 697	-	6 697	51%	51%
WP1 Sp. z o.o.	5	-	5	100%	100%
<b>As of 31 December 2016</b>	<b>203 230</b>	<b>-</b>	<b>203 230</b>		

As of 31 December 2015 the structure of shares held by the Company was 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%
<b>As of 31 December 2015</b>	<b>203 123</b>	<b>-</b>	<b>203 123</b>		

In 2016 the value of shares in Grupa Wirtualna Polska S.A. and Http Sp. z o.o. was increased by PLN 90 thousand and PLN 17 thousand respectively due to option rights vested during the year by beneficiaries of option scheme providing services for the subsidiary (note 14).

In the Management Board's opinion, there are no triggers of impairment of shares which were not written-down as of 31 December 2016.

As of 31 December 2016, the financial pledge on shares of total of PLN 203,230 thousand was established as a collateral for the repayment of loan taken by the subsidiary.

## 12. TRADE RECEIVABLES AND OTHER ASSETS

in PLN'000	As of 31 December 2016	As of 31 December 2015
Receivables from related parties	800	716
State receivables	-	798
Prepayments	10	9
Other assets	1	1
<b>Total</b>	<b>811</b>	<b>1 524</b>

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

As of 31 December 2016, state receivables of PLN 27 thousand (31 December 2015: PLN 27 thousand) were individually considered as non-collectible and therefore covered by an allowance.



Changes in impairment allowances for trade and other receivables were as follows:

in PLN'000	As of 31 December 2016	As of 31 December 2015
<b>Impairment allowances for trade and other receivables at the beginning of the period</b>	<b>27</b>	<b>69</b>
<b>Decreases including:</b>	-	<b>(42)</b>
- utilization of impairment allowances	-	(42)
<b>Impairment allowances for trade and other receivables at the end of the period</b>	<b>27</b>	<b>27</b>

As of 31 December 2016 and 31 December 2015, the Company has no overdue receivables.

## 13. SHARE CAPITAL

### 13.1. The structure of share capital

As of 31 December 2016, the share capital was composed of 28,676,521 shares with a par value of PLN 0.05 each, including 11,289,709 preferred voting shares and 17,386,812 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	3 400 000	11,86%	2 062 676	5,16%
Orfe S.A.	2 629 903	9,17%	6 838 914	17,11%
10x S.A.	2 629 903	9,17%	6 838 914	17,11%
Albemuth Inwestycje S.A.	2 629 903	9,17%	6 838 914	17,11%
Other	17 386 812	60,63%	17 386 812	43,51%
<b>Total</b>	<b>28 676 521</b>	<b>100,00%</b>	<b>39 966 230</b>	<b>100,00%</b>

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 and its structure 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%
<b>Total</b>	<b>28 252 782</b>	<b>100,00%</b>	<b>40 642 491</b>	<b>100,00%</b>

The share capital of the Company was fully paid up as of 31 December 2016 and 2015.

In 2016 and 2015 the Company did not pay or pass out a dividend.

### 13.2. Option schemes

In connection with the implementation of option schemes existing in the Company, two share capital increases took place in 2016:

- on 14 October 2016, the increase in the Company's share capital by PLN 19.4 thousand took place due to the admission to the deposit of the securities, introduction to trading and entering into the accounts of the entitled of 388,078 D series ordinary bearer shares with a par value of PLN 0.05 each;
- on 21 November 2016, another increase in the Company's share capital by PLN 1.8 thousand took place due to the admission to the deposit of the securities, introduction to trading and entering on the accounts of the entitled of 23,493 D series ordinary bearer shares and 12,168 F series ordinary bearer shares with a par value of PLN 0.05 each.



### **13.3. Conversion and dematerialization of shares previously preferred in terms of voting rights**

On 14 October 2016, the 1,100,000 registered shares of Wirtualna Polska Holding S.A. preferred in terms of voting rights held by European Media Holding S.à R.L were converted into ordinary bearer shares. With regard to this conversion and the earlier issue of 388,078 D series ordinary bearer shares, on 18 October 2016 the Company received from European Media Holding S.à r.l. the notice about the change in the share of this shareholder in the total number of shares in the share capital of the Company and in the total number of votes at the General Meeting of the Company. The share of European Media Holding S.à r.l. in the total number of shares in the share capital of the Company decreased by 0.52 p.p. and the share in the total number of votes at the General Meeting decreased by 2.29 p.p.

On 21 November 2016, all described above, converted ordinary bearer shares held by the European Media Holding S.à r.l. were admitted to the deposit of the securities.

### **13.4. Significant changes in shareholders in 2016**

On 5 December 2016, the Company received from the shareholder European Media Holding S.à r.l. with its registered seat in Luxembourg notice about the change in the share of this shareholder in the total number of shares in the Company's share capital and in the total number of votes at the General Meeting of the Company due to the settlement of the block transactions concluded on 1 December 2016 by way of the accelerated book-building process, where 7,469,177 of Company's shares were sold. The transactions were settled on 5 December 2016.

As a result of the transaction, the share of the shareholder in the total number of shares in the share capital of the Company decreased by 26.04 p.p. and the share in the total number of votes at the General Meeting of the Company decreased by 18.69 p.p. After the settlement of the transaction, the shareholder directly holds 3,400,000 of the Company's shares, constituting an 11.86% interest in the share capital of the Company and entitling 2,062,676 votes at the general meeting of the Company, representing 5.16% of the total number of votes.

The number of votes which European Media Holding S.à r.l. is entitled to exercise is lower than the number of the shares held as a result of the execution on 6 November 2015 of three registered pledge agreements by and among the shareholder as the pledger and Michał Brański, Krzysztof Sierota and Jacek Świdorski as the pledgees.

### **13.5. Changes after the balance sheet date**

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

As a result of the transaction:

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

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

- Palaja sp. z o.o., directly holds 568,000 shares in the Company representing a 1.98% interest in the share capital of the Company; Palaja sp. z o.o. is not entitled to exercise the voting rights attached to these shares, as these voting rights are subject to the Pledge Agreement;
- Silveira sp. z o. o., directly holds 568,000 shares in the Company representing a 1.98% interest in the share capital of the Company; Silveira sp. z o.o. is not entitled to exercise the voting rights attached to these shares, as these voting rights are subject to the Pledge Agreement;

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

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

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

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

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

- the acquisition, on 8 February 2017, of (i) 100% of the shares in Palaja sp. z o.o. by 10X S.A.; (ii) 100% of the shares in Silveira sp. z o.o. by Albemuth Inwestycje S.A.; and (iii) 100% of the shares in Liceia sp. z o.o. by Orfe S.A.; and
- contribution, on 8 February 2017, by Innova Noble S.à r.l. with its registered office in the Grand Duchy of Luxembourg, of registered shares having preferential rights as to voting i.e. (i) 565,333 registered shares in Wirtualna Polska Holding S.A. being an in-kind contribution to pay for newly issued shares in the increased share capital of 10X S.A.; (ii) 565,333 registered shares of the Company, being an in-kind contribution to pay for newly issued shares in the increased share capital of Albemuth Inwestycje S.A.; and (iii) 565,334 registered shares of the Company, being an in-kind contribution to pay for newly issued shares in the increased share capital of Orfe S.A.,
- the expiry of pledges established on the registered A series shares of the Company having preferential rights as to voting, so that one share entitles two votes at the general meeting pursuant to the pledge agreement of which the Company notified the public in the current report No. 46/2015 of 9 December 2015,

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

- Jacek Świdorski is indirectly entitled to exercise voting rights attached to 3,763,237 series A registered shares in the Company having preferential rights as to voting, so that one share entitles two votes at the general meeting (including 3,195,237 shares held by Orfe S.A. and 568,000 shares held by Liceia sp. z o.o.), which constitutes a 13.11% interest in the Company's share capital, representing 7,526,474 votes at the general shareholders meeting of the Company and constituting 18.82% of the overall number of votes;
- Krzysztof Sierota is indirectly entitled to exercise voting rights attached to 3,763,236 series A registered shares in the Company having preferential rights as to voting, so that one share entitles two votes at the general meeting (including 3,195,236 shares held by Albemuth Inwestycje S.A. and 568,000 shares held by Silveira sp. z o.o.), which constitutes a 13.11% interest in the Company's share capital, representing 7,526,472 votes at the general shareholders meeting of the Company and constituting 18.82% of the overall number of votes; and
- Michał Brański is indirectly entitled to exercise voting rights attached to 3,763,236 series A registered shares in the Company having preferential rights as to voting, so that one share entitles two votes at the general meeting (including 3,195,236 shares held by 10X S.A. and 568,000 shares held by Palaja sp. z o.o.), which constitutes a 13.11% interest in the Company's share capital, representing 7,526,472 votes at the general shareholders meeting of the Company and constituting 18.82% of the overall number of votes.

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

Taking into account the above changes, 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 of the day of publication of this report is as follows.

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

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

### 13.6. Dividend

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

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

The Dividend Policy applies starting from the distribution of the consolidated net profit of the Issuer's Capital Group for the year ending 31 December 2016.

## 14. INCENTIVE SCHEME – SHARE-BASED PAYMENTS

### First Incentive Scheme

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

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

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

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

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

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

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

The expected total cost of the scheme as of the balance sheet date to be recognized in the financial statements over the following periods of its validity amounted to PLN 1,949 thousand. The total costs recognized in the financial result for the period ending 31 December 2016 in respect of the scheme amounted to PLN 1,367 thousand and the total cost recognized in the previous periods was PLN 2,767 thousand. The value of shares in subsidiaries Grupa Wirtualna Polska S.A. and http Sp. z o.o. was increased by PLN 107 thousand due to participation in the scheme of persons providing services for those companies.

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

	Share options (no. of units)
<b>As of 1 January 2016</b>	<b>793 888</b>
Awarded	49 224
Non executed	(78 472)
Executed	(411 571)
<b>As of 31 December 2016</b>	<b>353 069</b>
Including the number of options vested as of the balance sheet date	90 715

The exercise price of the options outstanding as of 31 December 2016 amounted to PLN 12.17, and the period remaining to the end of the contractual life of the option is between 2.5 and 6 years.

### ***New Incentive Scheme***

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

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

The weighted average fair value of the options awarded during the period, determined using the binomial valuation model amounted to PLN 15.23 per option. The key input data for the model were as follows: the share price as of the date of awarding the options, the exercise price, volatility of rates of return on shares between 18.6%-19.4%, a dividend rate of 0.0%, the expected vesting period and the annual risk-free interest rate of 1.68%-3.18%. The total estimated option value in the scheme amounted to PLN 9,039 thousand. The total expected cost of the scheme as of the balance sheet date to be recognized in the financial statements over the following periods of its validity amounted to PLN 8,746 thousand. The total costs recognized in the financial result for the period ending 31 December 2016 in respect of the scheme amounted to PLN 293 thousand.

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

	Share options (no. of units)
<b>As of 1 January 2016</b>	<b>0</b>
Awarded	143 000
Executed	(12 168)
<b>As of 31 December 2016</b>	<b>130 832</b>
Including the number of options vested as of the balance sheet date	7 056

The exercise price of the options outstanding as of 31 December 2016 amounted to PLN 32, and the period remaining to the end of contractual life of the option is between 4.5 and 6 years.

## 15. 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 2016, the Company utilized all tax losses. As of 31 December 2016 and 2015, there were no tax losses on which a deferred tax asset was not recorded.

in PLN'000	As of 1 January 2016	Financial result	As of 31 December 2016
<b>Deferred tax assets:</b>			
Unutilized tax losses	253	(253)	-
Differences in tax and carrying amounts of liabilities	320	228	548
<b>Deferred tax assets</b>	<b>573</b>	<b>(25)</b>	<b>548</b>
<b>Deferred tax liability:</b>			
Differences in tax and carrying amounts of loans granted	3 198	799	3 997
<b>Deferred tax liability</b>	<b>3 198</b>	<b>799</b>	<b>3 997</b>
<b>Deferred tax assets/liability net</b>	<b>(2 625)</b>	<b>(824)</b>	<b>(3 449)</b>

It is expected that the liability of PLN 3,997 thousand will be realized after 12 months from 31 December 2016.

## 16. LOANS AND BORROWINGS RECEIVED

The Company is one of the guarantors of the loan agreement concluded on 24 March 2015 by Grupa Wirtualna Polska S.A. with mBank S.A. and ING Bank Śląski S.A. The fair value of the loans concluded by Grupa Wirtualna Polska S.A. as of 31 December 2016 amounted to PLN 216,599 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.

## 17. TRADE AND OTHER PAYABLES

in PLN'000	As of 31 December 2016	As of 31 December 2015
<b>Long-term:</b>		
Liabilities due to contingent consideration	-	9 373
	-	<b>9 373</b>

in PLN'000	As of 31 December 2016	As of 31 December 2015
<b>Short-term:</b>		
Trade payables, accruals and operating provisions	284	256
Liabilities due to contingent consideration	-	3 728
State liabilities	277	131
Wages and salaries payables	932	550
	<b>1 493</b>	<b>4 665</b>

On 25 November 2016 the Company concluded the agreement concerning the early settlement of earn-out amounts in connection with the agreement for the purchase of shares in NextWeb Media Sp. z o.o. The amount paid in this respect amounted to PLN 15.5 million.

## 18. OBJECTIVES AND PRINCIPLES OF FINANCIAL RISK MANAGEMENT

The Company is exposed to credit risk and liquidity risk. Neither as of 31 December 2016 and 2015, 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 program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk is managed by the centralized Cash Flow Management Department of the Company which executes the policy approved by the Management Board. The Company's Cash Flow Management 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 with related parties only, 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 of 31 December 2016	As of 31 December 2015
Banks with high rating	1 273	18 144
<b>Total cash at banks</b>	<b>1 273</b>	<b>18 144</b>

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 2016 and as of 31 December 2015 by maturity, based on undiscounted contractual payments.

in PLN'000	up to 3 months	3 to 12 months	1 to 5 years
<b>As of 31 December 2016</b>			
Trade payables, accruals and operating provisions and other payables	1 493		
<b>As of 31 December 2015</b>			
Trade payables, accruals and operating provisions and other payables	939	4 000	12 635

## 19. 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.

Current operations are financed with the Company's own resources.

## 20. RELATED PARTY DISCLOSURES

The following transactions were concluded with related entities:

in PLN'000	For the year ending 31 December 2016	For the year ending 31 December 2015
<b>Purchases</b>		
Subsidiaries	803	1 040
<b>Total</b>	<b>803</b>	<b>1 040</b>
<b>Sales of services</b>		
Subsidiaries	7 175	5 264
<b>Total</b>	<b>7 175</b>	<b>5 264</b>
<b>Interest income, guarantees and dividends</b>		
Subsidiaries	12 443	11 802
<b>Total</b>	<b>12 443</b>	<b>11 802</b>

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

in PLN'000	As of 31 December 2016	As of 31 December 2015
<b>Receivables</b>		
Subsidiaries	800	716
<b>Total</b>	<b>800</b>	<b>716</b>
<b>Loans granted</b>		
Subsidiaries	280 935	263 124
<b>Total</b>	<b>280 935</b>	<b>263 124</b>
<b>Liabilities</b>		
Subsidiaries	6	-
<b>Total</b>	<b>6</b>	<b>-</b>

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

in PLN'000	For the year ending 31 December 2016	For the year ending 31 December 2015
Short-term employee costs (salaries and related benefits)	6 254	4 908
External services	-	350
Incentive scheme - share-based payments (note 14)	1 092	955
<b>Total</b>	<b>7 346</b>	<b>6 213</b>

## 21. EXPLANATIONS TO THE CASH FLOW STATEMENT

in PLN'000	As of 31 December 2016	As of 31 December 2015
<b>Change in receivables arises from the following items:</b>	<b>713</b>	<b>1 180</b>
Change in trade and other receivables per balance sheet	713	1 972
Guarantees granted	-	(792)
<b>Change in short-term liabilities arises from the following items:</b>	<b>556</b>	<b>(663)</b>
Change in trade payables, accruals, operating provisions and other and long-term liabilities per balance sheet	(12 545)	12 438
Adjustment for change in contingent liability related to purchase of subsidiary	13 101	(13 101)
<b>Purchase of shares in subsidiary</b>	<b>-</b>	<b>(20 910)</b>
Nominal purchase price	-	(20 700)
Taxes and charges directly related to the purchase increasing the value of the investment	-	(210)

As of 31 December 2016 and 2015, cash and cash equivalents comprised solely cash at banks and in hand of the Company.

As of 31 December 2016 and 2015, Company's bank account was subject to the financial pledge established as the security for the repayment of the loan taken by the subsidiary.

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

On 25 November 2016, the Company concluded an agreement on the audit of Company's financial statements for the financial years 2016-2018 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 ending 31 December 2016 and 31 December 2015.

in PLN'000	For the year ending 31 December 2016	For the year ending 31 December 2015
Audit of the annual financial statements	91	120
Tax advisory	14	14
Review of interim financial statements	77	95
Audit services related to IPO	-	873
Due diligence services	-	277
<b>Total</b>	<b>182</b>	<b>1 379</b>



### 23. SELECTED STANDALONE FINANCIAL DATA CONVERTED INTO EUR

	For the year ending 31 December 2016	For the year ending 31 December 2015	For the year ending 31 December 2016	For the year ending 31 December 2015
	in PLN'000		in EUR'000	
Sales	7 163	5 257	1 637	1 256
Operating loss	(2 937)	(5 306)	(671)	(1 268)
Profit before tax	6 841	5 382	1 563	1 286
Net profit	4 609	4 376	1 053	1 046

	For the year ending 31 December 2016	For the year ending 31 December 2015	For the year ending 31 December 2016	For the year ending 31 December 2015
	in PLN'000		in EUR'000	
Net cash flows from operating activities	(1 493)	(9 365)	(341)	(2 238)
Net cash flows from investing activities	(20 870)	(82 443)	(4 770)	(19 701)
Net cash flows from financing activities	5 492	109 438	1 255	26 151
Total net cash flows	(16 871)	17 630	(3 856)	4 213

	As of 31 December 2016	As of 31 December 2015	As of 31 December 2016	As of 31 December 2015
	in PLN'000		in EUR'000	
Total assets	486 295	485 974	109 922	114 038
Non-current assets	484 211	466 306	109 451	109 423
Current assets	2 084	19 668	471	4 615
Long-term liabilities	3 449	11 998	780	2 815
Short-term liabilities	1 901	4 803	430	1 127
Equity	480 945	469 173	108 713	110 096
Share capital	1 434	1 413	324	332

Conversion into euro was performed based on the following principles:

- amounts presented in zloty as of 31 December 2016 were converted into euro at the exchange rate of 4.4240 (the NBP exchange rate as of 31 December 2016),
- amounts presented in zloty as of 31 December 2015 were converted into euro at the exchange rate of 4.2615 (the NBP exchange rate as of 31 December 2015),
- amounts presented in zloty for the year ending 31 December 2016 were converted into euro at the exchange rate of 4.3757 (the arithmetic mean of the NBP exchange rates as of the last day of each month of 2016),
- amounts presented in zloty for the year ending 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).

## 24. ADDITIONAL INFORMATION ON RESULTS OF THE FOURTH QUARTER OF 2016

in PLN'000	Three months ending 31 December 2016	Three months ending 31 December 2015
<b>Sales</b>	<b>428</b>	<b>1 371</b>
Amortization and depreciation	(4)	(3)
Materials and energy used	(3)	-
Costs of the employee option scheme	(356)	(239)
Other external services	(484)	(717)
Other salary and employee benefit expenses	(2 227)	(1 304)
Other operating expenses	(41)	(24)
Other operating income/gains	-	7
Dividends received	-	-
Gain/loss on disposal of other financial assets	-	-
<b>Operating loss</b>	<b>(2 687)</b>	<b>(907)</b>
Finance income	3 094	2 761
Finance costs	(1 085)	(489)
<b>Profit before tax</b>	<b>(678)</b>	<b>1 365</b>
Income tax	(601)	(312)
<b>Net profit</b>	<b>(1 279)</b>	<b>1 053</b>
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>
<b>Comprehensive income</b>	<b>(1 279)</b>	<b>1 053</b>

\_\_\_\_\_  
Jacek Świdorski  
President of the Management Board

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Michał Brański  
Member of the Management Board

\_\_\_\_\_  
Krzysztof Sierota  
Member of the Management Board

\_\_\_\_\_  
Elżbieta Bujniewicz-Belka  
Member of the Management Board

Warsaw, 13 March 2017

## **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 Company. Moreover, the Management Board of Wirtualna Polska Holding confirms that the combined report of the management board on the activities of the Company and its Capital Group shows a true view of the development and achievements and state of affairs of the Company and its Capital Group, including an evaluation of dangers and risks.

The Management Board of Wirtualna Polska Holding SA confirms that the entity authorized to the audit of the annual 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.

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Jacek Świdorski  
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, 13 March 2017