STANDALONE FINANCIAL STATEMENTS

FOR THE YEAR ENDING
31 DECEMBER 2018

Holding SA

Standalone income statement and other comprehensive income

in PLN'000	Note	For the year ended 31 December 2018	For the year ended 31 December 2017
Sales	4	**-**	**6 907**
Amortization and depreciation		(14)	(14)
Materials and energy used		(6)	(16)
Costs of the employee option scheme		32	(1 160)
Other external services		(4 570)	(1 382)
Other salary and employee benefit expenses		(3 048)	(6 732)
Other operating expenses	5	(340)	(271)
Dividends received		-	238
Operating loss		**(7 946)**	**(2 430)**
Finance income	6	9 763	12 032
Finance costs	7	(959)	(1)
Profit before tax		**858**	**9 601**
Income tax	8	(450)	(2 024)
Net profit		**408**	**7 577**
Other comprehensive income		-	-
Comprehensive income		**408**	**7 577**

Holding SA

Standalone statement of financial position

in PLN'000	Note	As of 31 December 2018	As of 31 December 2017
Non-current assets			
Intangible assets	10	18	32
Investments in subsidiaries	11	427 623	203 402
Loans granted	11	85 869	262 202
Deferred tax asset	15	125	304
		513 635	**465 940**
Current assets			
Trade receivables and other assets		1 511	713
Cash and cash equivalents		3 254	1 491
		4 765	**2 204**
TOTAL ASSETS		**518 400**	**468 144**
Equity			
Share capital	13	1 449	1 443
Supplementary capital		320 895	318 759
Other reserves		7 801	6 439
Retained earnings		106 562	134 454
		436 707	**461 095**
Long-term liabilities			
Loans and leases	16	56 426	-
Other long-term liability	17	18 395	-
Deferred tax liability		-	-
		74 821	**-**
Short-term liabilities			
Loans and leases	16	2 196	-
Trade and other payables	17	4 676	1 382
Current income tax liabilities		-	5 667
		6 872	**7 049**
TOTAL EQUITY AND LIABILITIES		**518 400**	**468 144**

WP Holding SA

Standalone statement of changes in equity

in PLN'000	Equity				
	Share capital	Supplementary capital	Other reserves	Retained earnings	Total
Equity as of 1 January 2018	1 443	318 759	6 439	134 454	**461 095**
Change of accounting policy				(552)	**(552)**
Equity adjusted	**1 443**	**318 759**	**6 439**	**133 902**	**460 543**
Net profit/ (loss)	-	-	-	408	408
Total comprehensive income	**-**	**-**	**-**	**408**	**408**
Share capital increase	6	2 136	-	-	2 142
Incentive scheme - share-based payments	-	-	1 362	-	1 362
Distribution of net profit	-	-	-	(27 748)	(27 748)
Equity as at 31 December 2018	**1 449**	**320 895**	**7 801**	**106 562**	**436 707**

in PLN'000	Equity				
	Share capital	Supplementary capital	Other reserves	Retained earnings	Total
Equity as of 1 January 2017	**1 434**	**315 830**	**5 113**	**158 568**	**480 945**
Net profit	-	-	-	7 577	7 577
Total comprehensive income	**-**	**-**	**-**	**7 577**	**7 577**
Share capital increase	9	2 929	-	-	2 938
Incentive scheme - share-based payments	-	-	1 326	-	1 326
Distribution of net profit				(31 691)	**(31 691)**
Equity as at 31 December 2017	**1 443**	**318 759**	**6 439**	**134 454**	**461 095**

As of 31 December 2018, the equity of PLN 106.562 thousand may be used for the dividend payment.

Standalone cash flow statement

in PLN'000	For the year ended 31 December 2018	For the year ended 31 December 2017
Cash flows from operating activities		
Profit before tax	**858**	**9 601**
Adjustments for:	**(8 829)**	**(11 095)**
Amortization and depreciation	14	14
Finance income and costs	(8 804)	(12 031)
Costs of the employee option scheme	(32)	1160
Dividends received	-	(238)
Other adjustments	(7)	-
Changes in working capital	**1 870**	**(37)**
Change in trade and other receivables	345	98
Change in trade and other payables	1 525	(118)
Change in provisions	-	(17)
Income tax paid	(6 950)	(503)
Income tax return	-	3
Net cash flows from operating activities	**(13 051)**	**(2 031)**
Cash flows from investing activities		
Dividends received	-	238
Repayment of guarantees granted	2 182	1 224
Loans granted	(3 998)	(11 273)
Repayment of loans granted	94 598	24 405
Repayment of interest on loans granted	7 137	16 402
Acquisition of subsidiary	(202 913)	-
Net cash flows from investing activities	**(102 994)**	**30 996**
Net cash flows from financing activities		
Payments due to share capital increase	2 142	2 938
Loans received	144 958	-
Repayment of guarantees received	(226)	-
Repayment of bank commissions	(988)	-
Interest paid	(341)	-
Interest received on cash at banks	11	6
Dividends paid to the shareholders of the parent company	(27 748)	(31 691)
Net cash flows from financing activities	**117 808**	**(28 747)**
Total net cash flows	**1 763**	**218**
Cash and cash equivalents at the beginning of the period	**1 491**	**1 273**
Cash and cash equivalents at the end of the period	**3 254**	**1 491**

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 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 2018.

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 SA for the year ending 31 December 2018, published on 26 March 2019.

2.2. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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

IFRS 9 "Financial Instruments"

The Company applied IFRS 9 from 1 January 2018 in accordance with the relevant transitional provisions. The Company decided to implement the standard without transforming the comparative data. As a result, the comparative information provided is still based on the accounting principles previously applied by the Company and described in the annual financial statements for the financial year ended 31 December 2017.

IFRS 9 First implementation

- **Loans granted**

The business model for loans granted has been assessed. As part of the analysis, it was established that all loans are meant to be recovered. The SPPI test was carried out by analysing the contractual terms of the loans. All loans granted by the Company met the SPPI test, therefore they will be valued at amortized cost.

The Management analysed the loans granted also in respect of financial standing of borrowers and the potential need to create a write-down based on the expected credit loss method. The estimated allowance of PLN 681 thousand was recognized in Company's retained earnings as at 1 January 2018.

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

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

The Management Board estimates that the adjustment resulting from the calculation of expected loss is insignificant and therefore the Company will not adjust the retained earnings as at 1 January 2018 due to this.

- **Revaluation of write-offs determined by the expected credit loss method – allowances for loans granted**

The amount of revaluation write-offs for loans at amortized cost is determined in accordance with the three-grade model of expected loan losses.

The company did not recognize revaluation write-offs for loans under IAS 39 because they were serviced without delay. For the purposes of the application of IFRS 9, an individual analysis of each loan was carried out in order to assign these items to one of three levels. Next, the probability of failure to meet the obligation was determined. The expected credit loss was calculated based on the probability of default, the repayment profile agreed in the loan agreement. An impairment loss in the amount of PLN 662 thousand PLN was recognised in retained earnings on 1 January 2018.

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

The Company estimated cash write-offs, based on the probability of banks' default, on whose accounts cash is allocated as at 31 December 2018. This probability was established on the basis of the external ratings of these banks and the publicly available information of rating agencies regarding the probability of default. This analysis showed that these assets have a low credit risk as at the reporting date. The company benefited from the simplification allowed by the standard and the impairment loss was determined based on 12-month loan losses.

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

IFRS 15 "Revenue from contracts with customers"

The standard is binding for annual periods starting on or after 1 January 2018. The company has applied IFRS 15 from 1 January 2018.

The principles set out in IFRS 15 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 Management Board analysed the effect of the amendments on the financial statements, however, no significant impact on the value and the way of recognition of Company's revenues was identified.

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 16 „Leases"

IFRS 16 "Leasing" was published by the International Accounting Standards Board on 13 January 2016 and is effective for annual periods beginning on 1 January 2019 or after that date.

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 from 1 January 2019. The Management Board appointed a project team who conducted a detailed analysis of the company's agreements with respect to their recognition in accordance with the new standard and assess the impact of this change on the Company's financial statements. The team identified one rent agreement which has an irrevocable period of validity below 12 months. Consequently, the Company decided to use the exemption provided for such contract in IFRS 16.

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 2018 and 31 December 2017 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

Classification of financial instruments

In accordance with the new standard, at the moment of initial recognition, the Company classifies financial assets to one out of three categories:

- financial assets at amortized cost;
- financial assets at fair value through profit or loss;
- financial assets at fair value through other comprehensive income.

The classification depends on the financial asset's management model adopted by the Company and the contractual terms of cash flows. The Company reclassifies investments in debt instruments only when the management model of these assets changes.

Financial assets measured at amortized cost

A financial asset is classified as measured at amortized cost if the following two conditions are met:

- assets are maintained as part of a business model whose purpose is to maintain them in order to obtain cash flows arising from the contract;
- at specified times the contractual terms of the financial asset create cash flows representing only the principal and interest repayment ('SPPI').

The Company checks if the classification test based on IFRS (so-called SPPI test) is passed - i.e. it checks whether cash flows from receivables represent only repayment of principal and interests.

If the test is passed, the Company measures the asset at amortized cost. The Company classifies cash and cash equivalents. equivalents, loans granted, trade receivables and other receivables as assets measured at amortized cost.

Financial assets measured at fair value through other comprehensive income

Financial assets from which flows constitute only repayment of capital and interest, and which are maintained in order to collect contractual payments or for sale are valued at fair value through other comprehensive income. Changes in the carrying amount are recognized in other comprehensive income, except for profits and losses due to impairment, interest income and foreign exchange differences that are recognized in profit or loss. In case the financial asset is derecognized, the total profit or loss previously recognized in other comprehensive income is transferred from equity to the financial result and recognized as other gains / losses.

Financial assets measured at fair value through profit or loss

Assets that do not meet the measurement criteria to be recognized at amortized cost or at fair value through other comprehensive income are measured at fair value through profit or loss.

Impairment of financial assets

IFRS 9 requires an estimate of the expected loss, regardless of whether or not there were any reasons to create such a write-off. The standard provides for a 3-stage classification of financial assets in terms of their impairment:

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

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

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

With respect to trade receivables that do not contain a significant funding factor, the standard requires a simplified approach and valuation of an allowance based on expected credit losses for the entire life of the instrument. The Company has no trade receivables that would have an important financing factor, therefore classified its trade receivables only to the second risk group and receivables with identified impairment to the third risk group. The Company performed a portfolio analysis of receivables based on the existing credit classification of contractors and applied a simplified matrix of write-offs in individual age ranges based on expected loan losses over the entire lifetime of receivables for individual receivables portfolios. The analysis was made based on the indicators of expected non-performance of liabilities determined based on historical data.

Investments in subsidiaries and affiliates

Investments in subsidiaries and associates are recognized at the purchase price in accordance with IAS 27 "Separate Financial Statements. The purchase price is increased by transaction costs directly allocated to them and reduced by impairment losses.

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.

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. The company classifies in this category only loans granted to subsidiaries. For each loan agreement, the Company verifies whether the classification test according to IFRS 9, so-called SPPI test - ie check if payments for receivables represent only repayment of principal and interest. If the test is met, the Company measures the given asset loan at amortized cost. Interest accrued is recognized in financial revenues in the period to which they relate. The amount of revaluation write-offs for loans at amortized cost is determined in accordance with the three-stage model of expected losses.

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

Accounting policy under IFRS 15 (FY 2018)

The Company recognizes revenue from sales when it transfers control over the promised goods or services to the client and in the amount of the transaction price to which it is expected to be entitled, taking into account adjustments resulting from variable remuneration elements such as rebates and the right to return the goods. Depending on the fulfilment of certain criteria, revenues are recognized over time in a way that illustrates the degree of fulfilment of the contract, or recognized at a point in time, when the control over the goods or services is transferred to the customer.

Accounting policy under IAS 18 (FY 2017)

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 investment in subsidiaries

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) **Impairment of financial assets -loans***

The amount of revaluation write-offs for loans at amortized cost is determined in accordance with the three-grade model of expected loan losses . The Company carried out an individual analysis of each loan in order to assign these items to one of three levels. Next, the probability of failure to meet the obligation was determined. The expected credit loss was calculated based on the probability of default, the repayment profile agreed in the loan agreement

4. SALES

in PLN'000	For the year ended 31 December 2018	For the year ended 31 December 2017
Management services	-	6 907
Total	**-**	**6 907**

in PLN'000	For the year ended 31 December 2018	For the year ended 31 December 2017
Domestic sales	-	6 907
Total	**-**	**6 907**

Total Company's sales in 2017 related to management services provided to subsidiaries.

5. OTHER OPERATING EXPENSES

in PLN'000	For the year ended 31 December 2018	For the year ended 31 December 2017
Representation and other costs by type	122	93
Taxes and charges	213	178
Currency exchange differences	5	-
Other	-	-
Total	**340**	**271**

6. FINANCE INCOME

in PLN'000	For the year ended 31 December 2018	For the year ended 31 December 2017
Interest income on loans granted	7 114	10 804
Interest income on cash at banks	9	4
Income from guarantees	2 182	1 224
Other	458	-
Total	**9 763**	**12 032**

7. FINANCE COSTS

in PLN'000	For the year ended 31 December 2018	For the year ended 31 December 2017
Interest and commissions	724	-
Currency exchange differences	8	-
Guarantee costs	227	-
Other	-	1
Total	**959**	**1**

8. CURRENT AND DEFERRED INCOME TAX

in PLN'000	For the year ended 31 December 2018	For the year ended 31 December 2017
Current income tax	**(142)**	**(5 777)**
For the financial year	(142)	(5 777)
Deferred tax (note 15)	**(308)**	**3 753**
Temporary differences arising and reversed	(308)	3 753
Total income tax	**(450)**	**(2 024)**

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 2018	For the year ended 31 December 2017
Profit before tax	**858**	**9 601**
Income tax at the statutory rate of 19%	**163**	**1 824**
Tax effects of the following items:		
Dividends received	-	(45)
Non-deductible costs	34	245
Unrecognized tax assets on temporary difference in shares value	253	-
Total income tax	**450**	**2 024**

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 2018 and 2017 there were no premises to record a provision against identifiable and measurable tax risk.

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

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 2018 and 2017

in PLN'000	For the year ended 31 December 2018	For the year ended 31 December 2017
Net profit attributable to equity holders of the Company	**408**	**7 577**
Weighted average number of shares shown for the purpose of calculating basic earnings per share (no. of units)	28 891 220	28 770 241
Effect of diluting the number of ordinary shares	182 410	212 857
Weighted average number of ordinary shares shown for the purpose of calculating diluted earnings per share (no. of units)	29 073 630	28 983 098
Basic (in PLN)	0,01	0,26
Diluted (in PLN)	*0,01*	*0,26*

10. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

In the period from 1 January 2018 to 31 December 2018 the Company did not purchase property, plant and equipment. As of 31 December 2018 and 2017 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 of 1 January 2018	69
Gross carrying amount as of 31 December 2018	69
Accumulated depreciation as of 1 January 2018	37
Additions due to:	14
- depreciation	14
Accumulated depreciation as of 31 December 2018	51
Net carrying amount as of 31 December 2018	**18**

in PLN'000	Other intangible assets
Gross carrying amount as of 1 January 2017	69
Gross carrying amount as of 31 December 2017	69
Accumulated depreciation as of 1 January 2017	23
Additions due to:	14
- depreciation	14
Accumulated depreciation as of 31 December 2017	37
Net carrying amount as of 31 December 2017	**32**

As of 31 December 2018 and 31 December 2017 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 2018.

in PLN'000	Shares	Loans granted	Total long-term financial assets
As of 1 January 2018	**203 402**	**262 202**	**465 604**
Additions	**224 221**	**11 110**	**235 331**
Purchase of shares	222 827	-	222 827
Loans granted	-	3 998	3 998
Costs of the option scheme in the subsidiary	1 394	-	1 394
Interest accrued using effective interest rate	-	7 112	7 112
Decreases	**-**	**(187 219)**	**(187 219)**
Repayment of loan principle	-	(94 598)	(94 598)
Compensation of loans granted		(85 484)	(85 484)
Repayment of interest	-	(7 137)	(7 137)
As of 31 December 2018	**427 623**	**86 093**	**513 716**
Impairment allowance as of 1 January 2018	**-**	**-**	**-**
Change of accounting policies	-	681	681
Impairment allowance as of 1 January 2018 restated	**-**	**681**	**681**
Decreases	**-**	**(457)**	**(457)**
Release of allowance	-	(457)	(457)
Impairment allowance as of 31 December 2018	**-**	**224**	**224**
Net value as of 31 December 2018	**427 623**	**85 869**	**513 492**

The following table shows changes in the value of long-term investments during the financial year ending 31 December 2017.

in PLN'000	Shares	Loans granted	Total long-term financial assets
As of 1 January 2017	**203 230**	**280 935**	**484 165**
Additions	**172**	**22 075**	**22 247**
Purchase of shares	7	-	**7**
Loans granted	-	11 273	**11 273**
Costs of the option scheme in the subsidiary	165	-	**165**
Interest accrued using effective interest rate	-	10 802	**10 802**
Decreases	**-**	**(40 808)**	**(40 808)**
Repayment of loan principle	-	(40 808)	**(40 808)**
As of 31 December 2017	**203 402**	**262 202**	**465 604**

Wirtualna Polska Media SA

On 10 February 2014 the Company signed with its subsidiary 02 Sp. z o.o. (currently Wirtualna Polska Media SA) a loan agreement of PLN 200,000 thousand. As at 31 December 2017 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 SA

In the following periods subsequent tranches in the total amount of PLN 75,895 thousand were used to finance the acquisition activity and partial repayment of the bank loan. In previous periods Wirtualna Polska Media SA repaid the loan principal of PLN 32,961 thousand and interest of PLN 28,032 thousand.

In 2018 Wirtualna Polska Media SA repaid the loan principal of PLN 89,100 thousand and interest of PLN 6,699 thousand. Furthermore, in 2018 the Company was granted a loan of PLN 85,484 thousand on by Wirtualna Polska Media SA for the purchase of shares in Domodi Sp. z o.o. which was then compensated with the receivable on loan granted to Wirtualna Polska Media SA.

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 2021. The interests are repaid quarterly.

Totalmoney.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 2018 Money.pl Sp. z o.o. repaid the loan principle of PLN 1,500 thousand and interest of PLN 330 thousand.
In years 2017 and 2016 Money.pl Sp. z o.o. repaid the interests accrued on loan in the amount of PLN 370 thousand and PLN 591 thousand respectively. Furthermore, in 2017 the company repaid of PLN 2,669 thousand of the loan's principle.

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 2021. The interests are repaid quarterly.

Domodi Sp. z o.o.

In 2018 the Company granted a loan of PLN 3,998 thousand to Domodi Sp. z o.o. for the purpose of repayment of earn-out liability towards previous owners of Allani Sp. z o.o. The loan was repaid in full (including PLN 118 thousand of interest). The loan beard an interest rate of WIBOR for 3-month deposits plus the margin specified in the agreement.

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 and 2017 the company WP1 Sp. z o.o. used the subsequent tranches of the loan of PLN 8,150 thousand and PLN 11,273 thousand accordingly.

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 2021. After the merger between Wirtualna Polska Media and WP1, all obligations related to the loans were transferred to Wirtualna Polska Media. The interests are repaid quarterly.

The first adoption of IFRS 9 resulted in recognition of allowance of PLN 681 thousand for impairment of loans grated as at 1 January 2018. In 2018 the allowance was decreased by PLN 458 thousand.

The following table presents an analysis of the credit risk assessment levels of loans measured at amortized cost.

Rating	As of 31 December 2018 Grade 1 (12 – moths ECL)	As of 1 January 2018 Grade 1 (12 – moths ECL)
Baa3	86 093	262 200
Gross value	**86 093**	**262 200**
Expected credit loss	224	662
Net value	**85 869**	**261 538**

Shares

As of 31 December 2018 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 SA	205 370	-	205 370	100%	100%
Domodi Sp. z o.o.	120 165		120 165	49%	49%
Extradom.pl Sp. z o.o.	75 759		75 759	100%	100%
Superauto24.com Sp. z o.o.	25 500		25 500	51%	51%
WP Zarządzanie Sp. z o.o.	829	-	829	100%	100%
As of 31 December 2018	**427 623**	**-**	**427 623**		

As of 31 December 2017 the structure of shares held by the Company were 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 SA	196 646	-	196 646	100%	100%
Http Sp. z o.o.	52	-	52	100%	100%
Dobreprogramy Sp. z o.o.	6 697	-	6 697	51%	51%
WP Zarządzanie Sp. z o.o.	7	-	7	100%	100%
As of 31 December 2017	**203 402**	**-**	**203 402**		

Domodi

On 15 March 15 2018 the Company and Domodi Shareholders concluded a share purchase agreement on the basis of which the Company acquired a total of 918 shares in the share capital of Domodi representing approximately 35% of the share capital of Domodi and entitling to exercise about 35% of votes at the shareholders' meeting of Domodi. The sale price for all the purchased shares is PLN 85,484 thousand. The transfer of rights to shares took place on March 22,2018 upon payment of the price on the terms specified in the agreement. The acquisition of shares was financed from a loan granted to Wirtualna Polska Holding SA by Wirtualna Polska Media SA with funds from the tranche of the Capex Loan under the loan agreement of 12 December 2017.

On 4 September 2018 the Company concluded with minority shareholders of Domodi annex, pursuant to which the parties of the shareholders agreement accelerated the second option of purchasing a minority stake in Domodi Sp. z o.o. and subsequently concluded a sale purchase agreement under which the Company acquired a total of 364 shares with a par value of PLN 200 each, representing approximately 14% of the share capital of Domodi and entitling to exercise approximately 14% of votes at the shareholders' meeting.

After the settlement of the transaction, the Company owns 49% of shares in Domodi entitling to exercise 49% of votes at the shareholders' meeting. The selling price for all shares purchased is approximately PLN 33.4 million. The purchase of shares was financed from the Group's own funds.

The value investment was increased by direct cost related to the transaction in the amount of PLN 1,189 thousand.

Dobreprogramy Sp. z o.o.

On 22 March 2018, Wirtualna Polska Holding SA and shareholders of Dobreprogramy Sp. z o.o. concluded a share purchase agreement on the basis of which the Company acquired a total of 980 shares, representing approximately 49% of the share capital of Dobreprogramy and entitling to exercise about 49% of votes at the shareholders' meeting of Domodi. Prior to the transaction, the Company had a controlling stake of 51% of shares in Dobreprogramy. As a result of the transaction, a total of 100% of Dobreprogramy shares are owned by WPH. The sale price for all the purchased shares is PLN 1,470 thousand. The value investment was increased by direct cost related to the transaction in the amount of PLN 27 thousand.

Extradom.pl Sp. z o.o.

On 29 October 2018, the Company and ASP Capital and two natural persons concluded sales purchase agreement of 14,163 shares in the share capital of Extradom.pl sp. z o.o. representing a total of 100% of all shares in the Extradom share capital and entitling to exercise 100% of votes at the Shareholders' Meeting of Extradom.

Extradom is the market leader in the sales of architectural projects online with a dozen percent share in the entire architectural design market. Marketplace run by Extradom aggregates over 18.000 projects from leading Polish architectural studios, giving the user a wide range of professional advice during the selection process. Among the architectural studios Extradom has a strong recognizable brand and is their trusted partner that gives easy access to the online market.

The selling price for the Shares is PLN 75.0 million.

The Sale Price will be paid in installments. The first installment in the amount of PLN 52.9 million was paid on 8 November 2018. The company paid the second installment in the amount of PLN 6.5 million on 11 December 2018.

Ownership of 12,603 shares in Extradom, representing approximately 88.99% of all shares in Extradom's share capital and entitling to exercise about 88.99% of votes at the shareholders meeting of Extradom, was transferred to the Company after payment of the First Installment. Ownership of 1.560 shares in Extradom, representing approximately 11.01% of all shares in Extradom's share capital and entitling to exercise about 11.01% of votes at the Shareholders Meeting of Extradom, was transferred to the Company after the payment of the Second Installment .

At the same time, the Parties agreed that a part of the Sale Price in the amount of PLN 15.5 million will be withheld by the Company in order to hedge the standard risks in such transactions and will be payable as below:

- PLN 1,526 thousand no later than 10 January 2019,
- PLN 2,094 thousand no later than 10 January 2020;
- PLN 2,163 thousand no later than 10 January 2021;
- PLN 2,680 thousand no later than 10 January 2022;
- PLN 4,734 thousand no later than 10 January 2023;
- PLN 2,328 thousand no later than 10 January 2024.

The above mentioned tranches will be increased by the interest calculated on the unpaid amount of the retained amount. The value investment was increased by direct cost related to the transaction in the amount of PLN 759 thousand.

Superauto24.com Sp. z o.o.

On 19 December 2018, the Company concluded with two natural persons, Superauto24.com sp. z o.o.,Grupa Super Auto sp. o.o., Super Auto sp.j. B. Chojnacki, K. Makula a share purchase agreement to:

- purchase a total of 20 shares of Superauto24.com with a nominal value of PLN 100.00 each for a total price of PLN 450 thousand;
- took 11 shares in the increased share capital of Superauto24.com in return for a cash contribution in the total amount of PLN 20,650 thousand.

As a result of the Transaction, after registering the share capital increase of Superauto24.com by the registry court, the Issuer will own 50.8% of Superauto24.com shares entitling to exercise 50.8% of votes at the Shareholders Meeting of Superauto24.com.
Superauto24.com is an aggregator of new cars from authorized dealers and an expert in financing the purchase of a car cooperating with the largest banks and leasing companies in Poland. The part of the Iissue price in the amount of PLN 16.650 thousand will be allocated to the acquisition by SuperAuto24.com of companies from Grupa Super Auto

sp. o.o. and Super Auto sp.j. B. Chojnacki, K. Makula as part of the consolidation of Superauto24.com, and the remaining part of the issue price in the amount of PLN 4,000 thounsand will be used to finance the development of Superauto24.com.
The parties also agreed that the sale price may be increased by no more than PLN 5,000 thousand subject to the implementation of the financial objective set out in the agreement for the financial year 2019.

In addition, on 19 December 2018, WPH and the seller entered into a shareholders agreement governing the rights and obligations of Superauto24.com shareholders and the general principles of corporate governance applicable at Superauto24.com. Pursuant to the Shareholders Agreement, the Issuer would have the option of acquiring the remaining shares of the sellers in the share capital of Superauto24.com on the following principles

a) in the period from 1 January 2022 to 31 December 2022 - up to 33% of shares held by each of the sellers at the time of submitting a declaration on the Company's exercise of options;
b) in the period from 1 January 2023 to 31 December 2023 - up to 33% of shares held by each of the sellers at the moment of submitting the performance statement, and in the event of non-performance of the call option in accordance with item a) above - up to 66% of the shares held by each of the Sellers at the time of the WP statement on the exercise of the option;
c) in the period from 1 January 2024 to 31 December 2030 - all shares held by each of the Sellers at the time of filing the statement on the exercise of options in the period from 2024 to 2030.

The price for the shares purchased in the call cption will be determined in accordance with the template set out in the shareholders' agreement and will depend on the dynamics of the Superauto24.com EBITDA.

The value investment was increased by direct cost related to the transaction in the amount of PLN 4 thousand.

In 2018 the value of shares in Wirtualna Polska Media SA, WP Zarządzanie Sp. z o.o. and Domodi Sp. z o.o. was increased by PLN 1,394 thousand due to option rights vested during the year by beneficiaries of option scheme providing services for the subsidiary (note 14).

On 31 July 2018, dobreprogramy Sp. z o.o., http Sp. z o.o Wirtualna Polska Media SA. merged by transferring all assets of dobreprogramy Sp. z o.o. and http Sp. z o.o to Wirtualna Polska Media SA

In the Management Board's opinion, there are no triggers of impairment of shares which were not written-down as of 31 December 2018.

As of 31 December 2017, the financial pledge on shares of total of PLN 325,355 thousand was established as a collateral for the repayment of loan taken by the subsidiary.

12. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

in PLN'000	As of 31 December 2018	As of 31 December 2017
Receivables from related parties	215	702
State receivables	1 286	-
Prepayments	10	11
Total	**1 511**	**713**

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

As of 31 December 2018 and 31 December 2017 there are no receivables that are individually considered as non-collectible. Changes in impairment allowances in 2017 for trade and other receivables were as follows:

in PLN'000	As of 31 December 2017
Impairment allowances for trade and other receivables at the beginning of the period	**27**
Decreases including:	**(27)**
- utilization of impairment allowances	(27)
Impairment allowances for trade and other receivables at the end of the period	**-**

In 2018 and as of 31 December 2018, there was not impairment allowance for overdue receivables created in accordance with expected credit loss model.

13. SHARE CAPITAL

13.1. Share capital structure

As of 31 December 2018, the share capital was composed of 28,955,568 shares with a par value of PLN 0.05 each, including 11,289,709 preferred voting shares and 17,665,859 ordinary shares. The structure of share capital was as follows:

Shareholder	Number of shares	% of share capital	Number of votes	% of votes
Jacek Świderski through subsidiaries:	3 777 164	13,04%	7 540 401	18,74%
Orfe SA	3 763 237	13,00%	7 526 474	18,70%
Michał Brański through subsidiaries:	3 777 164	13,04%	7 540 400	18,74%
10X SA	3 763 236	13,00%	7 526 472	18,70%
Krzysztof Sierota through subsidiaries:	3 777 164	13,04%	7 540 400	18,74%
Albemuth Inwestycje SA	3 763 236	13,00%	7 526 472	18,70%
Founders together*	**11 331 492**	**39,13%**	**22 621 201**	**56,21%**
AVIVA OFE	2 033 159	7,02%	2 033 159	5,05%
Others	15 590 917	53,84%	15 590 917	38,74%
Total	**28 955 568**	**100,00%**	**40 245 277**	**100,00%**

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

As of 31 December 2017, the share capital was composed of 28.855.224 shares with a par value of PLN 0.05 each, including 11,289,709 preferred voting shares and 17,565,515 ordinary shares. The structure of share capital was as follows:

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

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

The share capital of the Company was fully paid up as of 31 December 2018 and 2017.

Significant changes of shareholders

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

Share capital increase

On June 29 2018 the KDPW registered and WSE admitted to trading:

- 30,836 series D ordinary bearer shares with a nominal value of PLN 0.05 each, issued as part of the conditional share capital increase pursuant to resolution No. 6 of the Extraordinary General Meeting of the Company dated 14 January 2015 ;
- 17,920 ordinary bearer series F shares with a nominal value of PLN 0.05 each, issued as part of the conditional share capital increase based on Resolution No. 3 of the Extraordinary General Meeting of the Company.

In connection with the above, acquisition of rights stemming from 48.756 ordinary bearer shares of the Company, including 30.836 ordinary bearer series D shares with a nominal value of 0.05 PLN and 17,920 ordinary bearer series F shares with a nominal value of 0.05 PLN has occurred, and increase in the Company's share capital by PLN 2,437.80, i.e. from PLN 1,442.761.20 to PLN 1,445,199.00 took place.

On 19 September 2018 the KDPW registered and WSE admitted to trading:

- 13,899 series D ordinary bearer shares with a nominal value of PLN 0.05 (in words: five groszy) each, issued as part of the conditional share capital increase pursuant to resolution No. 6 of the Extraordinary General Meeting of the Company dated 14 January 2015;
- 23,377 ordinary bearer series F shares with a nominal value of PLN 0.05 each, issued as part of the conditional share capital increase based on Resolution No. 3 of the Extraordinary General Meeting of the Company with on 5 March 2015 .

In connection with the above, acquisition of rights stemming from 37,276 ordinary bearer shares of the Company, including 13,899 ordinary bearer series D shares with a nominal value of 0.05 PLN and 23,377 ordinary bearer series F shares with a nominal value of 0.05 PLN has occurred, and increase in the Company's share capital by PLN 1,863.80, i.e. from PLN 1,445,199.00 to PLN 1,447,062.80 took place.

On 14 December 2018 the KDPW registered and WSE admitted to trading:

- 9,227 series D ordinary bearer shares with a nominal value of PLN 0.05 (in words: five groszy) each, issued as part of the conditional share capital increase pursuant to resolution No. 6 of the Extraordinary General Meeting of the Company dated 14 January 2015;
- 5,085 ordinary bearer series F shares with a nominal value of PLN 0.05 each, issued as part of the conditional share capital increase based on Resolution No. 3 of the Extraordinary General Meeting of the Company with on 5 March 2015.

In connection with the above, acquisition of rights stemming from 14,312 ordinary bearer shares of the Company, including 9,227 ordinary bearer series D shares with a nominal value of 0.05 PLN and 5,085 ordinary bearer series F shares with a nominal value of 0.05 PLN has occurred, and increase in the Company's share capital by PLN 1715.60, i.e. from PLN 1,447,062.80 0 to PLN 1,447,778.40 took place.
The series D and F shares were taken as a result of exercising the rights acquired through private placement of series B and C subscription warrants of the Company by eligible employees and associates of the Company as part of the Managerial Option .
After registration, admission to trading and issuing of the above mentioned shares, the share capital of the Company amounts to PLN 1,447,778.40 and is divided into 28,955,568 shares with a nominal value of PLN 0.05, entitling to 40,245,277 votes at the General Meeting, including:

- 11.289.709 registered series A preference shares; preference for 11,289,709 series A shares applies to voting rights at the general meeting in such a way that there are two votes per share;
- 1,100,000 ordinary series A bearer shares;
- 12,221.811 ordinary series B bearer shares;
- 301,518 ordinary series C bearer shares;
- 605,767 ordinary series D bearer shares;
- 3,339,744 ordinary series E bearer shares;
- 97,019 ordinary series F bearer shares.

The total number of votes from all the Company's shares is: 40,245,277.

Changes in the share capital after the balance sheet date
On 1 March 2019 KDPW registered and WSE admitted to trading 13,777 series D ordinary bearer shares and 5,085 ordinary bearer series F shares. After registration, admission to trading and issuing of the above mentioned shares, the share capital of the Company amounts to PLN 1,448,721.50 and is divided into 28,974,430 shares with a nominal value of PLN 0.05, entitling to 40,264,139 votes and the shareholders structure is presented in next table.

Shareholder	Number of shares	% of share capital	Number of votes	% of votes
Jacek Świderski through subsidiaries including among others:	3 777 164	13,04%	7 540 401	18,73%
Orfe SA	3 763 237	12,99%	7 526 474	18,69%
Michał Brański through subsidiaries including among others:	3 777 164	13,04%	7 540 400	18,73%
10X SA	3 763 236	12,99%	7 526 472	18,69%
Krzysztof Sierota through subsidiaries including among others:	3 777 164	13,04%	7 540 400	18,73%
Albemuth Inwestycje SA	3 763 236	12,99%	7 526 472	18,69%
Founders together*	**11 331 492**	**39,11%**	**22 621 201**	**56,18%**
Aviva OFE	2 033 159	7,02%	2 033 159	5,05%
Other	15 609 779	53,87%	15 609 779	38,77%
Total	**28 974 430**	**100,00%**	**40 264 139**	**100,00%**

Dividend policy and profit distribution

On 20 December 2017, the Management Board of Wirtualna Polska Holding S.A adopted a dividend policy. The policy assumes a dividend payment at the level above PLN 1 per share, but not more than 70% of the consolidated net profit of the Capital Group reported in the consolidated financial statements for a given financial year.

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

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

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

in PLN'000	For the year ended 31 December 2018	For the year ended 31 December 2017
Dividends declared and paid for the current and previous years	27 748	31 691
Dividend per 1 share	0,96	1,10

14. INCENTIVE SCHEME – SHARE BASED PAYMENTS

First Incentive Schemes

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

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

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

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

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

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

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

	Share options (no. of units)
As of 1 January 2018	**203 670**
Awarded	118 145
Non executed	(12 709)
Executed	(44 735)
As of 31 December 2018	**264 371**
Including the number of options vested as of the balance sheet date	36 640

The exercise price of the options outstanding as of 31 December 2018 amounted to PLN 12.17, and the period remaining to the end of the contractual life of the option is between 1.5 and 5.5 years.

Second Incentive Scheme

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

The issue price of F series shares was determined by the Management Board at PLN 32, which is the price at which the shares were acquired under the initial public offering. Participants in the scheme will be entitled to exercise their rights to shares no later than 5 March 2025, and rights to shares will be acquired gradually in accordance with the schedule set out in individual contracts between the Company and the participants in the scheme. The scheme includes a requirement of being currently employed as a condition for the rights to the options vesting. The participants in the scheme will be able to subscribe to shares within 10 working days from the end of each subsequent quarter; however, the vesting in three consecutive quarters after the day of initial public offering was suspended and was cumulative at the end of the second quarter of 2017.

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 scheme was classified as equity settled share-based incentive scheme

	Share options (no. of units)
As of 1 January 2018	**418 699**
Awarded	50 000
Non executed	(25 000)
Executed	(41 297)
As of 31 December 2018	**402 402**
Including the number of options vested as of the balance sheet date	37 033

The exercise price of the options outstanding as of 31 December 2018 amounted to PLN 32, and the period remaining to the end of contractual life of the option is between 3.5 and 6 years.

15. DEFERRED TAX ASSET AND LIABILITY

Deferred income tax in connection with the occurrence of tax losses that can be settled in subsequent financial years is recognized in assets if the realization of the related tax benefits is probable due to the deduction of future taxable income by those losses. In connection with the amendment to the Income Tax Act effective from 1 January 2018, the Company separated from the result a loss on capital gains on which no deferred tax asset was recognised in the amount of PLN 253 thousand.

As at 31 December 2018, the Company used all tax losses from other operations. As at 31 December 2018 and 2017, there were no tax losses from other activities on which deferred tax asset was not recorded.

in PLN'000	As of 1 January 2018	Financial result	Change of accounting policy	As of 31 December 2018
Deferred tax assets:				
Differences in tax and carrying amounts of bank loans	-	(43)	-	43
Differences in tax and carrying amounts of liabilities	304	184	129	249
Deferred tax assets	**304**	**141**	**129**	**292**
Deferred tax liability:				
Differences in tax and carrying amounts of loans granted	-	(167)	-	167
Deferred tax liability	**-**	**(167)**	**-**	**167**
Deferred tax assets/liability net	**304**	**308**	**129**	**125**

In PLN'000	As of 1 January 2017	Financial result	As of 31 December 2017
Deferred tax assets:			
Differences in tax and carrying amounts of bank loans	-	-	-
Differences in tax and carrying amounts of liabilities	548	(244)	304
Deferred tax assets	**548**	**(244)**	**304**
Deferred tax liability:			
Differences in tax and carrying amounts of loans granted	3 997	(3 997)	-
Deferred tax liability	**3 997**	**(3 997)**	**-**
Deferred tax assets/liability net	**(3 449)**	**3 753**	**304**

It is expected that all the recognized deferred tax asset will be realized within 12 months from 31 December 2018

16. LOANS AND BORROWINGS RECEIVED

in PLN'000	As of 31 December 2018	As of 31 December 2017
Long-term:		
Bank loans	56 426	-
	56 426	**-**
Short-term		
Bank loans	2 196	
	2 196	-
Total	**58 622**	**-**

During the year the Company was one of the guarantors of the loan agreement concluded on 24 March 2015 by Grupa Wirtualna Polska SA with mBank SA, Powszechna Kasa Oszczędności Bank Polski SA and ING Bank Śląski.

On 12 December 2017, Wirtualna Polska Media SA as a borrower, the Company, Money.pl sp. z o.o., Wakacje.pl SA and Nocowanie.pl sp. z o.o. - as the guarantors entered into a credit facility agreements with mBank SA, Powszechna Kasa

Oszczędności Bank Polski SA and ING Bank Śląski as lenders. New lenders extended loans to WPM up to the the total amount of PLN 500 million designated for:

- financing investment expenses and acquisitions
- refinancing current indebtedness under the credit facility agreement executed on 24 march 2015
- financing current activities and a revolving facility.

Under the agreement concluded with mBank SA, Powszechna Kasa Oszczędności Bank Polski SAand 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 fair value of the loan as of 31 December 2018 amounts to PLN 304.388 thousand.

On 29 October 2018, Wirtualna Polska Holding SA, Wirtualna Polska Media SA and other subsidiaries, concluded an amending agreement to the loan agreement of 12 December 2017 concluded with mBank SA with headquarters in Warsaw, as a lender, financing organizer, agent and security agent, and ING Bank Śląski SA based in Katowice as a creditor and Powszechna Kasa Oszczędności Bank Polski SA with its registered office in Warsaw as the lender.

Pursuant to the amendment agreement, the value of the CAPEX loan tranche was increased by PLN 100 million and Wirtualna Polska Holding SA entered into a loan agreement as the only borrower authorized to continue using the entire available CAPEX loan tranche.

The following investment credit facilities are now available to Wirtualna Polska Holding:

- tranche CAPEX 3 in the amount of PLN 115,827 thousand, with the availability period ending on 12 December 2020,to be repaid in twelve equal quarterly installments payable starting from the fourth quarter of 2020;
- tranche CAPEX 4 in the amount of PLN 156,069 thousand, with the availability period ending on 12 December 2020,to be should be repaid on the final maturity date which will fall on the 7th anniversary of the conclusion of the new loan agreement;

The new loan agreement bears an interest rate of 3M WIBOR plus a specified margin depending on the ratio of the Group's net debt to EBITDA. Receivables of the new lenders in respect of the loan granted are secured as follows:

- financial and registered pledges on shares in Wirtualna Polska Media SA, Money.pl Sp. z o.o., Domodi Sp. z o.o., Nocowanie.pl Sp. z o.o. and Wakacje.pl SA;
- registered pledges on items and rights of Wirtualna Polska Holding SA, Wirtualna Polska Media SA, Money.pl Sp. z o.o. and Wakacje.pl SA and Domodi Sp. z o.o.;
- ordinary and registered pledges on the rights to the trademarks of Wirtualna Polska Media SA, Money.pl Sp. z o.o. and Wakacje.pl SA and Domodi Sp. z o.o.;
- financial and registered pledges on bank accounts maintained for Wirtualna Polska Holding SA, Wirtualna Polska Media SA, Money.pl Sp. z o.o., Wakacje.pl S.A and Domodi Sp. z o.o. together with powers of attorney to those bank accounts;
- financial pledges on bank accounts maintained for Nocowanie.pl Sp. z o.o. together with powers of attorney to those bank accounts;
- transfer of rights from agreements mentioned in the new loan agreement (including insurance policies, commercial contracts, intercompany loans) Wirtualna Polska Holding SA and Wirtualna Polska Media SA; Money.pl Sp. z o.o., Wakacje.pl SA and Domodi Sp. z o.o.;
- declarations on submission to enforcement procedures by Wirtualna Polska Holding SA, Wirtualna Polska Media SA, Money.pl Sp. z o.o., Wakacje.pl SA and Domodi Sp. z o.o. and
- a subordination agreement for the repayment of indicated existing and future dues in respect of Wirtualna Polska Media SA to the dues of the new borrowers.

On 7 November 2018 the Company utilized PLN 52,924 thousand of CAPEX tranche to finance the first instalment for the shares in Extradom.pl Sp. z o.o. and then on 20 December 2018 refinanced another PLN 6,551 thousand for the payment of the second tranche for the shares in Extradom.pl Sp. z o.o.

The debt from the loan agreement was presented in the balance sheet as of 31 December 2018 as long and short term. The short-term part was calculated as the sum of planned payments for 12 consecutive months according to the repayment schedule.

The table below presents the fair and carrying values of the loan..

PLN'000	Carrying amount	Fair value
Bank loans	58 622	59 737
Total	**58 622**	**59 737**

The Group had the following undrawn credit lines:

PLN'000	As of 31 December 2018	As of 31 December 2017
Expiring after one year	212 421	-
Total	**212 421**	**-**

The following table presents changes in the value of loans and leases during the year 2018:

	Bank loans	Other loans
Amount as of 1 January 2018	**-**	**-**
Additions due to:	***59 794***	***85 553***
- loans received	59 474	85 484
- interest accrued	320	69
Disposals due to:	***(1 172)***	***(85 553)***
- repayment of interest	(272)	(69)
- compensation		(85 484)
- payment of bank commissions settled effectively	(900)	-
Amount as of 31 December 2018	**58 622**	**-**

17. TRADE AND OTHER LIABILITIES

PLN'000	As of 31 December 2018	As of 31 December 2017
Long-term		
Contingent liabilities related to business combinations	4 396	
Liabilities related to business combinations (other than earn-out)	13 999	-
	18 395	**-**

PLN'000	As of 31 December 2018	As of 31 December 2017
Short-term:		
Trade payables	1 557	218
Liabilities related to business combinations (other than earn-out)	1 603	7
State liabilities	413	277
Wages and salaries payables	933	880
Liabilities related to financial activity	170	-
Total	**4 676**	**1 382**

Liabilities related to business combinations

Extradom Sp. z o.o.

Wirtualna Polska Holding SA and an entity selling shares in Extardom.pl Sp. z o.o. determined that a part of the selling price in the amount of PLN 15,525 thousand will be retained by WPH in order to hedge the standard risks in this type of transactions. This amount will be repaid annually for the next 6 years and will be increased by interest payable accrued on the unpaid amount due to the seller of the retained amount and will be reduced by any amounts withheld by WPH pursuant to the share sale agreement.

As of 31 December 2018 the long-term liability amounts to PLN 13,999 thousand and short-term liability amounts to PLN 1,603 thousand.

Contingent liabilities related to business combinations

Superauto24.com Sp. z o.o.

The investment agreement on acquisition of 51% stake in Superauto24.com Sp. z o.o. states that the sale price may be increased by no more than PLN 5,000 thousand subject to the implementation of the financial objective set out in the agreement for the financial year 2019. Therefore, the Company recognized PLN 4,396 PLN earn-out liability on the purchase of shares in Superauto24.com Sp. z o.o.

18. OBJECTIVES ADN PRINCIPLES OF FINANCIAL RISK MANAGEMENT

The Company is exposed to credit risk and liquidity risk. Neither as of 31 December 2018 and 2017, 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..

PLN'000	As of 31 December 2018	As of 31 December 2017
Banks with high rating A1 to A3	3 254	1 491
Total cash at banks	**3 254**	**1 491**

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

Write-offs for impairment of cash and cash equivalents were determined individually for each balance related to a given financial institution. External bank ratings and publicly available information on default rates for a given rating set by Moody's Investors Service agencies were used to assess credit risk. The analysis showed that these assets have a low credit risk as at the reporting date. The company benefited from the simplification allowed by the standard and the impairment loss was determined based on 12-month loan losses. Calculation of the write-off showed a negligible amount of the impairment loss.

Cash flow and fair value risk resulting from interest rate fluctuations

In the Company's case, interest rate risk is related to long-term loans and borrowing. Loans and borrowing with floating interest rates expose the Company to the risk of cash flow fluctuations as a result of changes in interest rates.

The Company actively analyses its exposure to interest rate fluctuations. Simulations of various scenarios are conducted, taking into account refinancing, renewal of the existing positions, alternative financing and hedges. Based on these scenarios, the Company calculates the effect of specific interest rate fluctuations on the financial result. These scenarios are only created for liabilities which constitute the largest interest-bearing items. Based on various scenarios, the Company manages its cash flow risk relating to interest rate fluctuations - considering using swaps under which floating interest rates are swapped for fixed. The economic result of applying such swaps is that loans and advances with floating interest rates are transformed into instruments bearing fixed interest rates. The Company estimates that a change of interest rate by 1 p.p. would result in additional PLN 0,7 million of financial interest costs per annum.

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 2018 and as of 31 December 2017 by maturity, based on undiscounted contractual payments

in PLN'000	up to 3 months	3 to 12 months	1 to 5 years
as of 31 December 2018			
Interest-bearing bank loans	541	1 655	56 426
Trade payables and other financial liabilities	4 676	-	18 395
as of 31 December 2017			
Interest-bearing bank loans	-	-	-
Trade payables and other financial liabilities	1 382	-	-

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 ended 31 December 2018	For the year ended 31 December 2017
Purchase		
Subsidiaries	694	985
Total	**694**	**985**
Sales of services		
Subsidiaries	164	6 907
Total	**164**	**6 907**
Interest income, guarantees and dividends		
Subsidiaries	9 752	12 443
Total	**9 752**	**12 443**
Interest costs		
Subsidiaries	295	-
Total	**295**	**-**

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 2018	As of 31 December 2017
Receivables		
Subsidiaries	215	702
Total	**215**	**702**
Loans granted		
Subsidiaries	85 869	262 202
Total	**85 869**	**262 202**
Liabilities		
Subsidiaries	87	6
Total	**87**	**6**

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

in PLN'000	For the year ended 31 December 2018	For the year ended 31 December 2017
Short-term employee costs (salaries and related benefits)	3 048	5 271
Incentive scheme - share-based payments	-	108
Total	**3 048**	**5 379**

21. EXPLANATION TO THE CASH FLOW STATEMENT

PLN'000	As of 31 December 2018	As of 31 December 2017
Change in receivables and other short-term assets arises from the following items:	**345**	**98**
Change in receivables and other short-term assets per balance sheet	(798)	98
Change in income tax receivables	1 143	-
Change in short-term liabilities arises from the following items:	**1 525**	**(118)**
Change in short-term liabilities per balance sheet	21 689	(111)
Adjustment for a change in investment liabilities	(19 991)	(7)
Change in liabilities in respect of financing activities	(170)	
Other	(3)	-
Purchase of shares in a subsidiary	**(202 913)**	**-**
Nominal purchase price	**(202 913)**	-
Recognition of liability on purchase of subsidiary	(220 848)	
Repayment of liability on purchase of subsidiary	(7)	
Taxes and charges directly related to the purchase increasing the value of the investment	(1 979)	-

As of 31 December 2018 and 2017, cash and cash equivalents comprised solely cash at banks and in hand of the Company.

As of 31 December 2018 and 2017, Company's bank account was subject to the financial pledge established as the security for the repayment of the loan described in Note 16

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 Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. (former PricewaterhouseCoopers sp. z o.o.) with its registered office in Warsaw, ul. Polna 11.

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 2018 and 31 December 2017.

PLN'000	For the year ended 31 December 2018	For the year ended 31 December 2017
Audit of the annual financial statements	65	79
Review of interim financial statements	77	75
Other services	38	-
Total	**180**	**154**

23. WYBRANE JEDNOSTKOWE DANE FINANSOWE Z PRZELICZENIEM NA EUR

	For the year ended 31 December 2018	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ended 31 December 2017
	in PLN'000		in EUR'000	
Sales	-	6 907	-	1 627
Operating loss	(7 946)	(2 430)	(1 862)	(573)
Profit before tax	858	9 601	201	2 262
Net profit	408	7 577	96	1 785

	For the year ended 31 December 2018	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ended 31 December 2017
	in PLN'000		in EUR'000	
Net cash flows from operating activities	(13 051)	(2 031)	(3 059)	(479)
Net cash flows from investing activities	(102 994)	30 996	(24 138)	7 303
Net cash flows from financing activities	117 808	(28 747)	27 610	(6 773)
Total net cash flows	1 763	218	413	51

	As of 31 December 2018	As of 31 December 2017	As of 31 December 2018	As of 31 December 2017
	in PLN'000		in EUR'000	
Total assets	518 400	468 144	120 558	112 241
Non-current assets	513 635	465 940	119 450	111 712
Current assets	4 765	2 204	1 108	528
Long-term liabilities	74 821	-	17 400	-
Short-term liabilities	6 872	7 049	1 598	1 690
Equity	436 707	461 095	101 560	110 550
Share capital	1 449	1 443	337	346

Conversion into euro was performed based on the following principles:

- amounts presented in zloty as of 31 December 2018 were converted into euro at the exchange rate of 4.3000 (the NBP exchange rate as of 31 December 2018),
- amounts presented in zloty as of 31 December 2018 were converted into euro at the exchange rate of 4.1709 (the NBP exchange rate as of 31 December 2017),
- amounts presented in zloty for the period of twelve months ending 31 December 2018 were converted into euro at the exchange rate of 4.2669 (the arithmetic mean of the NBP exchange rates as of the last day of each month of 2018),
- amounts presented in zloty for the period of twelve months ending 31 December 2017 were converted into euro at the exchange rate of 4.2445 (the arithmetic mean of the NBP exchange rates as of the last day of each month of 2017).

24. ADDITIONAL INFORMATION ON RESULTS OF THE FOURTH QUARTER OF 2018 (UNAUDITED)

in PLN'000	For the 3 months ended 31 December 2018 UNAUDITED	For the 3 months ended 31 December 2017 UNAUDITED
Sales	**-**	**1 250**
Amortization and depreciation	(4)	(4)
Materials and energy used	(5)	(4)
Costs of the employee option scheme	-	(253)
Other external services	(2 019)	(396)
Other salary and employee benefit expenses	(839)	(2 068)
Other operating expenses	(161)	(75)
Other operating income/gains	-	
Dividends received	-	-
Gain/loss on disposal of other financial assets	-	-
Operating loss	**(3 028)**	**(1 550)**
Finance income	1 634	2 927
Finance costs	(890)	-
Profit before tax	**(2 284)**	**1 377**
Income tax	181	(317)
Net profit	**(2 103)**	**1 060**
Other comprehensive income	-	-
Comprehensive income	**(2 103)**	**1 060**

25. EVENTS AFTER BALANCE SHEET DATE

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

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

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

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

Management Board representation regarding the Financial Statements and the Management Report for the year ending 31 December 2018 as well as the entity authorised to perform audit.

I. The representation regarding the financial statements and the management report for the year ending 31 December 2018

The Management Board of Wirtualna Polska Holding SA confirms that, to the best of their knowledge, the annual standalone 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 in question. Moreover, the Management Board of Wirtualna Polska Holding SA 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, including an evaluation of dangers and risks.

II. The representation regarding the entity authorised to perform audit

The Management Board of Wirtualna Polska Holding SA confirms that the entity authorised to the audit of the financial statements, auditing annual standalone 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 the audited annual consolidated financial statements in accordance with legal regulations and professional rules.

Supervisory Board Representation regarding the policy for selecting an audit firm to conduct the audit and evaluation of the Financial Statements and the Management Report for the year ending 31 December 2018

I. Representation regarding the policy for selecting an audit firm to conduct the audit

The Supervisory Board confirms that:

- 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 elected an auditor authorised to review and audit the financial statements and consolidated financial statements of the Company for the years 2016-2018,
- The auditing company and the members of the audit team met the conditions for preparing an impartial and independent audit report on the annual financial statements in accordance with applicable regulations, professional standards and professional ethics,
- The Company complies with the applicable regulations related to the rotation of the auditing company and the key statutory auditor and mandatory grace periods,
- The Company has a policy regarding the selection of an audit firm and a policy for providing the issuer by an auditing company, an entity related to the auditing company or a member of its network of additional non-audit services, including conditionally exempt services from the audit company,
- The requirements regarding the appointment, composition and operation of the Audit Committee are met, including the compliance of most of its members with independence criteria, as well as requirements regarding knowledge and skills in the industry in which the Company operates, and in the field of accounting or auditing,
- The Audit Committee performed its tasks provided for in the applicable regulations.

II. Evaluation of the Financial Statements and the Management's Board Report for the year 2018

The Supervisory Board of Wirtualna Polska Holding SA., in accordance with the dispositions of art. 382 § 3 of the Code of Commercial Companies, evaluated:

Standalone financial statements of Wirtualna Polska Holding SA for the year ended 31 December 2018, including:

- Standalone income statement and other comprehensive income, showing for the year ended 31 December 2018 net profit in the amount of PLN 408 thousand,
- Standalone statement of the financial position, showing total assets as of 31 December 2018 in the amount of PLN 518,400 thousand,
- Standalone statement of changes in equity showing decrease in equity in the amount of PLN 24,388 thousand and total value of equity in the amount of PLN 436,707 thousand as of 31 December 2018,
- Standalone cash flow statement showing increase in cash and cash equivalents in the amount of PLN 1,763 thousand and total value of cash and cash equivalents of PLN 3,254 thousand as of 31 December 2018 ,
- Notes to the standalone financial statements.

Having analysed the above mentioned documents, the Supervisory Board concluded as follows:

Standalone financial statements of Wirtualna Polska Holding SA for the year ended 31 December 2018 have been prepared in a manner consistent with the accounting records and documents as well as with the actual state and in accordance with the law, in particular the Accounting Act dated 29 September 1994, taking into account the principles of International Financial Reporting Standards and International Accounting Standards.