WP Capital Group Annual Financial Report

for the year ended 31 December 2019

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Dear Shareholders,

„Outpace the friend you're diving with and do not race the sharks." was Wirtualna Polska Holding's simple recipe for success on a stagnating online advertising market, in which 80% growth was being consumed by two foreign platforms.

Nevertheless, elbowing your way among local competitors has its limitations. It becomes futile when it reaches the limes of their attractiveness. It's one thing to defeat; to eradicate is something else entirely. One is the loneliest number.

Internet does not allow for safe simple business models, even when wrapped in iconic brands. No portal, messenger service, or social network is a buoyant cork in the salty waters of the Internet. Even sharks, by nature devoid of a swim bladder, fall to the bottom once they stop swimming.

Last year our goal was to reach the advertising effectiveness previously achievable only by the global players. Our crying shame was the fact we paid 22% commission to Google on Domodi ads displayed on our very own WP Media inventory. 2019 saw us improve advertising effectiveness for the fashion industry over ten-fold, almost levelling up with the world leaders. And we still haven't left the lab. It's a vital project aimed at increasing return on add spend for all our clients across industries. We are counting on it producing effects comparable to our implementation of the new ad visibility standard in Poland two years ago.

Google Display Network revenue in Poland is estimated at PLN 336 million. One third of it, after deduction of the 22% commission, goes to, and is displayed on Wirtualna Polska's inventory. Of course, that's where we can expand. It is a major challenge, as inventory supply is just one side of the equation. Demand is just as important. We will deliver value to shareholders by expanding our playing field to those market segments that were unavailable to us, as self-serve tools are necessary to handle those segments. Wirtualna Polska says 'no' to clients whose campaign budget is below PLN 5,000, and this has to change. The only thing we are going to say from now on is a technological prayer before our shared media & e-commerce meals.

Our objective is to build an advertising system and feed it with knowledge allowing us to achieve a solid advantage over global sharks in advertising effectiveness for e-commerce clients. We continue to use our advantage of having both media and e-commerce under one ownership roof.

We do not pronounce 2020 the year of shark hunting. Instead, we'll spend this year constantly ripping scale by scale off the global predators.

Yours sincerely,

Jacek Świderski
CEO

Warsaw, March 11, 2020

Management Team

Holding S.A.

Jacek Świderski
CEO

Krzysztof Sierota
CTO

Michał Brański
VP Strategy

Elżbieta Bujniewicz-Belka
CFO

Joanna Pawlak
VP Media

Grzegorz Kruk
VP E-commerce

Management's report on the activities of the Company and the Capital Group

for the year ended 31 December 2019

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1. SELECTED FINANCIAL DATA

The following tables set out selected consolidated financial data for the 3 and 12-month period ending 31 December 2019 and 2018. The selected financial data presented in the tables below is expressed in thousands of PLN, unless otherwise stated. This information should be read in conjunction with consolidated financial statements for the year ending 31 December 2019 as well as the information included in point 3 of this report.

	Twelve months ending 31 December 2019	Twelve months ending 31 December 2018	Twelve months ending 31 December 2019	Twelve months ending 31 December 2018
	PLN'000		EUR'000	
ONLINE Segment				
Sales	688 379	550 816	160 021	129 090
Cash sales	665 150	526 254	154 621	123 334
Adjusted EBITDA (IAS 17)*	214 670	178 721	49 902	41 885
EBITDA (IAS 17)*	205 195	168 726	47 700	39 543
Adjusted EBITDA (IFRS 16)**	223 282	-	51 904	-
EBITDA (IFRS 16)**	213 807	-	49 702	-

	Twelve months ending 31 December 2019	Twelve months ending 31 December 2018	Twelve months ending 31 December 2019	Twelve months ending 31 December 2018
	PLN'000		EUR'000	
TV Segment				
Sales	20 321	16 500	4 724	3 867
Cash sales	20 321	16 500	4 724	3 867
Adjusted EBITDA (IAS 17)*	(4 339)	(5 721)	(1 009)	(1 341)
EBITDA (IAS 17)*	(4 580)	(5 833)	(1 065)	(1 367)
Adjusted EBITDA (IFRS 16)**	(4 339)	-	(1 009)	-
EBITDA (IFRS 16)**	(4 580)	-	(1 065)	-

	Twelve months ending 31 December 2019	Twelve months ending 31 December 2018	Twelve months ending 31 December 2019	Twelve months ending 31 December 2018
	PLN'000		EUR'000	
Segments total				
Sales	708 700	567 316	164 745	132 957
Cash sales	685 471	542 754	159 345	127 201
Adjusted EBITDA (IAS 17)*	210 331	173 000	48 894	40 545
EBITDA (IAS 17)*	200 615	162 893	46 635	38 176
Adjusted EBITDA (IFRS 16)**	218 943	-	50 896	-
EBITDA (IFRS 16)**	209 227	-	48 637	-
Depreciation and amortization of tangible and intangible assets***	(79 282)	(55 622)	(18 430)	(13 036)
Operating profit	129 945	107 271	30 207	25 140
Result on financial activities	(31 092)	(13 833)	(7 228)	(3 242)
Profit before tax	98 853	93 438	22 979	21 898
Net profit	71 132	75 997	16 535	17 811

	Three months ending 31 December 2019	Three months ending 31 December 2018	Three months ending 31 December 2019	Three months ending 31 December 2018
	PLN'000		EUR'000	
ONLINE Segment				
Sales	183 557	167 703	42 855	39 020
Cash sales	176 678	159 121	41 250	37 021
Adjusted EBITDA (IAS 17)*	65 529	51 373	15 287	11 945
EBITDA (IAS 17)*	61 095	46 571	14 255	10 824
Adjusted EBITDA (IFRS 16)**	68 072	-	15 881	-
EBITDA (IFRS 16)**	63 638	-	14 849	-

	Three months ending 31 December 2019	Three months ending 31 December 2018	Three months ending 31 December 2019	Three months ending 31 December 2018
	PLN'000		EUR'000	
TV Segment				
Sales	6 102	5 760	1 424	1 342
Cash sales	6 102	5 760	1 424	1 342
Adjusted EBITDA (IAS 17)*	671	311	154	77
EBITDA (IAS 17)*	451	265	103	67
Adjusted EBITDA (IFRS 16)**	671	-	154	-
EBITDA (IFRS 16)**	451	-	103	-

	Three months ending 31 December 2019	Three months ending 31 December 2018	Three months ending 31 December 2019	Three months ending 31 December 2018
	PLN'000		EUR'000	
Segments total				
Sales	189 659	173 463	44 279	40 362
Cash sales	182 780	164 881	42 673	38 363
Adjusted EBITDA (IAS 17)*	66 200	51 684	15 442	12 024
EBITDA (IAS 17)*	61 546	46 836	14 358	10 891
Adjusted EBITDA (IFRS 16)**	68 743	-	16 035	-
EBITDA (IFRS 16)**	64 089	-	14 951	-
Depreciation and amortization of tangible and intangible assets***	(20 723)	(14 954)	(4 839)	(3 475)
Operating profit	43 366	31 882	10 113	7 416
Result on financial activities	(6 499)	(3 555)	(1 724)	(826)
Profit before tax	35 987	28 327	8 388	6 590
Net profit	26 859	26 601	6 260	6 198

* EBITDA in accordance with IAS 17 includes the cost of office space rental and recognizes it as external services and is fully comparable to the data for the previous year.
** EBITDA in accordance with IFRS 16 means operating profit increased by the costs of depreciation of property, plant and equipment, intangible assets and the right of use of the buildings.
*** In 2019, this position includes 10,302 thousand PLN of depreciation of the right to use of the buildings in accordance with IFRS 16 (2,904 thousand in the fourth quarter).

	As of 31 December 2019	As of 31 December 2018	As of 31 December 2019	As of 31 December 2018
	PLN'000		EUR'000	
Total assets	1 145 069	1 063 446	268 890	247 313
Non-current assets	909 137	854 666	213 488	198 760
Current assets	235 932	208 780	55 403	48 553
Long-term liabilities	426 105	404 565	100 060	94 085
Short-term liabilities	205 837	191 121	48 336	44 447
Equity	513 127	467 760	120 495	108 781
Share capital	1 451	1 449	341	337
Non-controlling interests	12 246	10 680	2 876	2 484

	Twelve months ending 31 December 2019	Twelve months ending 31 December 2018	Twelve months ending 31 December 2019	Twelve months ending 31 December 2018
	PLN'000		EUR'000	
Net cash flows from operating activities	188 986	155 714	43 932	36 493
Net cash flows from investing activities	(109 147)	(239 350)	(25 372)	(56 095)
Net cash flows from financing activities	(72 551)	103 990	(16 865)	24 371
Total net cash flows	**7 288**	**20 354**	**1 694**	**4 770**

Conversion into euro was performed based on the following principles:

- amounts presented in PLN as of 31 December 2019 were converted into EUR at the exchange rate of 4.2585 (the NBP exchange rate as of 31 December 2019),
- amounts presented in PLN as of 31 December 2018 were converted into EUR at the exchange rate of 4.3000 (the NBP exchange rate as of 31 December 2018),
- amounts presented in PLN for the period of twelve months ending 31 December 2019 were converted into EUR at the exchange rate of 4.3018 (the arithmetic mean of the NBP exchange rates as of the last day of each month of 2019),
- amounts presented in PLN for the period of twelve months ending 31 December 2018 were converted into EUR 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).

2. CHARACTERISTICS OF THE WIRTUALNA POLSKA HOLDING CAPITAL GROUP

General information and Parent Company's scope of activities

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. The Company headquarters is located in Warsaw at Żwirki i Wigury 16.

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

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

The scope of Group's operations

Wirtualna Polska is a technology holding. Our websites are based on innovative solutions that allow us to broaden our target group and provide precise services and advertisements. Our mission is to remain the partner of first choice for Poles.

According to the Gemius/PBI latest study, there were 21.8 million real users of all Internet products of the WP Group in January 2020; they made 3,1 billion page views, spending 130 million hours on the portals. The Group's reach is 77.7%

Wirtualna Polska operates on the Polish online advertising market, offering a wide range of advertising products to its customers. These consists of e.g. modern display advertising, online video advertising, email advertising, mobile device advertising and advertisements based on efficiency model (i.e. billed for website accesses, filling out forms, registrations, purchase of goods or services, lead generation, performance marketing). WP has been developing its sales according to an intelligent programming model, which provides many advanced metrics to measure its campaigns.

As part of its new billing plan #PłaćZaObejrzane, Wirtualna Polska has introduced the 3x100 offer. The customer pays only for the video spots, which are counted as follows: 100% advertisement player seen for at least 2 seconds, not skipped, that is viewed until the end. This is a new, qualitative billing model, whose rates depend primarily on the length of the spot. At the same time, it is the first such offer in Poland

We were first who introduced the DAI (Dynamic Ad Insertion) format, which, along with the marketing automation technology developed in WP, a allows greater reach and better personalization of ads, both display and video. Replacement of a linear TV block with an un-skippable video commercial was introduced in Telewizja WP in the WP Pilot service. Through online TV streaming, Wirtualna Polska is able to extend the reach of the most popular nationwide TV programmes

Media

Our journalists prepare dozens of materials on daily basis, including interviews, video reports, opinions, reports and news. They provide current information, comment on current events and present tidbits from the world of entertainment They make Wirtualna Polska a place that Internet users return to every day.

Portals and content

For us and our users, Wirtualna Polska the centre of everything that happens in Poland. Every day, thanks to the team of Wirtualna Polska's employees and collaborators, WP Homepage has outstripped the competition, rising up to the 1st place in the Gemius/PBI online traffic measurement.
We also create a number of thematic portals. Every day we present the most important news from the country and the world, we operate the most popular financial portal in Poland. We also provide a full overview of sports information, automotive, technology, lifestyle and entertainment content.

In the same year, we introduced a fully revamped o2 service. The information is displayed in a transparent, easy-to-read form. The website features "A daily dose of good news", i.e. a section with positive information, which sets us apart from the competition. The new service avails itself of the latest technologies.

Email

Services that facilitate our users' communication are also WP Poczta and o2 poczta. They offer unlimited inbox sizes and attachments of up to 100 MB. They stand apart for their superior level of safety and business solutions. In 2019, as the first Polish publishers, we implemented the "Mail Without Borders" project. Customers with hearing impairments can easily contact the Customer Service Office with the aid of the Migam sign language translator. We have also added a function for ordering e-prescriptions in one place, which makes them easily accessible whenever they have to be shown, for example on the screen of a cell phone.

Television

Telewizja WP's programmes include movies and shows from all over the world, never before broadcast on Polish FTA TV channels. The station can boast its original feature programmes, including "Tłit" and "Money. To się liczy", entertainment shows, documentaries and home renovation and decoration programmes. Since April 2019, Telewizja WP has been broadcasting the world's most famous automotive show, "Top Gear", and since October, also Gordon Ramsay's "Kitchen Nightmares". The WP television was the first in Poland to broadcast the Sekielski brothers' film "Tylko nie mów nikomu" ("Just don't tell anyone"), broadening the audience to include terrestrial television viewers. According to Nielsen Audience Measurement, Telewizja WP closed 2019 with 0.49% share in the all 16-49 group, improving the result by 22% YTY. In the second half of 2019, it took a leading 0.54% share in MUX8.

WP television is available on terrestrial eighth multiplex (MUX8), on CANAL+ platform, in the best cable networks and in the WP Pilot service. In 2019, the customers of Cyfrowy Polsat platform also gained access to the station.

Video

Our users can also tune into traditional television online. WP Pilot enables them to watch over 90 TV channels, of which 30 are entirely free of charge. The service is available without any contracts or decoding devices. The television can be watched on the website, through the application for Android, iOS, Windows and Xbox, as well as with the use of Chromecast and Airplay.

Radio

OpenFM is the most popular Polish Internet radio. Listeners can tune into over one hundred different music stations, divided into thematic categories. The service is available at www.open.fm and via the mobile application on Android and iOS devices. In order to secure even broader distribution to our brand, in 2019 we participated in competitions of the National Broadcasting Council for broadcasting on local digital multiplexes. As a result, OpenFM can now be heard in Warsaw, Rzeszów, Katowice and Tarnów, among others.

E-commerce

E-commerce of the WP Group is an extensive solution that guarantees the effective reach to recipients, providing users with information about trends and purchase recommendations. The Group operates in the areas of tourism, fashion, interior design and house design, financial services, and in the automotive sector.

Travel

Tourist portals included in the Group provide a complete offer to travellers and those looking for accommodation in Poland and abroad. Wakacje.pl is the first tourist portal in Poland and a dynamically developing network of stationary showrooms throughout Poland. Every day, the portal presents current offers of the largest renowned tour operators. Wakacje.pl supports consumers in purchasing decisions due to a unique database of reviews related to hotels and destinations, and thanks to the largest tourist discussion forum, featuring interesting daily topics and travel reports. Users interested in domestic holiday can use nocowanie.pl and eholiday.pl portals that have the biggest database of domestic accommodation in Poland.

Fashion

The mission to support our users in their everyday decisions is also demonstrated by the services offered in the two largest fashion search engines in Poland: domodi.pl and allani.pl. These portals offer several hundred thousand products from hundreds of online shops.

Interior and house design

Homebook.pl is a modern platform for interior design professionals and enthusiasts. It offers users the possibility to search among hundred thousand products from hundreds of shops in the home and interior category. It also has an extensive inspiration section where interior design, advice and trends are presented, and a database of interior design specialists. Extradom.pl specializes in selling architectural designs online. Both brands integrate consumers' shopping path from house design, through building materials, to interior design.

Financial services

We also assist users in important financial decisions. WP Group's services compare and enable to select the best insurance, credit, loan, card and account offers. Our experts use plain language, and the content they create makes it possible to find one's way through the complex world of finance. For those interested in in-depth knowledge, they also prepare professional rankings and analyses.

Automotive

Purchasing and financing of cars is another area of e-commerce in which WP operates through its superauto.pl service. It presents a wide range of new cars from authorised dealers of different brands. The highest standard of services provided by a team of experienced consultants enables individual and corporate customers to finance the purchase of a new car without leaving home, by way of lease, rental or credit.

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

No	Name	Real Users (mln)	Page views (bln)	Time spent (mln h)
1	Google Group	26,5	8,2	219
2	**Wirtualna Polska Group**	**21,8**	**3,1**	**130**
3	Facebook.com	21,5	3,4	99
4	RAS Group Poland	21,3	2,3	74
5	youtube.com	19,2	0,8	34
6	Interia.pl Group	18,5	1,4	61
7	Polska Press Group	18,4	0,9	6
8	Allegro Group	18,1	2,2	35
9	OLX Group	17,5	4,9	54
10	Gazeta.pl Group	16,7	0,6	16

Source: Gemius/ PBI research, February 2019

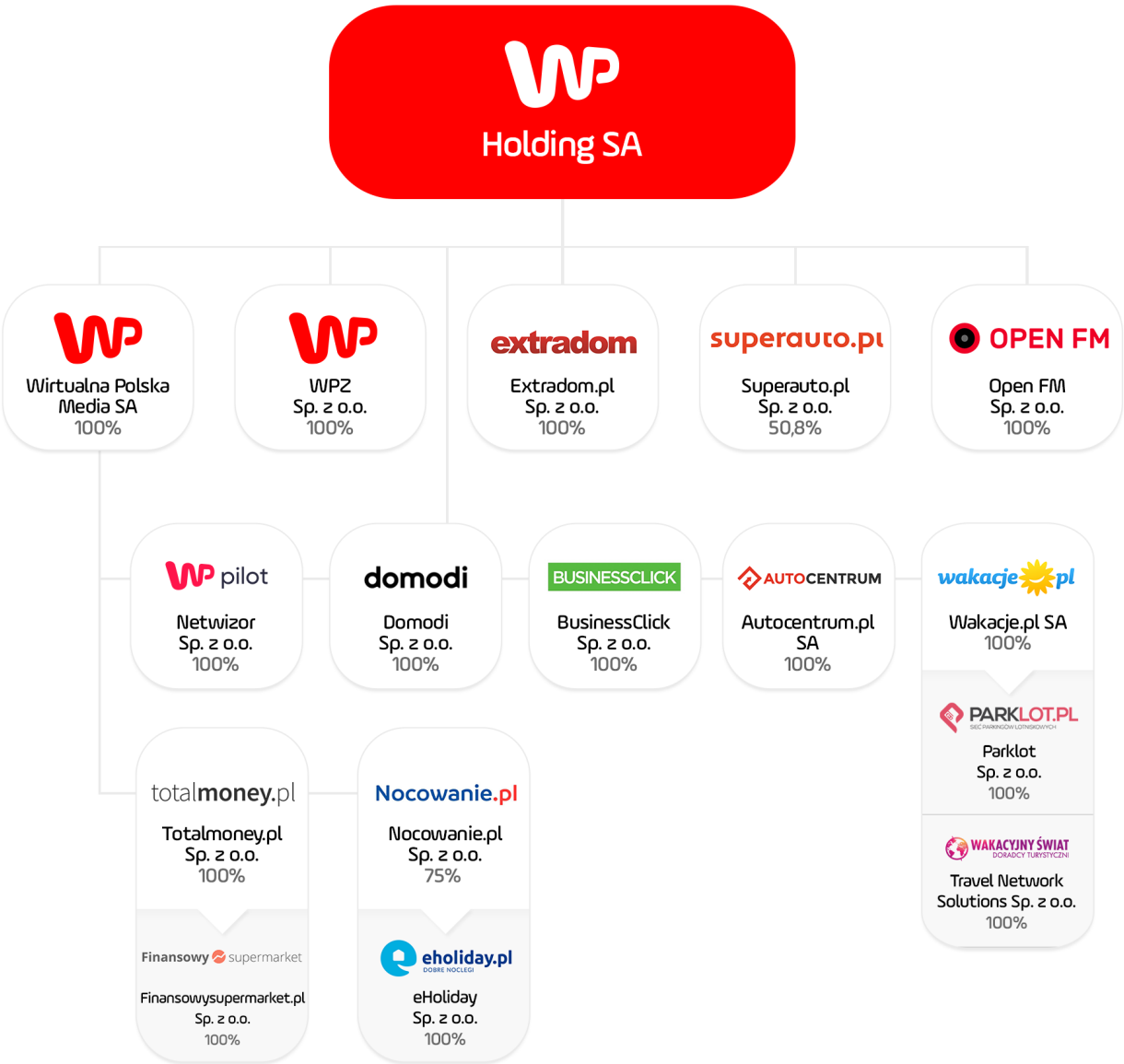
The table below presents the Group's position in various categories, according to published Megapanel PBI/Gemius data of January 2020:

Category	Real Users (RU)	Place
Lifestyle	12 827 569	1
Business, finance, law	8 950 397	1
Gossip, celebrities life	8 494 340	1
New Technologies	6 995 232	1
Sport	6 399 432	1
Tourism	5 622 698	1
Children, family	4 044 071	1
Email services	9 385 268	2
Women's services	6 709 140	2
Motorization	4 721 949	2
Culture and Entertainment	8 208 129	3
Health and medicine	6 402 317	3
Information and journalism	9 984 945	5
E-commerce	3 725 731	10

Source: Gemius/ PBI research, January 2020

Structure of the Wirtualna Polska Holding Capital Group

The following diagram presents the structure of the Group as of 31 December 2019, including the percentage of voting rights at the General Shareholders' Meeting to which the shareholder is entitled.



Changes in the Group's structure

On 26 February 2019 Wakacje.pl SA acquired 100% of shares in Travel Network Solutions Sp. z o.o., owner of the Wakacyjny Świat travel agency network.

On 18 March 2019, Wirtualna Polska Holding SA purchased 13.11% shares in the share capital of Teroplan SA, the owner of the e-podróżnik.pl website.

On 16 April 2019 after meeting the conditions precedent of the investment agreement of 6 March 2019, Wirtualna Polska Holding SA concluded with INNC Limited, Michał Laskowski and Digitics SA an investment agreement under which WPH acquired the right to acquire 20% of shares in share capital of Digitics SA.

On 1 July 2019 OPEN FM Sp. z o.o. was registered.

On 30 October 2019 Wirtualna Polska Media acquired 100% of shares in Autocentrum.pl SA., one of the leaders in video content production and aggregation of automotive-related product data.

Mergers in 2019

On 1 April 2019 My Travel Sp. z o.o. and Wakacje.pl Sp. z o.o. merged by transferring all assets of My Travel Sp. z o.o. to Wakacje.pl Sp. z o.o.

Changes in the Group's structure after the balance sheet date

On 2 January 2 2020, Totalmoney.pl Sp. z o.o. and Finansowysupermarket.pl Sp. z o.o. merged by transferring all assets of FInansowysupermarket.pl sp. z o. o. to Totalmoney.pl Sp. z o.o.

On 1 February 2020, the company Wirtualna Polska Media SA and Autocentrum.pl S.A. merged by transferring all assets of Autocentrum.pl S.A. to Wirtualna Polska Media S.A.

Development policy and the prospects of Wirtualna Polska Holding SA and its Capital Group

In the Management Board's opinion, the following tendencies will affect the Company's and Group's operations:

- The continuing growth in the share of online advertising in the total expenditure on advertising in Poland;
- The fastest growing segments of online advertising in Poland will include video advertising, which is an element of modern display as well as adds on mobile devices. This will be caused mainly by increasing availability and decreasing prices of fast Internet connections, as well as the growing popularity of smartphones and tablets;
- The dynamic growth of the e-commerce market in Poland in the coming years, which will be caused both by a greater number of people making purchases via the Internet and the greater number and value of transactions concluded by such people on the Internet as well as development of modern mobile payment systems and development of logistics infrastructure- in particular deliveries in less than 2 hours (food, local purchases) and 48 hours (for traditional e-commerce), as well as pick-ups in parcel machines and kiosks.
- Decreasing interest in foreign tourism due to the spread of the SARS-Cov-2 coronavirus. Wakacje.pl is observing the tendency to resign from purchasing trips and cancelling reservations, especially to countries where the most cases of the virus have been diagnosed. It is difficult at the moment to estimate how long the current situation will last and how it will affect travel business in the coming months. Nevertheless, the results of the survey in the Ariadna research panel, commissioned by Wakacje.pl, show a large impact of coronavirus cases on interest in tour operators' offers. According to the study conducted in the second half of February 2020, even before confirmed cases of spreading the virus in Italy, almost half of the respondents assured that the coronavirus did not discourage them from traveling abroad in 2020. Only every fifth person questioned was concerned about the trip. Whereas, at the beginning of March, after the coronavirus attacked Italy, 35% of respondents were already discouraged from trips abroad and only 31% had different opinion. The Management expects that the described downward trend in tour bookings may have a negative impact on the Group's financial results in 2020. At the same time, as of the date of this report, the Management is not able to precisely determine the impact of the coronavirus epidemic on other areas of the Group's operations, in particular on the advertising market.
- Increase in sales due to an improvement in the effectiveness of advertising by using the Group's current resources (information on user behaviour and big data analyses) for improved matching of advertising content to user profiles as well as presenting to the clients ready general or individually targeted consumer segments;
- The largest traditional marketers and, to an increasing extent, e-commerce entities (large e-stores) from advertising ecosystems (platforms) such as WP Group, expect comprehensive, packaged activities - from image formats through engaging special actions to the so-called performance campaigns (settled based on the effect). The WP Group is ready today (in terms of technology and people) and plays the role of the so-called one-stop shop (a place to handle all your needs) and sees yourself as a beneficiary of the growing requirements of advertisers as to the effectiveness of the campaign measured by sales;
- The more intensive use of a real-time automated purchase model of advertising space on the Polish online market, which is currently having a positive effect on the Group's revenues;
- Raising conversions on Group's e-commerce websites due to development of recommendation and personalization mechanisms (big data, machine learning). The scale of the Group's activity in individual vortals allows to increase investments in solutions, the cost of which is prohibitive for small and medium-sized players. The development of these tools is also one of the synergies in the Group.
- The positive effect of the revenue and cost synergies expected by the Group as a result of its acquisitions;

- An increase in costs, especially wages and salaries, resulting from an improvement in the quality of content provided to users and the increased number of video adverts and their improving quality.

The main goal of the Group is to maintain the position of the largest Polish technology holding company in the media and e-commerce industry. The Group would like to achieve this through the implementation of the following strategic goals and development directions:

- **Technology development** – implementation of mechanisms and technologies enabling better adjustment of services and content to the expectations of recipients. Work on projects that enable advanced targeting and personalization of ads.
- **Big data** - the use of the key competitive advantage of the Group, which are diverse data sets on consumer Poles behaviour;
- **E-commerce** - using the potential of the fast-growing e-commerce market in key product categories;
- **Acquisitions** - strengthening the Group's organic growth through acquisitions of other entities;
- **E-mail** - maintenance and development of electronic mail services as a communication tool and source of information essential for personalizing content, services and advertising;
- **Mobile -** acquiring and maintaining a leadership position in Poland in the field of advertising on mobile devices;
- **Video online** - acquiring and maintaining a leading position in Poland in the field of online video advertising, including thanks to increased investments in own productions and purchases from foreign libraries.

In 2019, the Group consistently implemented the strategic objectives described above and plans to continue them in subsequent periods. Below is a description of the main achievements in the individual strategic areas of the Group and plans for them in subsequent periods:

- **Modern display / ecommerce / performance** - in 2019, work in this area focused mainly on new advertising formats, testing new recommendation strategies, as well as formats focusing on closing shopping baskets in our flagship e-mailing product. In line with global trends, the development also concerned native ads - technologically advanced formats, flexibly adapting to the appearance of websites and using all the big data targeting options offered by the Group;
- **E-mail services** – 2019 was a period of intense development of the products aimed at user's convenience. We introduced modern technological solutions allowing the payment of bills directly in the WP Poczta , we introduced Junior mailing accounts' support for the youngest users. Customers with hearing impairments can easily contact the Customer Service Office with the aid of the Migam sign language translator. We also worked on developing technologies and anti-spam policies to a more our e-mail services more user-friendly. In addition, our work focused on improving security through the implementation of DMARC, optimizations in terms of security and availability of our users' data, and finally support for handling and managing e-prescriptions;
- **Video** - in 2019, we prepared several new video formats for our users (including 'Hanna and friends' with Hanna Lis, or 'Pudelko' – Pudelek's program with young influencers). We created the "#Newsroom" program broadcast on the WP homepage and on Polsat News. We conducted an extensive broadcast from the elections to the EU as well as to Polish Parliament. The modern technological solutions used enabled us to broadcast both election evenings simultaneously on the WP homepage, WP Television, YouTube and Facebook. We presented a new version of the wideo.wp.pl website. We have significantly improved quality parameters of our video advertising materials – in case of viewability by 25 pp. (50% in January 2019 vs 75% in December 2019).
- **Analytical HUB** –the implementation of this project is yet another step towards data driven organizations - unification of analitical processes, setting up a single point of contact (SPOC) coordinating the performance of data-based analyses, sharing tools enabling detailed monitoring of revenue in products. In the future we will continue work on this project and will focus on implementing business dashboards, expanding data sets, improving their quality and enabling their analysis in Tableau.
- **Personalization on websites** - mechanisms have been implemented to personalize material recommendations for WP website users on article pages, gaining 25% more clicks in this area. In the future, we plan to systematically expand data sets about our users and extend the personalization by e.g. using the precise and extrapolated data about the demographics and location of our users.
- **Acquisitions** - 2019 was the next year in which the Group continued its development strategy through acquisitions, acquiring 100% shares in Travel Network Solutions and Autocentrum.pl SA.

Since the Company's activity is limited to holding activities, its prospects and tendencies are in fact the same as for the Group as a whole.

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

The financial data for the twelve months ending 31 December 2019 and 31 December 2018 was audited by an independent auditor, whereas the financial information for the fourth quarter of 2019 and 2018 was not subject to any audit or review. The information presented in the following table should be read in conjunction with the information included in the consolidated financial statements.

Selected financial data from the consolidated income statement

The following table presents the main positions of the income statement for the year ending 2019 and 2018.

PLN'000	Twelve months ending 31 December 2019	Twelve months ending 31 December 2018	Change	Change %
Segment ONLINE				
Sales	688 379	550 816	137 563	25,0%
Cash sales	665 150	526 254	138 896	26,4%
Adjusted EBITDA (IAS 17)	214 670	178 721	35 949	20,1%
EBITDA (IAS 17)	205 195	168 726	36 469	21,6%
Adjusted EBITDA (IFRS 16)	223 282	-	-	n/a
EBITDA (IFRS 16)	213 807	-	-	n/a
Segment TV				
Sales	20 321	16 500	3 821	23,2%
Cash sales	20 321	16 500	3 821	23,2%
Adjusted EBITDA (IAS 17)	(4 339)	(5 721)	1 382	(24,2%)
EBITDA (IAS 17)	(4 580)	(5 833)	1 253	(21,5%)
Adjusted EBITDA (IFRS 16)	(4 339)	-	-	n/a
EBITDA (IFRS 16)	(4 580)	-	-	n/a
Segments total				
Sales	708 700	567 316	141 384	24,9%
Cash sales	685 471	542 754	142 717	26,3%
Adjusted EBITDA (IAS 17)	210 331	173 000	37 331	21,6%
EBITDA (IAS 17)	200 615	162 893	37 722	23,2%
Adjusted EBITDA (IFRS 16)	218 943	-	-	n/a
EBITDA (IFRS 16)	209 227	-	-	n/a
Amortization and depreciation of fixed assets and intangibles*	(79 282)	(55 622)	(23 660)	42,5%
Operating profit	129 945	107 271	22 674	21,1%
Result on financial activities	(31 092)	(13 833)	(17 259)	124,8%
Profit before tax	98 853	93 438	5 415	5,8%
Net profit	71 132	75 997	(4 865)	(6,4%)

*In 2019, this position includes PLN 10,302 thousand depreciation of the right of use buildings in accordance with IFRS 16 (PLN 2,904 thousand in the fourth quarter).

The following table presents the main positions of the income statement for the third quarter of 2019 and 2018.:

PLN'000	Three months ending 31 December 2019	Three months ending 31 December 2018	Change	Change %
Segment ONLINE				
Sales	183 557	167 703	15 854	9,5%
Cash sales	176 678	159 121	17 557	11,0%
Adjusted EBITDA (IAS 17)	65 529	51 373	14 156	27,6%
EBITDA (IAS 17)	61 095	46 571	14 524	31,2%
Adjusted EBITDA (IFRS 16)	63 638	-	-	n/a
EBITDA (IFRS 16)	68 072	-	-	n/a
Segment TV				
Sales	6 102	5 760	342	5,9%
Cash sales	6 102	5 760	342	5,9%
Adjusted EBITDA (IAS 17)	671	311	360	115,8%
EBITDA (IAS 17)	451	265	186	70,2%
Adjusted EBITDA (IFRS 16)	671	-	-	n/a
EBITDA (IFRS 16)	451	-	-	n/a
Segments total				
Sales	189 659	173 463	16 196	9,3%
Cash sales	182 780	164 881	17 899	10,9%
Adjusted EBITDA (IAS 17)	66 200	51 684	14 516	28,1%
EBITDA (IAS 17)	61 546	46 836	14 710	31,4%
Adjusted EBITDA (IFRS 16)	68 743	-	-	n/a
EBITDA (IFRS 16)	64 089	-	-	n/a
Amortization and depreciation of fixed assets and intangibles*	(20 723)	(14 954)	(5 769)	38,6%
Operating profit	43 366	31 882	11 484	36,0%
Result on financial activities	(6 499)	(3 555)	(2 944)	82,8%
Profit before tax	35 987	28 327	7 660	27,0%
Net profit	26 859	26 601	258	1,0%

*In 2019, this position includes PLN 10,302 thousand depreciation of the right of use buildings in accordance with IFRS 16 (PLN 2,904 thousand in the fourth quarter).

The consolidated results of the Group for the year 2019 and 2018 included the results of the following subsidiaries:

No.	Name of subsidiary	Date of taking control	% of shares held	Period covered by consolidation	
				31 December 2019	31 December 2018
1	Wirtualna Polska Media SA	22 December 2010	100%	full period	full period
2	Totalmoney.pl Sp. z o.o.	1 December 2014	100%	full period	full period
3	Businessclick.pl Sp. z o.o.	1 December 2014	100%	full period	full period
4	Domodi Sp. z o.o.	12 September 2014	100%	full period	full period
5	Finansowysupermarket.pl Sp. z o.o.	16 September 2015	100%	full period	full period
6	Wakacje.pl SA	23 December 2015	100%	full period	full period
7	Nocowanie.pl Sp. z o.o.	7 June 2016	75%	full period	full period
8	Netwizor Sp. z o.o.	13 December 2016	100%	full period	full period
9	eHoliday.pl Sp. z o.o.	18 October 2017	75%	full period	full period
10	WP Zarządzanie Sp. z o.o.	29 December 2017	100%	full period	full period
11	My Travel Sp. z o.o. (2)	17 May 2018	100%	-	since 17 May 2018
12	Parklot Sp. z o.o.	4 October 2018	100%	full period	since 4 October 2018
13	Extradom.pl Sp. z o.o.	28 October 2018	100%	full period	since 29 October 2018
14	Superauto24.com Sp. z o.o.	20 December 2018	51%	full period	since 20 December 2018
15	Travel Network Solutions sp. z o. o. (1)	26 February 2019	100%	since 26 February 2019	-
16	Open FM Sp. z o. o. (3)	1 July 2019	100%	since 1 July 2019	-
17	Autocentrum.pl SA(4)	30 October 2019	100%	since 30 October 2019	-

(1) On 26 February 2019 Wakacje.pl SA acquired 100% shares of Travel Network Solutions
(2) On 1 April 2019, My Travel Sp. z o.o. and Wakacje.pl SA. merged by transferring all assets of My Travel Sp. z o.o. to Wakacje.pl S.A.
(3) On 1 July 2019 OPEN FM Sp. Z o.o. was registered..
(4) On 30 October Wirtualna Polska Media acquired 100% shares in Autocentrum.pl SA

ONLINE SEGMENT

The sales of services in the online segment increased in the twelve months of 2019 by PLN 137,563 thousand i.e. by 25% compared to the sales for the corresponding period of the previous year, whereas the cash sales increased by PLN 138,896 thousand, i.e. by 26,4%.

The revenue growth in the fourth quarter alone amounted to PLN 15,854 thousand, i.e. 9.5% compared to sales for the corresponding period of 2018. At the same time cash sales increased by PLN 17,557 thousand, i.e. 11%

In both periods, cash-settled transactions represented the majority of the Group's sales and amounted to 96,6% of the Group's sales in 2019 and 95,5% in 2018.

The main ratios analysed by the Management Board for the purpose of evaluation of the Group's financial results are EBITDA and adjusted EBITDA. The Group's EBITDA is calculated as operating profit plus amortization and depreciation of fixed assets and intangible assets, while the Group's adjusted EBITDA is calculated as EBITDA adjusted for one-off events such as: costs of transaction advisory, and restructuring, management option scheme costs, result of the disposal of other financial assets, net result of the settlement of barter transactions and the revaluation and liquidation of non-current assets.

On 1 January 2019 the Group implemented the new standard regarding leases (IFRS 16), which significantly affects the value of EBITDA. This financial report presents the EBITDA indicator in two variants, i.e. consistent with the current IFRS 16 and calculated on the basis of the previous IAS 17, which was in force when preparing comparable data for previous years (including for 2018). In order to ensure full comparability of data, the following analysis takes into account the Group's 2019 results calculated using IAS 17.

In the period of twelve months of 2019 the adjusted EBITDA of the online segment amounted to PLN 214.670 thousand which was by PLN 35.949 thousand (i.e. by 20.1%) higher compared to the value of this ratio in the previous year.

In the analysed period, the total costs normalizing the Group's EBITDA of the online segment amounted to PLN 9,5 million and was by PLN 0,5 million lower than in the same period of the previous year. The Group's EBITDA of the online segment in 2019 was adjusted by, among other, restructuring and integration costs (PLN 6,5 million), non-cash employee option scheme costs (PLN 2,4 million) and costs of revaluation and liquidation of non-financial assets (PLN 0,1 million).

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

In 2019 costs normalising financial results included also accelerated depreciation of fixed assets. The acceleration of depreciation results from signing of new lease agreements for the offices in Warsaw and Wroclaw, assuming that the right to use of the current premises will cease earlier than envisaged.

TV SEGMENT

In the analysed period, total sales of TV segment of PLN 20,321 thousand comprised of cash sales and were PLN 3,821 thousand, i.e. 23,2% higher than in the previous year. The revenue in the last quarter of 2019 amounted to PLN 6,102 thousand and was by PLN 342 thousand i.e. 5,9% higher than the revenue generated in the last quarter of 2018.

The EBITDA amounted to PLN (4,580) thousand, compared to PLN (5,833) thousand in the previous year. In the fourth quarter of 2019 TV segment generated positive EBITDA of PLN 451 thousand (265 thousand in the fourth quarter of 2018).

Segments total

Despite the negative operating results of the TV segment, both the total Group's adjusted and unadjusted EBITDA increased by PLN 37,331 thousand and PLN 37,722 thousand respectively.

Operating profit increased by PLN 22,674 despite increase in depreciation and amortization by PLN 13,358 thousand (IAS 17). Additional amortization and depreciation is mainly due to the Group's investment expenditure, as well as additional depreciation and amortization of fixed and intangible assets (including customer relations and trademarks) of entities which joined the Group during the year 2019 and 2018 (a total of PLN 5,775 thousand of additional depreciation).

Explanations regarding the consolidated sales and results of the entities acquired in 2018

The table below presents the quarterly financial results of My Travel Sp. z o.o., Extradom.pl Sp. z o.o., Parklot Sp. z o.o. and Superauto24.com Sp. z o.o. - entities taken over in 2018 for the period from the beginning of 2018 to the date of taking control (results not included in the consolidated statement of financial result for the year ended 31 December 2018).

PLN'000	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018
My Travel Sp. z o.o.					
Sales	3 421	2 139	-	-	**5 560**
Cash sales	3 421	2 139	-	-	**5 560**
EBITDA	80	(417)	-	-	**(337)**
Adjusted EBITDA	80	42	-	-	**122**
Extradom.pl Sp. z o.o.					
Sales	9 072	8 397	8 824	6 682	**32 975**
Cash sales	9 072	8 397	8 824	6 682	**32 975**
EBITDA	1 562	1 373	972	979	**4 886**
Adjusted EBITDA	1 619	1 514	1 504	1 091	**5 728**
Parklot Sp. z o.o.					
Sales	350	733	1 291	463	**2 837**
Cash sales	350	733	1 291	463	**2 837**
EBITDA	64	283	115	90	**552**
Adjusted EBITDA	64	283	115	90	**552**
Superauto24.com Sp. z o.o.					
Sales	1 676	1 918	2 062	2 587	**8 243**
Cash sales	1 676	1 918	2 062	2 587	**8 243**
EBITDA	924	1 065	1 030	1 815	**4 834**
Adjusted EBITDA	924	1 065	1 030	1 815	**4 834**
Total					
Sales	14 519	13 187	12 177	9 732	**49 615**
Cash sales	14 519	13 187	12 177	9 732	**49 615**
EBITDA	2 630	2 304	2 117	2 884	**9 935**
Adjusted EBITDA	2 687	2 904	2 649	2 996	**11 236**

Explanations regarding the consolidated sales and results of the entities acquired in 2019

The following table presents the financial results of Travel Network Solutions sp. z o. o. and Autocentrum.pl sp. z o. o. – companies acquired in 2019, for the period from the beginning of the year to the acquisition date (not included in the consolidated financial results for 2019) and from the acquisition date till 31 December 2019 (results included in the consolidated financial results for 2019).

	Since 01.01.2019 to the acquisition date		Since acquisition date to 31.12.2019	
PLN'000	Autocentrum.pl SA	Travel Network Solutions Sp. z o.o.	Autocentrum.pl SA	Travel Network Solutions Sp. z o.o.
Sales	2 306	743	483	7 055
Cash sales	2 306	743	481	7 055
EBITDA	1 026	(91)	260	723
Adjusted EBITDA	1 026	(91)	260	815
Net profit	934	(95)	242	476

Financial position of the Group

The following table presents the consolidated statement of the Group's financial position as of the end of December 2019 and 2018.

PLN'000	As of 31 December 2019	As of 31 December 2018	Change PLN'000	Change %
Non-current assets	909 137	854 666	54 471	6,4%
Current assets	235 932	208 780	27 152	13,0%
Long-term liabilities	426 105	404 565	21 540	5,3%
Short-term liabilities	205 837	191 121	14 716	7,7%
Equity attributable to equity holders of the Parent Company	500 881	457 080	43 801	9,6%
Share capital	1 451	1 449	2	0,1%
Non-controlling interests	12 246	10 680	1 566	14,7%

The analysis of changes in the Group's balance sheet has been prepared as of 31 December 2019 compared to 31 December 2018. The change in Group's assets and liabilities was partially caused the acquisitions concluded during the year and a change in accounting policy resulting from the implementation of IFRS 16

Changes in the individual balance sheet items are discussed below.

Non-current assets

The following table presents the structure and changes in non-current assets by balance sheet category.:

PLN'000	As of 31 December 2019	Structure 2019	As of 31 December 2018	Structure 2018	Change PLN'000	Change %
Property, plant and equipment	106 477	11,7%	58 252	6,8%	48 225	82,8%
Goodwill	364 254	40,1%	352 090	41,2%	12 164	3,5%
Investments accounted for using the equity method	2 923	0,3%	-	0,0%	2 923	n/a
Other intangible assets	402 188	44,2%	406 664	47,6%	(4 476)	(1,1%)
Non-current programming assets	5 805	0,6%	5 385	0,6%	420	7,8%
Long-term receivables	208	0,0%	501	0,1%	(293)	(58,5%)
Other financial assets	26 727	2,9%	16 612	1,9%	10 115	60,9%
Deferred tax assets	555	0,1%	15 162	1,8%	(14 607)	(96,3%)
Non-current assets	**909 137**	**100,0%**	**854 666**	**100,0%**	**54 471**	**6,4%**

In the analysed period, the net value of the property, plant and equipment increased by PLN 48,225 thousand.

In 2019, a new asset category was disclosed in the Group's property, plant and equipment, which is the right of use the building. Recognition of this asset is the effect of applying from 1 January 2019 the new International Financial Reporting Standard No. 16 (IFRS 16). The value of the right of use buildings recognized as of 1 January 2019 was PLN 20,803 thousand. Details on the effects of applying this standard are described in note 2 to the consolidated financial statements. During 2019, the Group recognized new leases in Domodi Sp. z o.o. in Wrocław and in Wirtualna Polska Media SA in Warsaw, the initial value of which was estimated at PLN 43,489 thousand. In addition, in the analysed period, the Group recognized in operating costs the depreciation of the right of use the building in the amount of PLN 10,302 thousand of which PLN 1,806 thousand has been recognized in the costs normalizing the value of profit before tax of the Group, because they arise from an earlier than assumed initial agreement to cease using the right of use the current offices in Warsaw and Wrocław.

The capital expenditure incurred for other fixed assets amounted to PLN 12.940 thousand and were related mainly to equipment for the development of mail and portals infrastructure PLN 8,239 thousand and adaptation of new office spaces in Warsaw and Wrocław. At the same time, the value of property, plant and equipment (other than the right of use buildings) adopted under finance leases amounted to PLN 849 thousand. The depreciation cost of other property, plant and equipment in the current period amounted to PLN 19,152 thousand. In 2019, fixed assets with a net value of PLN 216 thousand were liquidated, as well as adjusted by PLN 272 thousand value of property, plant and equipment acquired as part of the acquisition of Superauto24.com Sp. z o.o.

Goodwill disclosed in the consolidated financial statements of the Capital Group increased by PLN 12,164 thousand compared to the previous year, which was the effect of recognizing the provisionally estimated goodwill resulting from the acquisition of Travel Network Solutions Sp. z o.o. (PLN 5,610 thousand) and Autocentrum.pl Sp. z o.o. (PLN 5,842 thousand), as well as adjustments to the provisional settlement of the acquisition of Superauto4.com Sp. z o.o. (PLN 593 thousand) and MyTravel.pl Sp. z o.o. (PLN 119 thousand).

In connection with taking up 20% of shares in the capital of Digitics S.A. The Group recognized investments accounted for using the equity method. The purchase price of this investment in the amount of PLN 5 million was reduced by the part of the WP Group loss generated by the company in the amount of PLN 2,077 thousand. As a result, the value of investments in Digitics SA as of 31 December 2019 amounted to PLN 2,923 thousand.

In 2019, the value of other intangible assets decreased by PLN 4,476 thousand, which resulted from the depreciation costs of the period (PLN 49,827 thousand) exceeding the capital expenditure incurred in the period (PLN 41,816 thousand). In the current period, the Group incurred expenditure mainly on capitalized development projects (PLN 29,271 thousand) and on the purchase of new internal systems (PLN 5,516 thousand). In addition, as a result of a provisional settlement of the acquisition of Travel Network Solutions Sp. z o.o. and Autocentrum.pl SA The Group recognized additional intangible assets, including, among others, trademarks in the amount of PLN 1,692 thousand and customer relations in the amount of PLN 1.885 thousand.

Long-term program assets in both periods remain at a similar level. In the analyzed period, the Group incurred capital expenditure on program assets in the amount of PLN 5,011 thousand, with simultaneous calculation of depreciation costs of these programming assets in the amount of PLN 5,156 thousand. In addition, the value of program assets decreased by a further PLN 1,534 thousand in connection with their partial write-down and being covered by a write-down.

Other financial assets increased their value mainly due to the acquisition in March 2019 of 13% shares in Teroplan Sp. z o.o. for the amount of PLN 7,754 thousand. The value of this investment was measured to fair value as of 31 December 2019, as a result of which its value was increased by PLN 391 thousand.

Current assets

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

PLN'000	As of 31 December 2019	Structure 2019	As of 31 December 2018	Structure 2018	Change PLN'000	Change %
Cash trade receivables	129 862	55,0%	110 752	53,0%	19 110	17,3%
Barter receivables	2 489	1,1%	1 481	0,7%	1 008	68,1%
Contract assets	11 142	4,7%	11 248	5,4%	(106)	(0,9%)
State receivables	7 435	3,2%	8 153	3,9%	(718)	(8,8%)
Other current assets	9 805	4,2%	7 114	3,4%	2 691	37,8%
Current programming assets	1 270	0,5%	3 369	1,6%	(2 099)	-
Cash and cash equivalents	73 929	31,3%	66 663	31,9%	7 266	10,9%
Current assets	**235 932**	**100,0%**	**208 780**	**100,0%**	**27 152**	**13,0%**

Compared to the end of 2018, the Group significantly increased the value of current assets, in particular trade receivables and cash at its disposal. A detailed analysis of changes in cash value will be presented in the next part of the report regarding the analysis of the cash flow statement.

The increase in net trade receivables was mainly due to an increase in sales revenues in the last quarter of 2019, compared to the same period of the previous year. The Group's credit policy assumes long payment periods (30-60 days) for its key customers, and therefore the increase in net cash revenues in the fourth quarter by PLN 17,899 thousand translated into a significant increase in the balance of trade receivables.

Contract assets, representing mostly the commission fee for tourist, remained at a level similar to the previous period.

Programming assets with a net value of PLN 1,270 thousand were presented in the short-term part of the balance sheet since they are valid for less than 12 months.

Long-term liabilities

The following table presents changes in long-term liabilities by balance sheet category:

PLN'000	As of 31 December 2019	Structure 2019	As of 31 December 2018	Structure 2018	Change PLN'000	Change %
Bank loans and other loans	311 208	73,0%	335 098	82,8%	(23 890)	(7,1%)
Leasing liabilities due to the right of use the assets	46 845	11,0%	2 122	0,5%	44 723	2107,6%
Liabilities related to business combinations	15 902	3,7%	18 395	4,5%	(2 493)	(13,6%)
Liabilities with respect to the put option for non-controlling interests	20 505	4,8%	21 764	5,4%	(1 259)	(5,8%)
Liabilities in respect of purchase of property, plant and equipment and intangible assets	7 771	1,8%	8 990	2,2%	(1 219)	(13,6%)
Deferred tax liability	23 676	5,6%	17 719	4,4%	5 957	33,6%
Other	198	0,0%	477	0,1%	(279)	(58,5%)
Long-term liabilities	**426 105**	**100,0%**	**404 565**	**100,0%**	**21 540**	**5,3%**

The main change in long-term liabilities was the recognition in the Group's balance sheet of the lease liability due to the right to use of the buildings, recognized as of 1 January 2019 in accordance with IFRS 16 in the total value of PLN 23,564 thousand, out of which PLN 15,019 thousand was presented as a long-term liability. Details about the impact of this standard on the Group's consolidated financial statements is presented in note 2 to the Group's consolidated financial statements for the 12-month period ended 31 December 2019. In the current period additionalliability of PLN 43,489 thousand was recognised due to new office leases of Domodi Sp. z o.o. in Wrocław and of Wirtualna Polska Media in Warsaw. In 2019 the Group repaid the total amount of PLN 8,492 thousand of lease liability.

In the current period, the Group's bank and other loans decreased by PLN 23,890 thousand. This decrease was caused by, among others, repayment of four tranches of the investment loan in the current period in the amount of PLN 17,352 thousand and the total repayment of liabilities due to a loan granted to the Group by a minority shareholder (PLN 1,663 thousand) At the same time, according to the repayment schedule applicable as of 31 December during the next twelve

months, the Group was to repay the first instalment of the CAPEX tranche, which resulted in the transfer of its equivalent to short-term liabilities.

Liabilities related to business combination decreased by PLN 2,493 thousand, mainly due to the repayment of the first part of the retained purchase price of shares in Extradom Sp. z o.o. in January 2019 .

In the current period, the Management Board updated the forecasted results for 2019 and 2020 for Nocowanie.pl Sp. z o.o. and eHoliday.pl Sp. z o.o. Valuation of the put option for non-controlling shares in Nocowanie.pl Sp. z o.o. is based on, among others EBITDA result of both companies for 2019 for the first option and 2020 for the second option. Due to the higher than originally expected results of these companies, the Management Board decided to update the valuation of option liability included in the financial statements of the Capital Group and increase it by PLN 14,693 thousand. This commitment as of 31 December 2019 amounts to PLN 37,838 thousand of which PLN 20,505 thousand relates to the second option and was disclosed as a long-term liability. At the same time, the liability under the first option, settled based on the results of 2019, in the amount of PLN 17,333 thousand was transferred to the short-term part.

In March 2019, the Group repaid another, fourth instalment of its liability under the television license received. In January 2016, the Group recognized in its balance sheet a liability under the television license received, which is valid from January 14, 2016 to January 13, 2026. The fee for granting the concession amounted to PLN 13,545 thousand and is payable in 10 annual instalments of PLN 1,355 thousand each. As of December 31 2019, after repayment of four installment fees, the Group's liability estimated according to the amortized cost principle amounts to PLN 9,342 thousand in total, of which PLN 7,771 thousand is a long-term liability.

Short-term liabilities

The following table presents changes in short-term liabilities by balance sheet category:

PLN'000	As of 31 December 2019	Structure 2019	As of 31 December 2018	Structure 2018	Change PLN'000	Change %
Bank loans and other loans	35 547	17,3%	30 607	16,0%	4 940	16,1%
Leasing liabilities due to the right of use the assets	14 710	7,1%	1 332	0,7%	13 378	1004,4%
Cash trade payables	51 097	24,8%	55 894	29,2%	(4 797)	(8,6%)
Barter trade payables	2 986	1,5%	1 792	0,9%	1 194	66,6%
Contract and refund liablities	39 749	19,3%	32 566	17,0%	7 183	22,1%
State liabilities	8 844	4,3%	8 582	4,5%	262	3,1%
Wages and salaries payables	10 021	4,9%	9 554	5,0%	467	4,9%
Liabilities in respect of purchase of property, plant and equipment and intangible assets	7 639	3,7%	9 478	5,0%	(1 839)	(19,4%)
Other short-term payables	7 901	3,8%	9 006	4,7%	(1 105)	(12,3%)
Provision for employee benefits	4 356	2,1%	3 828	2,0%	528	13,8%
Other provisions	1 105	0,5%	1 988	1,0%	(883)	(44,4%)
Contingent liabilities related to business combinations	72	0,0%	5 849	3,1%	(5 777)	(98,8%)
Liabilities related to business combinations (other than earn-out)	2 546	1,2%	18 694	9,8%	(16 148)	(86,4%)
Liabilities with respect to the put option for non-controlling interests	17 333	8,4%	-	0,0%	17 333	n/a
Current income tax liabilities	1 931	0,9%	1 951	1,0%	(20)	(1,0%)
Short-term liabilities	**205 837**	**100,0%**	**191 121**	**100,0%**	**14 716**	**7,7%**

The main factor affecting the increase in the value of short-term liabilities was the recognition of the short-term portion of the liability under the put option for non-controlling interests (PLN 17,333 thousand). There was also a significant increase in leasing liabilities due to the right to use assets, recognized by the Group on 1 January 2019 in connection with the first application of IFRS 16. Both, liabilities under the right of use the assets as well as liabilities under the put option are described in detail in part of the report concerning long-term liabilities.
Cash trade liabilities decreased by PLN 4,797 thousand.
Liabilities due to contracts with clients and due to reimbursement of remuneration increased their value by PLN 7,183 thousand. The category comprises mainly of the provisions for annual rebates granted to customers. Along with the sales increase as compared to the previous year, the amount of rebates granted to customers also increased.

Liabilities due to the acquisition (other than earn-out) have decreased, among others due to the settlement of the liability for the acquisition of Superauto24.com Sp. z o.o. in the amount of PLN 16,650 thousand. Contingent liabilities due to business combination decreased almost to zero due to the settlement of contingent liabilities resulting from the acquisition of My Travel Sp. z o.o. in 2018.

Equity

PLN'000	As of 31 December 2019	Structure 2019	As of 31 December 2018	Structure 2018	Change PLN'000	Change %
Equity attributable to equity holders of the Parent Company, including	500 881	97,6%	457 080	97,7%	43 801	9,6%
Share capital	1 451	0,3%	1 449	0,3%	2	0,1%
Supplementary capital	321 969	62,7%	320 895	68,6%	1 074	0,3%
Revaluation reserve	147	0,0%	55	0,0%	92	167,3%
Other reserves	(1 144)	(0,2%)	(3 774)	(0,8%)	2 630	(69,7%)
Retained earnings	178 458	34,8%	138 455	29,6%	40 003	28,9%
Non-controlling interests	**12 246**	**2,4%**	**10 680**	**2,3%**	**1 566**	**14,7%**
Total equity	**513 127**	**100,0%**	**467 760**	**100,0%**	**45 367**	**9,7%**

During the twelve months of 2019, the equity attributable to the parent company's shareholders increased by PLN 43,801 thousand in total. The change in equity attributable to the parent company's shareholders resulted from the following events:

- Increase by PLN 1,076 thousand due to registration, admission to trading and issuing shares under share option plans, out of which PLN 2 thousand increased share capital and the remaining part - PLN 1,076 thousand was booked as supplementary capital
- increase by PLN 92 thousand due to the as a result of a change in the valuation of the cash flow hedging instrument due to interest on a bank loan;
- the increase in other reserves of PLN 2,376 thousand due to vesting of the rights to the consecutive tranche of share options under the existing incentive scheme;
- received payment for the increase of the share capital (PLN 254 thousand), which as of the balance sheet date was not yet registered in the National Court Register;
- the net profit attributable to the parent company's shareholders for the twelve months ending 31 December 2018 of PLN 68,998 thousand.
- decrease by PLN 28,995 due to the resolution of the Ordinary Shareholders Meeting to pay dividend to shareholders, of which PLN 408 thousand is the total net profit recognised in the standalone financial statements for the fiscal year 2018, and remaining part comes from the company's profits from previous years.

In 2019, non-controlling shares increased their value by PLN 1,566 thousand. The bet profit attributable to the non-controlling shareholders of Nocowanie.pl Sp. z o.o., eHoliday.pl Sp. z o.o. and Superauto24.com Sp. z o.o. amounted to PLN 2,134 thousand. At the same time, the provisional purchase price allocation of Superauto24.com was adjusted, which resulted in a decrease in the value of non-controlling interest by PLN 568 thousand.

Cash flows of the Group

PLN'000	Twelve months ending 31 December 2019	Twelve months ending 31 December 2018
Net cash flows from operating activities	188 986	155 714
Net cash flows from investing activities	(109 147)	(239 350)
Net cash flows from financing activities	(72 551)	103 990
Total net cash flows	**7 288**	**20 354**

EBITDA (in accordance with IFRS 16) generated by the Group, which amounted to PLN 209,227 thousand, contributed to the generation of positive cash flows from operating activities in the amount of PLN 188,986 thousand.

Net cash flow from investing activities was negative and amounted to (PLN 109,147 thousand), which resulted primarily from the settlement of the liability related to the acquisition of Superauto24.pl (PLN 16,924 thousand), repayment of the first part of the retained purchase price of Extradom.pl Sp. z o.o. (PLN 1,616 thousand), settlement of liabilities towards former owners of Netwizor Sp. z o.o. (PLN 334 thousand) and repayment of the contingent liability related to the acquisition of MyTravel Sp. z o.o. (PLN 4,266 thousand). During the year, the Group acquired also 100% shares in Travel Network Solutions Sp. z o.o. (PLN 6,750 thousand less the balance of cash acquired in the amount of PLN 35 thousand), 100% shares in Autocentrum.pl Sp. z o.o. (PLN 9,350 thousand less the balance of cash acquired in the amount of PLN 1,191 thousand), 13% shares in Teroplan Sp. z o.o. for PLN 7,742 thousand and 20% of shares in the equity of Digitics S.A. (PLN 5,000 thousand). In addition, net cash flow from investing activities resulted from capital expenditure incurred (CAPEX) for purchases of intangible assets and fixed assets (PLN 58,479 thousand).

Net cash flow from financing activities in the current period amounted to (PLN 72,551 thousand), which resulted mainly from the dividend paid to the shareholders of the parent company in the amount of PLN (28,995) thousand. PLN, from repayment of four loan installments (PLN 17,352,000) and repayment of a loan to a minority shareholder (PLN 1,663 thousand). At the same time, the Group repaid bank interest and commissions in the amount of (PLN 16,248 thousand). As part of its financial activities, the Group recognized inflows due to share capital increased under share option plans (PLN 1,330 thousand) and the financial lease repayment of PLN (9,728) thousand (in accordance with IFRS 16).

Selected financial ratios of the online segment

Financial ratios ONLINE SEGMENT	Twelve months ending 31 December 2019	Twelve months ending 31 December 2018
Sales (PLN'000)	688 379	550 816
Sales (YoY increase)	25,0%	20,4%
Cash sales	665 150	526 254
Cash sales (YoY increase)	26,4%	24%
Adjusted EBITDA margin (IAS 17) - on cash sales	32%	34%
Financial leverage ratio (Net debt/Adjusted EBITDA LTM - IAS 17)	1,56	1,69

The main financial ratios analysed by the Group's Management Board, relate only to the ONLINE segment and comprise cash proceeds from sales and their growth and the adjusted EBITDA margin.
The cash sales for the 2019 were 26,4% higher than the sales calculated on the basis of the financial data for the corresponding period of the previous year.
All revenues of Extradom.pl result from the sale of goods and are recognized in the full value of the project sold (and not only commissions). The recognition of sales results in the above model is one of the factors affecting the reduction of the EBITDA margin of the entire Group.

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

The Group does not present and analyse the financial ratios of the TV segment.

4. DISCUSSION ON OPERATING RESULTS AND THE FINANCIAL SITUATION OF WIRTUALNA POLSKA HOLDING S.A.

The financial data for the twelve months ending 31 December 2019 and 31 December 2018 was audited by an independent auditor, whereas the financial information for the fourth quarter of 2019 and 2018 was not subject to any audit or review. The information presented in the following table should be read in conjunction with the information included in the standalone financial statements.

Selected financial data from standalone income statement

The following table presents the main positions of the standalone income statement for the twelve months of 2019 and 2018.

PLN'000	Twelve months ending 31 December 2019	Twelve months ending 31 December 2018	Change	Change %
Sales	-	-	-	n/a
Dividends received	29 324	-	29 324	n/a
Operating loss	22 793	(7 946)	30 739	(386,8%)
Finance income	4 927	9 763	(4 836)	(49,5%)
Finance costs	(19 550)	(959)	(18 591)	1 938,6%
Gross profit	9 004	858	8 146	949,9%
Net profit	8 879	408	8 471	2 076,2%

The following table presents the main positions of the standalone income statement for the fourth quarter of 2019 and 2018:

PLN'000	Three months ending 31 December 2019	Three months ending 31 December 2018	Change	Change %
Sales	-	-	-	n/a
Operating loss	(1 494)	(3 028)	1 534	(50,7%)
Finance income	1 467	1 634	(167)	(10,2%)
Finance costs	(14 954)	(890)	(14 064)	1 580,2%
Gross profit	(14 981)	(2 284)	(12 697)	555,9%
Net profit	(15 259)	(2 103)	(13 156)	625,6%

The company conducts holding activities and obtains revenues from dividends received and interest on loans granted. During 2019, the Company received dividends from subsidiaries Wirtualna Polska Media SA, Domodi Sp. z o.o. and Extradom.pl Sp. z o.o.

In the previous period, the Company used the services of transaction advisors, which had an impact on a higher level of costs of external services. In the current period, the Company conducted limited acquisition activities, therefore costs of external services dropped by PLN 2,238 thousand.

In 2019, the company's finance income decreased due to the repayment of a significant part of loans granted to subsidiaries. Acquisition activities in the second half of the previous period were financed to a large extent from bank loans.

In addition, the Company recognized an impairment loss on shares in Domodi Sp. z o.o. In connection with the above events, financial costs increased by PLN 18,591 thousand.

Financial position of the Company

The following table presents the standalone statement of the Company's financial position as of the end of December 2019 and 2018.

PLN'000	As of 31 December 2019	Structure 2019	As of 31 December 2018	Structure 2018	Change	Change %
Non-current assets	497 792	99,7%	513 635	99,1%	(15 843)	(3,1%)
Current assets	1 473	0,3%	4 765	0,9%	(3 292)	(69,1%)
Long-term liabilities	70 399	14,1%	74 821	14,4%	(4 422)	(5,9%)
Short-term liabilities	8 569	1,7%	6 872	1,3%	1 697	24,7%
Equity	420 297	84,2%	436 707	84,2%	(16 410)	(3,8%)

Compared to the end of 2018, the main events affecting the Company's balance sheet were the acquisition of shares in Digitics Sp. z o.o and Teroplan Sp. z o.o., dividend payment, dividends received from subsidiaries and partial repayment of capital and interest on loans granted to Wirtualna Polska Media SA and Totalmoney.pl Sp. z o.o., as well as revaluation of

investments in shares in subsidiaries. The impact of these events on individual components of the balance sheet was discussed as part of the analysis of these positions.

Standalone non-current assets

The following table presents the structure of standalone non-current assets of the Company by detailed balance sheet categories.

PLN'000	As of 31 December 2019	Structure 2019	As of 31 December 2018	Structure 2018	Change	Change %
Other intangible assets	5	0,0%	18	0,0%	(13)	(72,2%)
Shares	429 073	86,2%	427 623	83,3%	1 450	0,3%
Loans granted	68 714	13,8%	85 869	16,7%	(17 155)	(20,0%)
Deferred tax asset	-	0,0%	125	0,0%	(125)	(100,0%)
Non-current assets	**497 792**	**100%**	**513 635**	**100%**	**(15 843)**	**(3,1%)**

During the year, the Company acquired shares with a total value of PLN 12,757 thousand. Minority shares in Teroplan sp. z o. o. were valued at fair value as of 31 December 2019, which resulted in an increase of their value by PLN 391 thousand. In addition, in the year ended 31 December 2019, the value of shares held was increased by a total of PLN 1,740 thousand in connection with the settlement of the share-based payment program.

The company recognised impairment of the shares in Domodi Sp. z o.o. in the amount of PLN 13,439 thousand. Details on the valuation of financial assets have been described in Note 10 to the standalone financial statement.

The creation of an allowance in the individual financial statement of WPH will not affect the consolidated financial statement of the Capital Group. The impairment allowance is non-monetary and has no impact on the current financial position of the Company and the Capital Group.

The increase in non-current assets was offset by a decrease in the value of loans granted in connection with repayment of PLN 17,200 thousand of principal and PLN 3,115 thousand of interest on loans granted to subsidiaries.

Standalone current assets

The following table presents the structure of standalone current assets of the Company by detailed balance sheet categories.

PLN'000	As of 31 December 2019	Structure 2019	As of 31 December 2018	Structure 2018	Change	Change %
Trade receivables net	24	1,6%	215	4,5%	(191)	(88,8%)
State receivables	142	9,6%	1 286	27,0%	(1 144)	(89,0%)
Other current assets	21	1,4%	10	0,2%	11	110,0%
Cash and cash equivalents	1 286	87,3%	3 254	68,3%	(1 968)	(60,5%)
Current assets	**1 473**	**100,0%**	**4 765**	**100%**	**(3 292)**	**(69,1%)**

In the analyzed period, the value of state receivables decreased significantly, which is related to the return of overpaid income tax advances.

A detailed analysis of changes in the value of cash will be presented in the following part of the report, in the cash flow statement analysis.

Standalone long-term liabilities

The following table presents the structure of standalone long-term liabilities by detailed balance sheet categories.

PLN'000	As of 31 December 2019	Structure 2019	As of 31 December 2018	Structure 2018	Change	Change %
Loans	54 497	77%	56 426	75%	(1 929)	(3,4%)
Liabilities related to business combinations	15 902	23%	18 395	25%	(2 493)	(13,6%)
Long-term liabilities	**70 399**	**100%**	**74 821**	**100%**	**(4 422)**	(5,9%)

Liabilities related to business combination reduced their value by PLN 2,493 thousand, mainly due to the repayment in January 2019 the first part of the retained purchase price for shares in Extradom Sp. z o.o. At the same time, in accordance with the loan repayment schedule binding of 31 December, during the next twelve months, the Company was to repay the first installment of the CAPEX tranche, which resulted in the transfer of its equivalent to short-term liabilities.

Standalone short-term liabilities

The following table presents the structure of standalone short-term liabilities of the Company by detailed balance sheet categories.

PLN'000	As of 31 December 2019	Structure 2019	As of 31 December 2018	Structure 2018	Change	Change %
Loans	4 307	50,3%	2 196	32,0%	2 111	96,1%
Trade payables	521	6,1%	1 557	22,7%	(1 036)	(66,5%)
Investment liability	2 546	29,7%	1 603	23,3%	943	58,8%
State liability	21	0,2%	413	6,0%	(392)	(94,9%)
Wages and salaries payables	1 060	12,4%	933	13,6%	127	13,6%
Liabilities due to financial activities	114	1,3%	170	2,5%	(56)	(32,9%)
Current income tax liabilities	-	0,0%	-	1,0%	-	n/a
Short-term liabilities	**8 569**	100,0%	**6 872**	**69%**	**1 697**	**24,7%**

The higher balance of trade payables at the end of 31 December 2018 was mainly due to consulting services in the last months of the year rendered to the company in connection with acquisition activities. These liabilities were fully repaid in 2019.
Short-term investment liabilities include the equivalent of the next tranche of payment of part of the price retained on the acquisition of Extradom.pl Sp. z o.o. and the interest accrued on this liability. Change in liabilities due to a bank loan used to finance the acquisition of Extradom.pl Sp. z o.o. is described in more detail in the part of this report concerning long-term liabilities.

Standalone equity

PLN'000	As of 31 December 2019	Structure 2019	As of 31 December 2018	Structure 2018	Change	Change %
Share capital	1 451	0,3%	1 449	0,3%	2	0,1%
Supplementary capital	321 969	76,6%	320 895	73,5%	1 074	0,3%
Other reserves	10 432	2,5%	7 801	1,8%	2 631	33,7%
Retained earnings	86 445	20,6%	106 562	24,4%	(20 117)	(18,9%)
Equity	**420 297**	**100,0%**	**436 707**	**100%**	**(16 410)**	**(3,8%)**

During the twelve months of 2019, the equity decreased by PLN 16,410 thousand in total. The change in equity resulted from the following events:

- Increase by PLN 1,076 thousand due to registration, admission to trading and issuing shares under share option plans, out of which PLN 2 thousand increased share capital and the remaining part - PLN 1,074 thousand was booked as supplementary capital
- the increase in other reserves of PLN 2,377 thousand due to vesting of the rights to the consecutive tranche of share options under the existing incentive scheme;
- received payment for the increase of the share capital (PLN 254 thousand), which as at the balance sheet date was not yet registered in the National Court Register;
- the net profit for the twelve months ending 31 December 2018 of PLN 8,879 thousand.
- decrease by PLN 28,995 due to the resolution of the Ordinary Shareholders Meeting to pay dividend to shareholders, of which PLN 408 thousand is the total net profit recognised in the standalone financial statements for the fiscal year 2018, and remaining part comes from the company's profits from previous years.

Standalone Cash Flow analysis

PLN'000	Twelve months ending 31 December 2019	Twelve months ending 31 December 2018	Change	Change %
Net cash flows from operating activities	23 453	(13 051)	36 504	(279,7%)
Net cash flows from investing activities	7 308	(102 994)	110 302	(107,1%)
Net cash flows from financing activities	(32 729)	117 808	(150 537)	(127,8%)
Total net cash flows	**(1 968)**	**1 763**	**(3 731)**	**(211,6%)**

Operating cash flow in 2019 was positive and amounted to PLN 23,453 thousand. They resulted mainly from dividends received in 2019 from subsidiaries.

Cash flow from investing activities was also positive and amounted to PLN 7,308 thousand in the analyzed period which resulted mainly from the repayment of the principal (PLN 17,200 thousand) and interest (PLN 3,115 thousand) on loans granted to subsidiaries and the payment received due to the loan guarantee service provided by the Company to the subsidiary Wirtualna Polska Media SA in the amount of PLN 1,366 thousand. At the same time, expenditure on the acquisition of shares amounted to PLN 12,757 thousand.

Cash flows from financing activities in 2019 were negative and amounted to (PLN 32,729 thousand) mainly as a result of dividend payment in the amount of (PLN 28,995 thousand) interest repayment and commission on debt financing in the amount of (PLN 3,714 thousand) and repayment of liabilities towards subsidiaries due to the service of guarantee of the loan taken by the Company (PLN 1,361 thousand).

Cash inflows resulting from share capital increase under option plan amounted to PLN 1,332 thousand.

5. FACTORS AND EVENTS, ESPECIALLY THOSE OF AN EXCEPTIONAL NATURE, SIGNIFICANTLY AFFECTING FINANCIAL RESULTS ACHIEVED

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

- material acquisitions made by the Group in the previous periods;
- increased effectiveness resulting from the use of the Group's data resources and big data tools;
- costs of funding related to the acquisitions;
- launch of activities in the TV sector.

- **Material acquisitions made by the Group**

Since 2014, the Group has been intensively involved in acquisitions of other entities operating on the internet advertising and e-commerce market, including generating leads on the e-commerce market. In 2015 the Group acquired shares in the following companies: NextWeb Media sp. z o.o., Blomedia.pl Sp. z o.o., Finansowysupermarket.pl Sp. z o.o., Web Broker Sp. z o.o., Allani Sp. z o.o. and Wakacje.pl SA In 2016, the Group's purchased Totalmoney.pl Sp. z o.o., Nocowanie.pl Sp. z o.o. and Netwizor Sp. z o.o., in 2017 the Group was joined by eHoliday.pl Sp. z o.o., in 2018 by My Travel Sp. z o.o., Extradom.pl Sp. z o.o., Superauto24.com Sp. z o.o. and Parklot Sp. z o.o. and in 2019 by Travel Network Solutions Sp. z o. o. and Autocentrum.pl S.A. The acquisitions mentioned above had a significant impact on the increase in revenues and EBITDA compared with the same period of the previous year. They also had a significant impact on the amount of depreciation in the consolidated financial statements of the Group, as in the process of purchase price allocation of these entities a number of trademarks and customer relations have been identified which are currently depreciated and the cots are included in the consolidated financial results of the Group.

- **Increase in effectiveness as a result of using the Group's data resources and big data tools**

The Group has one of the largest databases of users of internet portals and the largest database of email users in Poland. Achieving the highest rank was possible, among other things, thanks to acquisitions made by the Group.

Having a large number of service and content users gives the Group access to information on user behaviour, within the limits set by the provisions of the law. Thanks to access to a large amount of data on user behaviours (in particular on the content and services used by users) and the progress in the ability to analyse extensive data resources over recent years (tools for analysis of large and diverse data sets, generated with high frequency, so called big data), the Group has a significant potential for increasing its operating effectiveness, among other things, through the personalization of content,

and personalization of advertisements which are more effective, by eliminating the advertisements of products in which a given user is not interested.

Borrowings related to the acquisitions

The Group's acquisition activities are supported by external financing.

The Group's debt results, among others, from the loan financing of part of the purchase price (PLN 175 million) of shares in Wirtualna Polska S.A., purchase price of the shares in Money.pl Sp. z o.o. (PLN 47 million), part of the purchase price of the shares in Wakacje.pl SA (PLN 50 million), part of the purchase price of the shares in Nocowanie.pl Sp. z o.o. (PLN 12 million) ,Domodi Sp. z o.o. (PLN 85 million) and Extradom Sp. z o.o. (PLN 60 million) as well as refinancing part of the investment expenditure to purchase fixed and intangible assets.

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

As of 31 December 2019 the balance of the Group's liability resulting from loan agreement amounted to PLN 347 million.

During the twelve months of 2019, the Group's interest and commissions expenses, the bulk of which resulted from interest on the bank loan, amounted to PLN 17,137 thousand. The amount of these costs in consecutive periods will depend on WIBOR 3M which equalled 1.71% as of 31 December 2019.

Activities in the television advertising market

In 2018 and 2019, the results of the Capital Group were significantly influenced by costs connected to the development of the WP Television launched in December 2016. In the opinion of the Management Board, the expenditures currently incurred should result in the increase in market share in the long-term perspective, and consequently into the increase in the value of revenues and the increase in profitability of this segment.

In the analysed period television advertising revenue amounted to PLN 20,321 thousand. At the same time, this segment generated a negative EBITDA of PLN 4,580 thousand.

In the analysed period there were no extraordinary events that had significantly affected the standalone financial and operating results of the Company.

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

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

Economic situation in Poland

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

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

The Management Board expects a significant impact of SARS-COV-2 coronavirus on financial performance in the tourism industry in 2020. Wakacje.pl is observing higher amount of resignations from purchasing trips and cancellations of reservations, especially to countries where the most cases of the virus have been diagnosed. At the moment, it is difficult to estimate how long the current situation will last and how it will affect travel interest in the coming months. Nevertheless, the results of the survey in the Ariadna research panel, commissioned by Wakacje.pl, show a large impact of coronavirus cases on interest in tour operators' offers. According to a study conducted in the second half of February 2020, even before confirmed cases of spreading the virus in Italy, almost half of the respondents assured that the coronavirus did not discourage them from traveling abroad in 2020. Only every fifth person questioned was concerned about the trip. At the beginning of March, when there was much more information about cases of infection in Italy, 35% of respondents were already discouraged from trips abroad, 31% were of the opposite opinion. The Management Board expects that the described downward trend in tour bookings may have a negative impact on the Group's financial results in 2020. At the same time, as at the date of this report, the

Management Board is not able to precisely determine the impact of the coronavirus epidemic on other areas of the Group's operations, in particular on the advertising market.

Competition on the Polish market

Both globally and in Poland, the internet advertising and e-commerce market is characterized by fierce competition. The Group's direct competition includes entities which own domestic portals and websites, in particular Grupa Onet.pl, Grupa interia.pl or Grupa Gazeta.pl.

In addition, the Group competes with entities offering various Internet services (e.g. Google, Facebook, Twitter), including in particular the delivery of electronic mail services (e.g. Yahoo!, Gmail, Hotmail, AOL), as well as entities operating on the advertising market television, in particular other television broadcasters. In addition, other companies operating on the broadly understood advertising market, including in particular TV stations, newspapers and radio, compete with the Group for the advertising budgets of the clients with the Group. These entities compete with each other in terms of the price of products and services, in particular rates for advertising, the ability to reach potential customers with the profile sought by advertisers, the attractiveness and quality of published materials (e.g. in meeting the standards of online advertising visibility set by the Association of Internet Industry Employers IAB Polska), shaping or speed of adapting to market trends, as well as brand strength.

As of the date of the report, the Group is one of the two leading entities among domestic portals and websites in terms of the number of real users and coverage. The leading position is important due to the so-called Leader bonus, i.e. the tendency of advertisers to place ads on portals and websites enjoying market leadership in terms of offered access to internet users, which has a significant impact on generated revenues. The Group's ability to strengthen its current competitive position is influenced by many factors, including primarily the brand recognition and reputation of the Group, the attractiveness and quality of materials published on websites, the user base, as well as the ability to analyze and process data on website and website users. It cannot be excluded that the Group, due to a number of factors, a significant part of which is beyond the Group's control, will not be able to strengthen the current position of one of the two leading entities among domestic portals and websites or that it will not lose this position. In addition, the increase in competition in the markets in which the Group operates, may lead to increased pressure on reducing prices of products and services offered, in particular various forms of online advertising, and may also result in the need to increase expenditure on marketing activities or on research and development related to with the market and the development and introduction of new products, services, their improvements and innovative solutions.

The Group carries out activities in the field of e-commerce by a number of entities that operate on very different target markets (e.g. tourism, finance, fashion, interior design, house designs, car sales). Each of these markets has a different level of competitiveness, but it should be noted that on some of them, significant suppliers are also in direct competition with the Group entities. In addition, the e-commerce market is characterized by a large number of start-ups, which further increases competitiveness. Group entities in most cases have a leadership position in their category, in particular in terms of the number of users. However, it cannot be excluded that some or all of the entities operating on the e-commerce market due to a number of factors, a significant part of which is beyond the Group's control, will not be able to strengthen the current position or that they will not lose this position.

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

The Group's success depends on the development of services and technologies, as well as the number of internet users, which in turn determines the development of the online advertising and e-commerce market. The development of the internet depends primarily on the development of internet infrastructure and technological changes. In 2019, 86.7% of households had access to the Internet in Poland (compared to 2018, there was an increase of 2.5 pp) and 96.3% of enterprises (source: Information Society 2019 - GUS, Use of information technology - communication in public administration units, enterprises and households in 2019 - GUS). The percentage of households using the broadband internet connection is also increasing year by year. Nevertheless, the current state of development of broadband infrastructure, as well as the level of its use is relatively low compared to most European Union countries. In addition, in recent years a change in the way of access to the Internet has been observed, which may also have a significant impact on the dynamics of the development of the markets in which the Group operates. In the era of rapid technological development, the number of households and enterprises using internet connections using mobile technology increases every year. Thus, both changes in trends in the way the Internet is used and an increase in connection speeds can affect the dynamics of development of individual segments of the online advertising and e-commerce market.
Despite the forecasts that the internet in Poland will continue to grow, its current development dynamics may significantly decrease in the following years. As at the date of this report, the level of Internet penetration in Poland is relatively high, and in addition it is increasing every year, which successively limits the development potential of the internet market. It can be anticipated that the development may be more related to broadband and mobile access technologies as well as other

advanced internet access technologies. Slowing down the dynamics of future internet development may have a negative impact on the Group's development prospects and the implementation of its strategy. In recent years, a steady growth in the e-commerce market has been observed in Poland, both in terms of its nominal size and its share in retail sales. However, it cannot be excluded that for reasons beyond the Group's control, such as e.g. a change in consumer habits, the sales migration trend from the traditional channel to the online channel will be stopped, which may negatively translate into the Group's development in e-commerce.

Active acquisition activities

In accordance with the strategy adopted by the Group, the Management Board analyses on a current basis the investing options in companies which provide services similar or complementary to the Group's services and may supplement the portfolio of the Group's products and services. Potential acquisitions may have a material impact on the results achieved by the Group in consecutive periods.

The Group observes the activity of Poles in new e-commerce sectors, even the so-called big ticket purchases (high purchase price, one-off or rare), which demonstrates the growing trust of Poles in the internet as a shopping channel. According to our forecasts, the importance of the online tools sector (software, SaaS) to help manage important purchasing processes and home budgets. Both of these areas naturally fit into the Group's activities.

Continuing the activity in the TV advertising market

Having obtained a broadcasting licence for the transmission of a television programme in Multiplex 8, in December 2016 the Group started operating on the television advertising market. This activity will have a significant impact on the cash revenue generated by the Group as well as on the costs incurred in the subsequent periods, including the costs of the programming assets and fees incurred in connection with the streaming of the programme. Advertising revenue is obtained through an advertising broker – i.e. TVN Media.

7. SIGNIFICANT AGREEMENTS AND EVENTS WHICH TOOK PLACE IN 2019

Signing a contract for a new office in Warsaw

On 12 February 2019, Wirtualna Polska Media SA has concluded a lease agreement with VASTINT POLAND Sp. z o.o. The subject of the contract is the lease of office space located in the Warsaw Business Garden office complex at ul. Żwirki i Wigury 16 in Warsaw. The Lease Agreement was concluded for a period of 7 years from January 2020.

The total estimated value of payments (excluding indexing costs) during the lease period (expressed in EUR and translated at the average exchange rate announced by the National Bank of Poland as of 31 December 2019) will amount to approximately PLN 34 million. Starting from 1 March 2021, the lessor will be entitled to make annual indexation of fees paid by the lessee based on the average annual rate of change of the HICP index determined for all European Union countries. The contract was concluded on market terms commonly used for this type of contracts.

In accordance with IFRS 16, the Group recognize the right of use the building and the corresponding liability as of 31 December 2019.

Due to the early vacation of the Oxygen Park building at Jutrzenki 137a in Warsaw, the Group will recognize in 2019 a maximum of PLN 1.2 million of additional one-off costs of depreciation of the right to use existing office space resulting from financial leasing recognized in accordance with IFRS 16 effective from 1 January 2019. In addition, the Group will also accelerate depreciation of expenditures incurred for adaptation of the existing office space, which will result in an increase in depreciation of improvements in foreign fixed assets in 2019 by approx. PLN 0,6 million.

Acquisition of Travel Network Solutions Sp. z o.o.

On 26 February 2019, the subsidiary Wakacje.pl SA purchased 2,300 shares in the share capital of Travel Network Solutions Sp. z o.o., constituting 100% of the share capital and entitling to 100% votes at the meeting of shareholders of Travel Network Solutions. Details of this transaction are described in Note 22 to the consolidated financial statements.

Acquisition of Autocentrum.pl S.A.

On 30 October 30 2019, the subsidiary Wirtualna Polska Media SA acquired 5,000,000 shares in the share capital of Autocentrum.pl SA, constituting 100% of the share capital and entitling to 100% votes at the Shareholders' Meeting of Autocentrum.pl.

8. RISK FACTORS SIGNIFICANT FOR THE DEVELOPMENT OF THE COMPANY AND CAPITAL GROUP

The Company, as the parent company of the Capital Group, whose principal operations are holding activities, is exposed to the same risks as other companies in its Capital Group.

Risks related to market environment

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

The Group's success depends on the development of services and technology, and on the number of Internet users, which in turn drives the development of the online advertising market and e-commerce. The development of the Internet depends primarily on the development of online infrastructure and technological changes. In 2019, 86,7% of households and 96,3% of enterprises in Poland (an increase of 2,5 p.p. compared with 2018) in Poland had access to the Internet (source: Społeczeństwo Informacyjne 2019 – GUS, The use of information and communication technologies in public administration units, enterprises and households in 2019 - GUS). In addition, the percentage of households using broadband access has been growing from year to year. Nevertheless, the current level of development of the broadband infrastructure and the level of its utilisation are relatively low compared with the majority of European Union countries. Moreover, changes in the manner of accessing the Internet have been noted in recent years. This may materially affect the growth rate of the markets in which the Group operates. In an era of rapid technological progress, the number of households and enterprises using mobile access to the Internet is increasing every year. Thus, both changes in trends relating to how the Internet is used and increases in connection speed may affect the growth rate of particular segments of the online advertising.

Regardless of the predicted continued development of the Internet in Poland, its current growth rate could significantly decrease in subsequent years. This is because the Internet penetration rate in Poland is relatively high as of the reporting date and is growing from year to year, which gradually reduces the development potential of the Internet market. It can be assumed that the development shell be more related to broadband, mobile as well as other advanced internet access technologies. The weakening of the Internet growth rate in the future may negatively impact the outlook for the Group's development and the execution of its strategy.

In recent years, a steady growth in the e-commerce market has been observed in Poland, both in terms of its nominal size and its share in retail sales. However, it cannot be ruled out that due to reasons beyond the Group's control, such as e.g. a change in consumer habits, the trend of sales migration from the traditional channel to the online channel will be stopped, which may negatively affect the Group's development in the field of e-commerce.

The macroeconomic situation

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

Competition on the Polish advertising and e-commerce market

Both globally and in Poland, the online advertising and e-commerce markets are highly competitive. The Group's direct competitors include national web portals and websites, including, in particular, Onet.pl Group, Interia.pl Group

and Gazeta.pl Group. In addition, the Group competes with entities offering various web-based services (e.g. Google, Facebook, Twitter), including in particular electronic mail services (e.g. Yahoo!, Gmail, Hotmail, AOL) and also with entities operating on the television advertising market, in particular other television broadcasters. In addition, other entities operating on the advertising market compete with the Group for advertising budgets of the Group, in particular newspapers and radio.These entities compete with one another in terms of product and service prices, especially advertising rates, the ability to reach potential customers with a profile sought by the advertisers, attractiveness and quality of published materials (e.g. in terms of meeting the standards of online advertising viewability set by the Association of Internet Industry Employers - IAB Polska), shaping of trends on the market or ability to quickly adapt to such trends, and in terms of brand strength.

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

The Group carries out advertising activities in the field of e-commerce by a number of entities that operate on very different target markets (e.g. tourism, finance, fashion, interior design, house designs, car sales). Each of these markets has a different level of competitiveness, but it should be noted that on some of them, significant suppliers are also in direct competition with the Group entities. In addition, the online advertising market is characterized by a large number of start-ups, which further increases competitiveness. Group entities in most cases have a leadership position in their category, in particular in terms of the number of users. However, it cannot be excluded that some or all of the entities operating on the e-commerce market due to a number of factors, a significant part of which is beyond the Group's control, will not be able to hold this position.

Risks associated with the Group's operations

Key clients

A significant part of the Group's revenue is generated by a relatively stable number of key clients. The group concludes with its clients, i.a. agency agreements, cooperation agreements for running advertising campaigns or based on other legal titles (e.g. orders or agreements).

There is a risk that the Group's clients may, at any time, decide to discontinue cooperating with the Group and start cooperating with the Group's competitors. Thus, a loss of the Group's key, direct clients or a deterioration in the relations with such clients could contribute to a significant reduction in the realized. Moreover, the Group is exposed to a risk associated with the failure of the Group's key clients to settle their contractual liabilities towards the Group as they become due, especially with respect to delays in the payments, and to a risk associated with the financial position of such clients, including the risk of their bankruptcy.

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

The Group offers free electronic mail to its users. The Group has one of the largest base of electronic mail users in Poland. E-mail advertising and other forms of advertising distributed to e-mail users represent a stable and significant source of income for the Group. Moreover, the Group's broad base of e-mail users is an important database, which the proactive utilisation is one of the key elements of the Group's strategy. A decrease in the number of users of the Group's e-mail service could negatively affect the level of the Group's revenue as well as the Group's ability to obtain information on Internet users.

- **The risk related to external debt financing**

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

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

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

Similar risk factors apply to TV audience viewing research conducted by AGB Nielsen Media Research.

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

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

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

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

As the Internet network grows, so does the popularity of software used to block ads distributed online. The spread of such applications on a larger scale or their increasing effectiveness may negatively affect the position of online advertising as a marketing tool, and therefore could result in a reduction in the advertising budgets for online advertising by the Group's current or potential clients. Various other applications which affect the ability to use online services and portals owned by the Group may additionally affect the Group's operations. Such applications may distort search results relating to specific subjects, products, or information, or otherwise distort the functioning of the Group's websites and portals on the webpages where advertisements are displayed Attention should also be paid to initiatives (also with the participation of relevant market participants, including Internet browser manufacturers), which aim to set new standards for online advertising, including restricting access by third parties to information on user behavior on the internet. As a result of the indicated changes, one should take into account the possibility of limiting the available content and advertising forms, which in turn may translate into revenues from advertising activities.

- **The risk related to proper functioning the Group's IT systems and servers**

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

A failure of, a defect in or another disruption in the operation of the IT systems, servers or telecommunication infrastructure could result in a temporary disruption of the operation of the Group's portals and websites and in the provision of the services offered by the Group to Internet users. It is therefore of key importance to ensure the correct maintenance and modernisation of the Group's telecommunication infrastructure and servers, the implementation and maintenance of IT systems, and the introduction of optimum solutions which will enable stable and uninterrupted functioning of servers and systems, also in the case of system overloads or temporary disruptions and defects. In addition, the Group in order to maintain or strengthen its competitive position needs to constantly maintain, expand and modernize existing IT systems.

- **The risk of losing qualified personnel and other entities providing services to the Group**

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

- **The risk related to insufficient attractiveness and form of presentation of the content made available on the Group's portals and websites**

The level of revenue on the sale of online advertising depends indirectly on the number of users accessing the Group's portals and websites, on the services offered by the Group and on the amount of time spent by users browsing portals and websites and using the solutions or taking advantage of the services offered by the Group. Both the number of users and the time spent by them browsing the Group's portals and websites depend largely on the quality and attractiveness of the content made available on these portals and websites and on how it is delivered by the Group. There is a similar relationship in the case of the services offered by the Group, especially electronic mail, the popularity of which depends in particular on its utility and innovativeness. In spite of the Group striving to make attractive content available on its portals and websites, it cannot be precluded that the content will ensure the maintenance of or increase in the interest of Internet users and the time spent by them browsing the Group's portals and websites.

- **The risk of insufficient adaptation of portals and websites to service by mobile**

Due to the fact that in recent years there has been an increase in the number of people who use the Internet via devices other than personal computers, including: mobile phones, smartphones, portable computers, tablets, the importance of mobile and mobile advertising increases every year Internet commerce. In order to remain competitive, the Group will have to follow changes and improvements resulting from ongoing technological changes. If the portals and websites of the Group do not sufficiently meet the expectations of users using mobile devices or their effectiveness in terms of advertising and e-commerce will be too low, the Group may lose its competitive position in this segment, which may have a negative impact on future financial results of the Group.

- **The risk of losing popularity and reducing the strength of brands of individual portals and websites of the Group**

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

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

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

In addition, Group entities purchase Internet traffic through, among others search engine systems and social networking sites. It cannot be guaranteed that these entities will not change the rules of acquiring traffic, including appropriate algorithms or billing systems, which may result in a decrease in the effectiveness of this type of advertising, a decrease in the return on investment in advertising, an increase in their prices or a deterioration of the convergence of the acquired traffic, and this in consequence may have a negative impact on the competitive position and financial results of the Group companies.

Risk of seasonality

The operations of Group's entities take place on markets characterized by significant seasonality during the calendar year. Seasonality may result, among others consumer habits (e.g. tourist industry), weather conditions (e.g. fashion industry) or periodic increase in demand (a significant increase in spending in online commerce in the fourth quarter of the year due to, among others, the holiday season). Significant changes in seasonal trends in subsequent periods may significantly affect the financial results and cash flows of some entities of the Group.

Risk of changing consumer behaviour

A number of factors independent of the Group may have a negative impact on the demand for and supply of products and services in some industries in which the Group operates. These include terrorist attacks, unnatural or extreme weather phenomena, health concerns, in particular pandemics or epidemics, political or social instability, wars, disasters, imposing additional taxes or other administrative or regulatory burdens. These phenomena may lead to unfavorable changes in consumer moods or behavior for the Group, and thus reduce the Group's development potential and potentially deteriorate its financial results.

Risk related to payment processing

Some entities of the Group act as intermediaries in processing payments from the end customer to the service provider. This raises the risk of irregularities in settlements, including fraud or scams. The Group undertakes actions to prevent such events, however, it cannot be excluded that negative image, legal or financial consequences may occur for the Group.

The risk of development through acquisitions

The Group's strategy assumes analysing potential investment targets and acquiring companies which provide services similar or complementary to those offered by the Group which could supplement the Group's offer addressed to Internet users or the Group's clients should an appropriate opportunity present itself.

The execution of such a strategy involves certain risks, mainly relating to the identification of appropriate targets, the correct evaluation of their legal and financial position (including the results of operations generated), an appropriate valuation of such targets, the conclusion and finalisation of acquisitions on terms satisfactory for the Group, the correct identification of the potential synergies and the level of costs relating to integrating an acquired entity within the Group's structure and the costs of any potential reorganisations. Moreover, depending on the valuation of the acquired entities and other capital investments executed simultaneously, it may be necessary for the Group to obtain a significant amount of external financing or to issue new shares. This, in the case of the exclusion of the pre-emptive rights of the Company's existing shareholders, could result in the dilution of such shareholders' share in the share capital of the Company and their voting rights at the General Meeting. It cannot be guaranteed that such financing will be available on the terms and conditions assumed by the Group or that it will be available at all.

The risk related to the integration of acquired entities

The execution of the Group's acquisition strategy of companies which provide services similar or complementary to those offered by the Group, exposes the Group to potential difficulties in integrating the acquired entities into its structure, in

restructuring their operations by adjusting them to the Group's operations and managing their operations, as well as to the risk of losing some of the clients of the acquired entities. It cannot be precluded that the assumed integration into and restructuring of the operations of acquired entities with the operations of the Group will not be completed, will take longer than anticipated, will require the incurrence of higher than anticipated costs or that the expected synergies will not be realised, will differ from those anticipated or will be achieved later or to a lesser extent than anticipated. There can also be no certainty that, due to factors beyond the Group's control, including activities undertaken by its competitors, decisions of authorities or the strategies of shareholders on the Internet sector, the Group's plans will fail to be realised.

The Group acquires new e-commerce projects that may be at various stages of development and organization. This means that further development of these ventures may require undertaking additional actions, including modification of plans and strategies whose implementation and effects require appropriate time. In addition, there is no guarantee that every acquisition carried out by the Group will meet its expectations, which raises the risk of impairment of investment assets, including the possibility of a total write-down of the investment value.

The risk related to court, administrative or other proceedings

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

The risk associated with too low attractiveness of content made available on WP Television

WP Television may not be able to select and acquire programming content that will be attractive to its target audience. Achieving the assumed audience share and market share depends to a large extent on the possibility of selecting, producing or acquiring programming content that will meet with a positive perception of the audience and ensure the audience which will attract potential advertisers at the assumed advertising rates. WP Television may not be able to reach the intended audience, among others in the event that expectations of viewers' preferences turn out to be incorrect or less accurate than those of competitors. The costs of purchasing content that is attractive to viewers of WP TV may increase as a result of increased competition, and increases in expenses may have a significant adverse effect on the day-to-day operations, financial standing, operating results and cash flow of WP Television.

Regulatory risks

The risk of a breach of the law

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

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

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

The risk related to interpretation of regulations and changes in Polish law

The Group's business in Poland is subject to numerous regulations which are materially impacted by EU regulations. A significant number of prevailing laws and regulations applicable to the Group's business has been and may in the future be subject to change, including those resulting from the implementation of relevant EU regulations. In view of any ambiguity

or inaccuracy as well as the mutual cross referencing of the scope of their application, such regulations could also be subject to various interpretations, court judgements and may be applied inconsistently.

Any change in law, specifically, changes to laws having a direct impact on the operation of the market of new technologies; advertising or e-marketing services as well as possible changes in the labour law may have a material adverse effect on the business conducted by the Group. The volatility of the legal system and regulatory environment increases the risk of incurring material, additional and unexpected expenses as well as the costs of the adjustment of business to the changing legal environment.

- **Risk of the broadcasting license being revoked**

We have obtained a terrestrial and satellite broadcasting license. The license has been issued for a fixed term and will expire in 2026. The Broadcasting Law regulates the procedures and requirements for the renewal of expired licenses but is unclear whether license holders will be automatically reissued following the expiry of such licenses. Consequently, we cannot assure you that our broadcasting license will be reissued to us when its term expires. Additionally, the license may be revoked if we are in material breach of the Broadcasting Law or the terms and conditions of our license. Any revocation of the licence may negatively affect our business, financial situation, results of operations and cash flows.

- **Risk of breaching the Broadcasting Law**

The WP television broadcasting is subject to the Broadcasting Law among other laws and regulations which governs the content of television programs and the content and timing of advertising aired on our channels. There can be no assurance that more restrictive laws, rules and regulations will not be adopted in the future, including further changes in order to comply with European Union requirements. Changes to laws, rules, regulations and policies could make compliance more difficult and may force us to incur additional capital expenditures or implement changes that may adversely affect our business, financial condition, results of operations and cash flows.

- **The risk related to changes in tax law**

Polish tax law regulations are complex, unclear and subject to frequent changes. The tax law practice of the tax authorities is not homogenous and there are rather significant discrepancies between the judicial decisions issued by administrative courts in tax law matters. No assurance may be given by the Company that the tax authorities will not issue a different interpretation of the tax laws applied by the Group which will be unfavourable to the Group Companies. One may not exclude the risk that specific tax interpretations already obtained and applied by the Group will not be changed or questioned. There is also a risk that once new regulations are introduced, the Group Companies will need to take actions to adjust thereto, which may result in the incurrence of greater costs as a result of the circumstances related to complying with the new regulations. In view of the above, no assurance may be given that the tax authorities will not question the accuracy of the tax settlements of the entities that comprise the Group to the extent of any tax liabilities not subject to the statute of limitations or the determination of the outstanding tax liabilities of such entities, which could adversely impact the Group's business, financial condition, development prospects or results.

- **Risk of breaching the personal data protection rules**

Starting from 25 May 2018, the EU Regulation no. 2016/679 of the European Parliament and the Council dated 27 April 2017 on the protection of individuals with regard to the processing and free movement of personal data) is applied directly in the national legislation and at the same time the Directive 95/46 / WE (general data protection regulation, RODO) shell be repealed. In connection with the RODO, supplementary national provisions were issued.

Due to the fact that the provisions of the RODO have been applied for short, no generally accepted interpretation of these regulations has not been established and the jurisprudence available is limited, it is currently impossible to clearly predict all the aspects in which new regulations may impact the future activities of the companies processing of personal data, including market segments in which personal data is used, such as, for example, targeted ads or e-mails.

The Group continue to take appropriate measures to comply with the new regulations, however - due to the reasons set out above - the risk of negative impact of the new regulations on the Group's operations cannot be completely ruled out.

- **Risk involved in executing agreements with related parties**

The Group Companies conduct transactions with certain Group entities, including with related parties within the meaning of the tax regulations. Whenever they enter into and execute related-party transactions, the Group's Companies exercise every effort to ensure that, specifically, such transactions comply with all prevailing transfer price regulations. Nevertheless, in view of the special nature of related-party transactions, the complex and unclear nature of the laws

regulating the methods of auditing applied prices, and the difficulty in identifying comparable transactions for reference purposes, no assurance may be given that specific Group Companies will not be subject to inspections and other investigations by the tax and fiscal control authorities. If the methods of determining the market conditions for the purposes of the above-mentioned transactions are questioned, it may have a material adverse effect on the Group's business, financial condition, growth prospects and results.

The risk related to possible inspections of UOKiK, UKE and KRRiTV

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

The risk related to the principle of internet neutrality

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

9. SHARES AND SHAREHOLDERS

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

As of 31 December 2019 and as of the date of preparing this report the composition of the Management Board was as follows

Management Board WP Holding S.A.

- Jacek Świderski, CEO
- Michał Brański, VP Strategy
- Elżbieta Bujniewicz-Belka, CFO
- Krzysztof Sierota, CTO

As of 31 December 2019 the composition of Supervisory Board was as follows :

Supervisory Board WP Holding S.A.

- **Jarosław Mikos**
  Chairman of the Board
  /Member of Audit Committee
- **Beata Barwińska-Piotrowska**
  Member of the Board
- **Krzysztof Krawczyk**
  Member of the Board
  /Chairman of Audit Committee
- **Mariusz Jarzębowski**
  Member of the Board
  /Member of Audit Committee
- **Piotr Walter**
  Member of the Board
- **Aleksander Wilewski**
  Member of the Board

There were no changes in the composition of either the Management or the Supervisory Board in 2019.

Structure of share capital

As of 31 December 2019 the share capital of the Company consisted of 29,011,826 shares with a par value of PLN 0.05 each, entitling 40,301,535 votes at the General Meeting, including:

- 11,289,709 A series registered preference shares; preference of 11,289,709 A series shares relates to voting rights at the General Meeting in such way that one share gives two votes;
- 1,100,000 A series ordinary bearer shares;
- 12,221,811 B series ordinary bearer shares;
- 301,518 C series ordinary bearer shares;
- 642,220 D series ordinary bearer shares;
- 3,339,744 E series ordinary bearer shares;
- 116,824 F series ordinary bearer shares.

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

Dividend policy

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

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

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

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

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

On 14 May 2019, the Parent's General Meeting adopted a resolution regarding dividend payment up to PLN 1.00 per share, in a total amount not exceeding PLN 29,061 thousand by allocating for this purpose:

- net profit disclosed in the separate financial statements for the financial year 2018 in the amount of PLN 408 thousand;
- PLN 28,653 thousand from the Company's previous years' profits.

The dividend record date was set for 7 June 2019, and the dividend payment day for 17 June 2019. The final value of the dividend paid was PLN 28,995 thousand.

Shareholders with at least 5% of the total voting rights

In accordance with notifications received by the Company Wirtualna Polska Holding SA and to the best of its knowledge, as of 31 December 2019 the structure of shareholders who hold, directly or indirectly by their subsidiaries, at least 5% of the total voting rights at the General Shareholders' Meetings of the Company is as follows:

Shareholder	Number of shares	% of share capital	Number of votes	% of votes
Jacek Świderski through subsidiaries including among others:	3 777 164	13,02%	7 540 401	18,71%
Orfe S.A.	3 763 237	12,97%	7 526 474	18,68%
Michał Brański through subsidiaries including among others:	3 777 164	13,02%	7 540 400	18,71%
10X S.A.	3 763 236	12,97%	7 526 472	18,68%
Krzysztof Sierota through subsidiaries including among others:	3 777 164	13,02%	7 540 400	18,71%
Albemuth Inwestycje S.A.	3 763 236	12,97%	7 526 472	18,68%
Founders together*	**11 331 492**	**39,06%**	**22 621 201**	**56,13%**
AVIVA OFE	2 190 044	7,55%	2 190 044	5,43%
Other	15 490 290	53,39%	15 490 290	38,44%
Total	**29 011 826**	**100,00%**	**40 301 535**	**100,00%**

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

Changes in the share capital after the balance sheet date

On 31 January 2020 KDPW registered and WSE admitted to trading 4,102 series D ordinary bearer shares and 6,385 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 1,451,115.65 and is divided into 29,022,313 shares with a nominal value of PLN 0.05, entitling to 40,312,022 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	13,01%	7 540 401	18,71%
Orfe S.A.	3 763 237	12,97%	7 526 474	18,68%
Michał Brański through subsidiaries including among others:	3 777 164	13,01%	7 540 400	18,71%
10X S.A.	3 763 236	12,97%	7 526 472	18,68%
Krzysztof Sierota through subsidiaries including among others:	3 777 164	13,01%	7 540 400	18,71%
Albemuth Inwestycje S.A.	3 763 236	12,97%	7 526 472	18,68%
Founders together*	**11 331 492**	**39,04%**	**22 621 201**	**56,12%**
Aviva OFE	2 190 044	7,55%	2 190 044	5,43%
Other	15 500 777	53,41%	15 500 777	38,45%
Total	**29 022 313**	**100,00%**	**40 312 022**	**100,00%**

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

Number of shares held by members of the management and supervisory bodies

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

- Jacek Świderski is indirectly entitled to exercise voting rights attached to 3,763,237 series A registered shares in the Company, held by Orfe S.A., having preferential rights as to voting, so that one share entitles two votes at the general meeting and 13,927 ordinary bearer shares held by Bridge20 Enterprises Limited, which constitute a

13.02% interest in the Company's share capital, representing 7,540,401 votes at the general shareholders meeting of the Company and constituting 18.71% of the overall number of votes;

- Krzysztof Sierota is indirectly entitled to exercise voting rights attached to 3,763,236 series A registered shares in the Company, held by Albemuth Inwestycje S.A., having preferential rights as to voting, so that one share entitles two votes at the general meeting and 13,928 ordinary bearer shares held by Highcastle Sp. z o.o., which constitute a 13.02% interest in the Company's share capital, representing 7,540,000 votes at the general shareholders meeting of the Company and constituting 18.71% of the overall number of votes; and
- Michał Brański is indirectly entitled to exercise voting rights attached to 3,763,236 series A registered shares in the Company, held by 10X S.A., having preferential rights as to voting, so that one share entitles two votes at the general meeting and 13,928 ordinary bearer shares held by Now2 Sp. z o.o., which constitute a 13.02% interest in the Company's share capital, representing 7,540,000 votes at the general shareholders meeting of the Company and constituting 18.71% of the overall number of votes.
- In addition, under the first phase of the implementation of the incentive plan, Elżbieta Bujniewicz-Belka (Member of the Management Board) acquired 18,664 (nominal value of PLN 933) ordinary bearer shares of the new C series issued based on the resolution approving the issue of C series shares. In the next phases of the implementation of the incentive plan Elżbieta Bujniewicz-Belka acquired 93,318 D series ordinary bearer shares issued based on the resolution approving the issue of D series shares. Elżbieta Bujniewicz-Belka owns additional 564 shares purchased in September 2017.

Elżbieta Bujniewicz-Belka is entitled to acquire for a maximum of 120,000 series F ordinary bearer shares issued under the second managerial option program on the basis of the resolution on the issue of series F shares, where the subscription may take place in tranches of 40,000 shares, if the conditions set out in the agreement are fulfilled management options concluded with the Company.

Additional information on the structure and changes in equity and voting rights are described in note 29 to the consolidated financial statements.

Information on agreements concerning changes in the shareholding structure

Incentive scheme – share-based payments and its control system

First incentive scheme

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

Detailed information on the first incentive scheme is described in note 30 to the consolidated financial statements of the Group for the period of twelve months ending 31 December 2019.

Second incentive scheme

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

Detailed information on the second incentive scheme is described in note 30 to the consolidated financial statements of the Group for the period of twelve months ending 31 December 2019.

Purchase of own shares

As of 31 December 2019, neither Wirtualna Polska Holding nor any other any other company belonging to the Group does not hold any own shares.

Analysts

Below we present a list of analysts who prepare reports and make recommendations for the Capital Group:

Konrad Księżopolski, Haitong Bank, SA, http://www.haitongib.com/en

Marcin Nowak, IPOPEMA Securities SA, http://ipopemasecurities.pl/

Piotr Raciborski, Wood&Company, http://www.wood.com/

Paweł Szpigiel, Dom Maklerski mBanku SA, http://www.mdm.pl/

Małgorzata Żelazko, PKO BP SA, http://www.pkobp.pl/

Emil Popławski, Erste Securities Polska SA, https://www.erstegroup.com/en/home

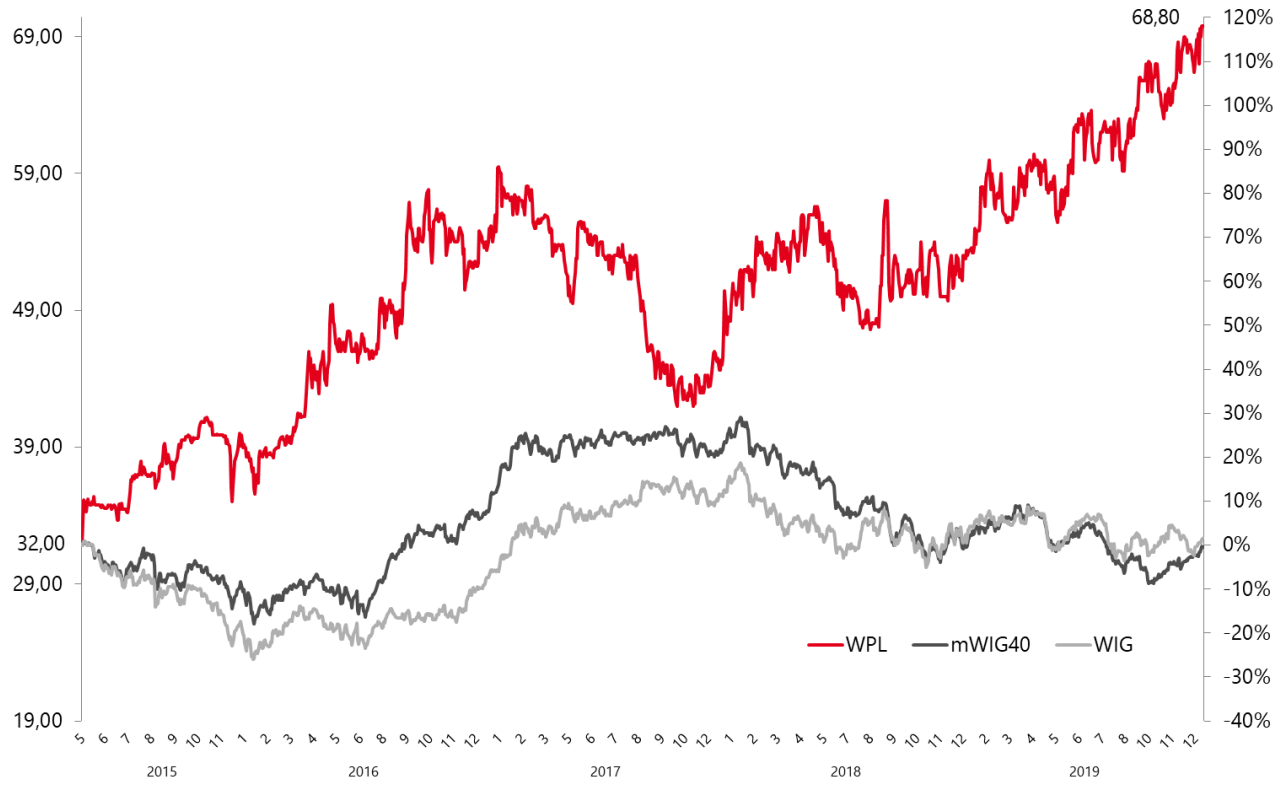
Adrian Górniak, Dom Maklerski BDM SA, https://www.bdm.pl/

Listing of shares

The shares of Wirtualna Polska Holding SA have been listed on the Stock Exchange in Warsaw since 7 May 2015.

The shares of Wirtualna Polska Holding SA are part of the following indexes: WIG, WIG-Poland, InvestorMS, WIG-MEDIA mWIG40.

The chart shows the development of the share price of the Wirtualna Polska Holding SA from the day of its IPO to 31 December 2019 against the WIG20, mWIG40 and WIG indexes.



10. ADDITIONAL INFORMATION

Remuneration of key management and supervisory personnel

Remuneration of the Members of the Management Board

The remuneration of the Management Board is paid only by Wirtualna Polska Holding SA The table below presents the remuneration payable or paid to the Members of the Management Board in 2019.

Twelve months ending 31 December 2019 (PLN'000)	Salaries	Incentive scheme - share-based payments
Jacek Świderski	2 912	-
Krzysztof Sierota	1 144	-
Michał Brański	1 205	-
Elżbieta Bujniewicz - Belka	1 259	636
Total	**6 520**	**-**

Remuneration of the Members of the Supervisory Board

The table below presents the remuneration payable or paid to the Supervisory Board members in 2019.

Twelve months ending 31 December 2019 (PLN'000)	Salaries	Incentive scheme - share-based payments
Krzysztof Krawczyk	212	-
Jarosław Mikos	40	
Beata Barwińska-Piotrowska	40	-
Aleksander Wilewski	40	-
Piotr Walter	40	-
Mariusz Jarzębowski	40	-
Total	**412**	**-**

Information on liabilities arising from pensions and similar benefits for former management and supervisory personnel

The Group had no payments and has no liabilities regarding pension and similar benefits for former management and supervisory personnel.

Events after the balance sheet date

Detailed information of post- balance sheet events is provided in note 44 to the consolidated financial statements for the period of 12 months ending 31 December 2019.

Management comments on the feasibility of previously published forecasts for the year

The Group did not publish any forecasts of results for the year 2019.

Products provided by the Wirtualna Polska Holding Capital Group

The Group's products are divided into two categories – sales of Online advertising and sales of Television advertising.

The table below presents the Group's sales according to these types:

(PLN'000)	For the year ended 31 December 2019		
	Online Advertising	Online Advertising	Total
Sales of services settled in cash	665 150	20 321	685 471
Sales of services settled in barter	23 229	-	23 229
Total	**688 379**	**20 321**	**708 700**

(PLN'000)	For the year ended 31 December 2018		
	Online Advertising	TV Advertising	Total
Sales of services settled in cash	526 254	16 500	542 754
Sales of services settled in barter	24 583	-	24 583
Total	**550 816**	**16 500**	**567 317**

Online advertising

The group operates on the Polish online advertising market and offers its clients a wide range of advertising products – modern ad displays, including online videos, mailing, mobile device advertising and efficiency-based model advertising (i.e. based on transfer to another web page, filling in forms, registration, purchase of products and services) – lead generation performance marketing. Due to the popularity of these services, the Group is able to reach a wide range of users with its advertising.

TV advertising

Via the television, the Group gains revenue from advertising, electoral, political and social spots, sponsorship and contribution to the funding's of the programs distributed on the TV program.

Year to year changes in revenue level are described in paragraph 3 of this report.

In 2019 Wirtualna Polska Holding SA did not generate any revenues from operating activities.

Sales markets and sources of supply

About 79% of the Group's revenue comes from the domestic market. Foreign sales occur mainly in the countries of the European Union.

PLN'000	Twelve months ending 31 December 2019	Twelve months ending 31 December 2018
Domestic sales	562 683	448 532
Export sales	146 017	118 784
European Union	131 244	101 809
Outside European Union	14 773	16 975
Total	**708 700**	**567 316**

The Group manages a well-diversified portfolio of customers and suppliers. In both 2019 and 2018 there was one customer whose turnover exceeded 10% of the Group's consolidated revenue and amounted to 12% (in 2019) and 11% (in 2018). This customer is in a stable financial situation and there were no payment delays during the long-term cooperation. Therefore, the Management Board sees no risk of excessive concentration of income.

In 2019 Wirtualna Polska Holding SA did not generate any revenues from operating activities.

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

If the Group is a defendant in a litigation case, a provision is booked for the case based on its actual status and the cost estimation prepared by the Legal Department. The provisions were recorded in the amount of the claims and court fees, whose ad-judgment is probable in the Group's opinion. Currently, there are no pending court proceedings, arbitration or proceedings before the administrative authority in respect of liabilities or receivables of Wirtualna Polska Holding SA and its subsidiaries in the total amount of at least 10% of the Wirtualna Polska Holding SA 's equity.

During 2019 the provision for court proceedings increased by PLN 883 thousand.

Information on transactions with related entities

All transactions with related entities are concluded on an arm's length basis. Detailed information on transactions with related entities are presented in note 41 of the consolidated financial statements for the 12 months ending 31 December 2019 and in note 19 of the standalone financial statement for the 12 months ending 31 December 2019.

Information on financial instruments

Information regarding financial instruments related to:

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

are described in note 40 of the consolidated financial statements for the 12 months ending 31 December 2019 as well as in note 17 of the standalone financial statements of Wirtualna Polska Holding SA for the 12 months endind 31 December 2019.

Information on guarantees and warranties granted in respect of loans, borrowings and loans granted.

Guarantees granted to third-party entities

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

Inter-company guarantees

As of December 31, Extradom.pl Sp. z o.o., TotalMoney.pl Sp. z o.o., Domodi Sp. z o.o., Wakacje.pl SA and Nocowanie.pl Sp. z o.o. are parties to the loan agreement concluded between Wirtualna Polska Media SA and Wirtualna Polska Holding SA with mBank, PKO BP and ING Bank Śląski.

As a result of the loan agreement concluded on 25 February 2020, described in Note 34 of the consolidated financial statements, the guarantors of the loan agreement concluded between Wirtualna Polska Media SA and Wirtualna Polska Holding SA with mBank, PKO BP, ING Bank Śląski, Pekao SA and BNP Paribas are z o. o. Domodi sp. z o. o. TotalMoney.pl sp. z o. o., Wakacje.pl SA. The total amount of the guarantee corresponds to the current balance of the debt of Wirtualna Polska Media SA and Wirtualna Polska Holding SA under this loan agreement.

Loans granted

As of 31 December 2019 Wirtualna Polska Holding SA and Grupa Wirtualna Polska SA have granted loans to other Group members in order to finance their acquisitions and current operations. The Parent Company does not have any loans granted by related companies.

Details regarding loans granted and received by Wirtualna Polska Holding SA are described in note 10 of the standalone financial statements of the company for the year ended 31 December 2019.

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

Loans granted by financial institutions

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

The detailed description of the bank loan received and changes during the year are further described in note 34.

Loans granted by non-controlling shareholder

On October 11, 2017, the non-controlling shareholder granted Nocowanie.pl Sp. z o.o. loans in the amount of PLN 2,162 thousand earmarked for the purchase of shares in eHoliday.pl Sp. z o.o. The loan bears interest at the WIBOR rate for 3-month deposits plus the margin specified in the contract. During 2019, Nocowanie.pl paid off its entire debt to the non-controlling shareholder.

Inter-company loans

As of 31 December 2019 Wirtualna Polska Holding SA and Wirtualna Polska Media SA have granted loans to other Group members in order to finance their acquisitions and current operations. The Parent Company does not have any loans granted by other Group's entities.

Evaluation of the financial resources management

The Capital Group has implemented centralised financial management through a central model of finance and the Group's liquidity management policy. The development policy of companies and limits of risk exposure are set at the highest level of the Group. Measures implemented enabled the effective management of financial resources.

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

The acquisition activity in 2019 and in 2018 was mainly financed with the own resources and partially with the loan granted by mBank S.A., PKO BSP SA and ING Bank Śląski SA.

In 2019, the Wirtualna Polska Holding Capital Group had the full ability to repay its liabilities as due.

Assessment of the possibilities to carry out investment plans

The financing of strategic investments is managed centrally within the Company. The Management Board believes that the Group is able to finance the current and future investment plans with own funds generated from operating activities and with external financing.

Changes in the basic principles of management of the company and the capital group

In April 2018, the management strategy of the Capital Group has changed. In order to enable the management team of the parent company to focus its activities on the implementation of holding objectives and evenly support all companies belonging to the Group in their operational goals, it was decided that members of the Management Board of Wirtualna Polska Holding SA will be appointed to the Supervisory Boards of all significant subsidiaries.

In 2019, there were no significant changes in the basic principles of Company and Capital Group management.

Agreements with the Management which determine compensation in case of resignation or termination of employment without a significant reason or when termination occurs because of a merger of the company

Members of the Company's Management Board perform functions in the Management Board on the basis of appointment agreements. The remuneration of Management Board Members is determined by the resolutions of the Company's Supervisory Board.

In the case of dismissal of a Member of the Management Board by the Company or resignation of a Member of the Management Board from performing the function at the initiative of the Company, a Member of the Management Board shall be entitled to severance pay, unless the sole reason justifying the dismissal or resignation from the function of a Member of the Company's Management Board is:

- severe breach of basic duties by a member of the Management Board;
- inability of a Member of the Management Board to perform the function of a member of the Company's Management Board due to illness lasting longer than the total period of receiving remuneration and allowance in this respect and receiving a rehabilitation benefit for the first three months.

Each member of the Management Board is bound by a non-competition clause for the entire period of performing the function of a member of the Company's Management Board and for a period of twelve months after the date of termination of this function. Due to discharging their obligations under the non-competition clause within 12 months after the date of termination of the function of a Member of the Management Board, each of them has the right to compensation in the amount constituting the amount specified in the resolution of the Supervisory Board. In the case of a breach by a Member of the Management Board of the provisions of the agreement regarding non-competition, the Member of the Management Board will lose the right to compensation and will be obliged to return the compensation already received to the Company.

Research and development

Due to the profile of the activities conducted, the Group has not adopted any research and development strategy and does not finance any research activities.

Information about entity authorised to perform an audit of the financial statements

Detailed information about the entity authorised to perform the audit of the financial statements and information about its remuneration are presented in note 45 of these consolidated financial statements for the period of 12 months ending 31 December 2019. As for the audit of standalone financial statements, the information on the entity authorised to perform the audit and its remuneration is presented in note 21 of the standalone financial statement for the year ending 31 December 2019.

Other information which in Group's opinion is material to the assessment of the human resources, assets and financial position, its result and changes and information which is material to the assessment of the Group's ability to discharge its liabilities

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

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

Management's representation on Corporate Governance

for the year ended 31 December 2019

CORPORATE GOVERNANCE STATEMENT REGARDING THE YEAR ENDING 31 DECEMBER 2019

This corporate governance statement of Wirtualna Polska Holding SA ("Company") regarding the year 2019 was prepared on the basis of art. 91 section 5 point 4 of the Regulation of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and on conditions under which such information may be recognised as being equivalent to information required by the regulations of law of a state which is not a member state (Journal of laws of 2014, item 133) and the resolution of the Management Board of the Warsaw Stock Exchange no. 1309/2015 of 17 December 2015.

1. CORPORATE GOVERNANCE PRINCIPLES REGULATING THE OPERATIONS OF THE COMPANY

In 2019 the Company was subject to the set of principles of the corporate governance for joint-stock companies issuing shares, convertible bonds, or senior bonds that are admitted to trade on the stock exchange. The principles of corporate governance in the form of the Best Practices of WSE Listed Companies ("Best Practices") were set out by the Warsaw Stock Exchange ("WSE") as an appendix to the resolution No. 26/1413/2015 of the Supervisory Board of WSE of 13 October 2015. The contents of the document, adopted by the WSE, is publicly available at the seat of the Warsaw Stock Exchange (WSE) and on the website of WSE dedicated to those issues available at http://corp-gov.gpw.pl.

INFORMATION ON THE APPLICATION OF THE CORPORATE GOVERNANCE PRINCIPLES

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

- **Best Practice I.Z.1.20 – to the extent that it applies to the obligation for the company to present on its website the recordings of the general meetings of the company either in audio or video**. The General Meetings of the Company are organised in a transparent and efficient way allowing shareholders to exercise all the rights attached to the shares on the basis of the comprehensive documentation of resolutions and motions of the General Meetings. The Company publishes all documents related to the General Meetings on its website including the announcement of the convening of such meetings, dates and terms of its course and resolutions adopted by each General Meeting. Thus the Company does not provide a direct broadcast of the General Meetings and does not publish the recordings of the meetings, also given certain legal problems arising thereout.
- **Best Practice II.Z.2. – to the extent where company's management board members may sit on the management board or supervisory board of companies other than members of its group subject to the approval of the supervisory board.** The Company's Management Board Members are not required to obtain approval from the Supervisory Board to sit on the management board or supervisory board of companies other than members of its group. Those people have concluded agreements with the Company containing non-competition clauses requiring them to spend a sufficient amount of time to pursue their duties.
- **Recommendation IV.R.2 – to the extent of the obligation to ensure participation in a general meeting by using means of electronic communication.** In accordance with the Articles of Association, the Company will ensure participation in the General Meeting by means of electronic communication if the announcement of the convocation of the General Meeting contains information about the shareholders having the option to participate in the General Meeting by means of electronic communication. Besides the aforementioned circumstances, the Company sees no justification for introducing such measures and such a demand has never been expressed by the shareholders of the Company.
- **Best Practice IV.Z.2. –to the extent that it applies to the obligation of the company to enable a live broadcast of the general meeting,** the Company is confident that the form of the General Meetings of the Company appropriately secures the interests of all shareholders by ensuring them the possibility of exercising all the rights attached to the shares. The announcement of the General Meeting always contains

information about the drafts of the resolutions and all necessary documentation while the adopted resolutions are published on the Company's website.

- **Recommendation VI.R.1– to the extent that it applies to the company's remuneration policy and the rules of the establishment thereof.** The Company does not have a remuneration policy or terms for the establishment thereof with respect to the members of the Supervisory or the Management Board. In connection with the amendment to the Act of July 29, 2005 on public offerings and conditions governing the introduction of financial instruments to organized trading, and on public companies, by June 30, 2020 the Company is required to adopt a remuneration policy for members of the Management Board and the Supervisory Board. Remuneration of the Members of the Management Board is related to the scope of duties and the responsibilities with which they are entrusted as well as the financial standing of the Company. The remuneration of the Members of the Management Board is set out by the Supervisory Board. Remuneration of the members of the Supervisory Board is set out by the General Meeting of the Company. All remunerations of the members of Management and Supervisory Board are disclosed in the yearly financial statement of the Company.
- **Best Practice VI.Z.2. – to the extent where, to tie the remuneration of members of the management board and key managers to the company's long-term business and financial goals, the period between the allocation of options or other instruments linked to the company's shares under the incentive scheme and their exercisability should be no less than two years.** The Company has introduce a management motivational scheme and according to its rules and concluded share option agreements, the period between the allocation of options and their exercisability is less than two years. However, the scheme and the agreements stipulate that the allocation of options occurs in certain periods of time (vesting) quarterly during 5-6 years provided that the entitled person continues working for the Company and thus the remuneration of members of the management board and key managers is tied to the company's long-term business and financial goals.

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

The Management Board of the Company is responsible for the internal control system in the Company and its effectiveness in the process of preparing financial statements and interim reports prepared and published in accordance with the Regulation of the Minister of Finance of 29 March 2018 regarding current and periodic information submitted by issuers of securities.

- The internal control and risk management system in relation to the financial reporting process is realised through;
- procedures specifying the principles and responsibility for the process of preparing financial statements;
- verification of reporting data provided by the Capital Group's companies in relation to the consistency of applied accounting principles and IFRS;
- semi-annual review and annual audit of the financial statements by an independent auditor;
- the process of authorisation and approval of the financial statements before the publication.

An Audit Committee, appointed within the Parent Company's Supervisory Board, supervises the financial reporting process in the Group. The Audit Committee consists of three members, including at least two members (including the Committee Chairman) meets the conditions of independence, at least one member has the knowledge and skills in accounting or auditing financial and at least one member has the knowledge and skills in the industry in which the Company operates. Thus the composition of the Audit Committee meets the requirements of the Act on statutory auditors, auditing companies and public supervision ("Act on Chartered Auditors")..

The tasks of the audit committee are specified in legal regulations as well as internal regulations of the Company and include in particular:

- monitoring:
    - financial reporting process;
    - effectiveness of internal control systems and risk management systems and internal audit, including financial reporting;

- performing financial auditing activities, in particular conducting an audit by the audit firm, including all applications and findings of the Audit Oversight Commission resulting from audits carried out in the audit firm.

- controlling and monitoring the independence of the statutory auditor and the audit firm, in particular when the auditing firm provides services other than audit for the benefit of the public interest entity;
- informing the supervisory board or other supervisory body or control unit of public interest about the results of the audit and explaining how this research contributed to the reliability of financial reporting in the public interest unit, and what was the role of the audit committee in the audit process;
- assessing the independence of the auditor and consenting to the provision of permitted non-audit services to the public interest entity;
- developing a policy for selecting an audit firm to conduct the audit;
- developing the policy of providing by the auditing company conducting the audit, by entities related to this auditing company and by a member of the auditing company's network of permitted non-audit services;
- determining the procedure for selecting an audit firm by a public interest entity;
- presenting to the supervisory board or other supervisory or control body, or to the authority referred to in art. 66 par. 4 of the Act of 29 September 1994 on accounting, recommendation referred to in art. 16 sec. 2 of Regulation No. 537/2014, in accordance with the policies referred to in points 5 and 6;
- submitting recommendations aimed at ensuring the reliability of the financial reporting process in the public interest entity.

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

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

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

ENTITY AUTHORISED TO REVIEW THE FINANCIAL STATEMENTS OF THE COMPANY

PricewaterhouseCoopers sp. z o.o., with its registered seat in Warsaw (00-683 Warsaw, Polna 11 Street) ("PWC") is an entity authorised to review the financial statements of the Company for the year 2019. Moreover, PWC carried out in 2019 an interim review of financial report and consolidated financial report of the Company for the 6 months ending 30 June 2019.

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

On March 25, 2019, acting in accordance with applicable regulations and professional standards, after reviewing the recommendation of the Audit Committee of the Company's Supervisory Board, , the Company's Supervisory Board adopted a resolution No. 2/03/2019 based on which PricewaterhouseCoopers Polska spółka z o.o. Audit Spółka komandytowa with its registered office in Warsaw (00-683 Warsaw, Polna 11 (being the legal successor of PricewaterhouseCoopers limited liability company) was selected as an auditor authorized to audit and review the Company's stand-alone and consolidated financial statements for the years 2019 - 2020.

In 2019, PWC provided to the Group's Companies allowed non-audit services. Therefore, the Company assessed the independence of this auditing company and the Audit Committee agreed to provide these services.

3. SHARE CAPITAL AND SHAREHOLDERS

STRUCTURE OF THE SHARE CAPITAL

As of 31 December 2019, the share capital of the Company consisted of 29,011,826 shares with a par value of PLN 0.05 each, entitling 40,301,535 votes at the General Meeting, including:

- 11,289,709 A series registered preference shares; preference of 11,289,709 A series shares relates to voting rights at the General Meeting in such way that one share gives two votes;
- 1,100,000 A series ordinary bearer shares;
- 12,221,811 B series ordinary bearer shares;
- 301,518 C series ordinary bearer shares;
- 642,220 D series ordinary bearer shares;
- 3,339,744 E series ordinary bearer shares;
- 116,824 F series ordinary bearer shares.

A (excluding 11,289,709 registered shares with preferential voting rights), B, C, D, E i F series shares are admitted to trading on the regulated market.

On March 1, 2019 the Company's share capital was increased from the amount of 1,447,778.40 PLN to 1,448,721.50 PLN, i.e. by amount of 943.10 PLN. The share capital increase took place in relation to admission to the deposit of the securities and of the National Depository of Securities ("KDPW") of 18,862 ordinary bearer shares of the Company with a nominal value of PLN 0.05 each, and their introduction to trading on the primary market by WSE, as a part of employee stock ownership plan.

On May 24, 2019 the Company's share capital was increased from the amount of 1,448,721.50.00 PLN to 1,449,770.70 PLN, i.e. by amount of 1,049.20 PLN. The share capital increase took place in relation to admission to the deposit of the securities and of the National Depository of Securities ("KDPW") of 20.984 ordinary bearer shares of the Company with a nominal value of PLN 0.05 each, and their introduction to trading on the primary market by WSE as a part of employee stock ownership plan.

On August 30, 2019 the Company's share capital was increased from the amount of 1,449,770.70 PLN to 1,450,591.30 PLN , i.e. by amount of 820.60 PLN. The share capital increase took place in relation to admission to the deposit of the securities and of the National Depository of Securities ("KDPW") of 16.412 ordinary bearer shares of the Company with a nominal value of PLN 0.05 each, and their introduction to trading on the primary market by WSE as a part of employee stock ownership plan.

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

- **First stock option plan**

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

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

Second stock option plan

Moreover, the Group has introduced a second stock option plan and for the purpose of such a scheme an additional conditional increase in the share capital was made through an issue of no more than 593.511 ordinary series F shares and series C warrants. On 15 February 2016, the Supervisory Board of the Company has adopted a resolution on the rules regarding the new option plan granting key managers an opportunity to acquire options for shares in the Company. The total number of shares in the plan amounts to 593.511 and will not exceed 5% of the share capital of the Company.

SHAREHOLDERS WITH AT LEAST 5% OF THE TOTAL VOTING RIGHTS

In accordance with notifications received by the Company and to the best of its knowledge, as of 31 December 2019, the structure of shareholders who hold, directly or indirectly by their subsidiaries, at least 5% of the total voting rights at the General Shareholders' Meetings of the Company are as follows:

Shareholder	Number of shares	% of share capital	Number of votes	% of votes
Jacek Świderski through subsidiaries:	3 777 164	13,02%	7 540 401	18,71%
Orfe S.A.	3 763 237	12,97%	7 526 474	18,68%
Michał Brański through subsidiaries:	3 777 164	13,02%	7 540 400	18,71%
10X S.A.	3 763 236	12,97%	7 526 472	18,68%
Krzysztof Sierota through subsidiaries:	3 777 164	13,02%	7 540 400	18,71%
Albemuth Inwestycje S.A.	3 763 236	12,97%	7 526 472	18,68%
Founders together*	**11 331 492**	**39,06%**	**22 621 201**	**56,13%**
AVIVA OFE	2 190 044	7,55%	2 190 044	5,43%
Others	15 490 290	53,39%	15 490 290	38,44%
Total	**29 011 826**	**100,00%**	**40 301 535**	**100,00%**

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

And as of the date of publication of this report the structure of shareholders who hold, directly or indirectly by their subsidiaries, at least 5% of the total voting rights at the General Shareholders' Meetings of the Company are as follows:

Shareholder	Number of shares	% of share capital	Number of votes	% of votes
Jacek Świderski through subsidiaries:	3 777 164	13,01%	7 540 401	18,71%
Orfe S.A.	3 763 237	12,97%	7 526 474	18,68%
Michał Brański through subsidiaries:	3 777 164	13,01%	7 540 400	18,71%
10X S.A.	3 763 236	12,97%	7 526 472	18,68%
Krzysztof Sierota through subsidiaries:	3 777 164	13,01%	7 540 400	18,71%
Albemuth Inwestycje S.A.	3 763 236	12,97%	7 526 472	18,68%
Founders together	**11 331 492**	**39,04%**	**22 621 201**	**56,12%**
AVIVA OFE	2 190 044	7,55%	2 190 044	5,43%
Others	15 500 777	53,41%	15 500 777	38,45%
Total	**29 022 313**	**100,00%**	**40 312 022**	**100,00%**

OWNERS OF SECURITIES PROVIDING SPECIAL CONTROL RIGHTS

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

Series A shares to the amount of 11.289.709 (in words: eleven million two hundreds eighty nine thousands seven hundred and nine) are preferred in such a way that each series A share entitles its holder to exercise two voting rights. The other shares are registered shares.

Preferred shares are owned by:

- Jacek Świderski is indirectly (via Orfe S.A.) entitled to exercise voting rights attached to 3,763,237 series A registered shares in the Company having preferential rights as to voting, so that one share entitles two votes at the general meeting;
- Krzysztof Sierota is indirectly (via Albemuth Inwestycje S.A.) entitled to exercise voting rights attached to 3,763,236 series A registered shares in the Company having preferential rights as to voting, so that one share entitles two votes at the general meeting; and
- Michał Brański is indirectly (via 10X S.A.) entitled to exercise voting rights attached to 3,763,236 series A registered shares in the Company having preferential rights as to voting, so that one share entitles two votes at the general meeting.

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

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

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

LIMITATION CONCERNING THE SHARES

The Company's Articles of Association provides that granting the right to vote to a pledgee or a user of shares requires the consent of the General Meeting.

All registered shares held by Orfe S.A., Albemuth Inwestycje SA and 10X SA were covered by an agreement on the establishment of a registered pledge and financial pledges on shares of December 12, 2017 between the aforementioned companies as pledgee and mBank SA with its registered office in Warsaw as the Pledgee and Administrator of the Pledge and Powszechna Kasa Oszczędności Bank Polski SA with its registered office in Warsaw as the Pledgee (Pledge Agreement).

After the occurrence of the Case of Infringement as defined in the Pledge Agreements and delivery of the Notification on the Exercise of the Voice Right (as defined in the Pledge Agreement), mBank SA is authorized to exercise the voting right from pledged shares on the terms specified in the Pledge Agreements.

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

The General Meeting of the Company shall act on the basis of the provisions of the Polish Commercial Companies Code, of the Articles of Association and on the basis of the By-laws of the General Meeting of Company, adopted by the resolution no. 10 of the Extraordinary General Meeting of the Company on 23 June 2015.General Meetings may be held at the registered office of the Company in Warsaw.

The powers of the General Meeting, apart from the matters reserved under the Commercial Companies Code, include:

- appointment and dismissal of the President of the Management Board;
- appointment and dismissal of the members of the Supervisory Board;
- determination of the number of members of the Supervisory Board;
- approval of the by-laws of the Supervisory Board;
- determination of the remuneration of the members of the Supervisory Board;
- grant of consent for the Company to execute a facility agreement, a loan or surety or any similar agreement with a member of the Management Board, the Supervisory Board, registered proxy (prokurent), liquidator or in favour of any of those people.

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

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

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

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

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

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

The General Meeting may also be attended by the following people with the right to speak: experts invited by the entity convening the General Meeting, as well as candidates for members of the Management Board, candidates for members of the Supervisory Board and the notary taking the minutes of the General Meeting. The Chairperson of the General Meeting shall be selected among the people entitled to attend the General Meeting, whose candidacies have been submitted by the people entitled to attend the General Meeting and who agree to be a candidate. The election of the Chairperson of the General Meeting shall be made by secret ballot by casting consecutive votes on each of the candidates. The Chairperson is the person who receives the largest number of votes.

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

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

After signing the attendance list the Chairperson of the General Meeting shall put the agenda to vote

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

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

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

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

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

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

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

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

AMENDMENTS OF THE ARTICLES OF ASSOCIATION

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

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

MANAGEMENT BOARD OF THE COMPANY

GENERAL INFORMATION

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

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

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

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

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

MANAGEMENT BOARD MEMBERS

The Management Board consists of four members. The mandates of the members of the Management Board expire no later than on the date of the General Meeting which approves the financial statements for the last full financial year of holding their positions as members of the Management Board, i.e. for the year 2018.

As of 31 December 2019 the composition of the Management Board was as follows:

Jacek Świderski	- President of the Management Board
Krzysztof Sierota	- Member of the Management Board
Michał Brański	- Member of the Management Board
Elżbieta Bujniewicz - Belka	- Member of the Management Board responsible for finance

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

Jacek Świderski - President of the Management Board, CEO

Jacek Świderski commenced his professional career by conducting business activity as a sole trader from 1997 to 1998 while still studying at university. In 1999, together with Michał Brański and Krzysztof Sierota, he established an Internet portal under the name go2.pl (later o2.pl), and in 2000, he incorporated MediaOne sp. z o.o. (later, o2.pl sp. z o.o.), and, subsequently, Grupa o2 sp. z o.o., which, in 2011, was transformed into a joint stock company, Grupa o2 SA (currently, Wirtualna Polska Holding SA). Since the creation of the portal, Jacek Świderski has developed the business of the Company and its Subsidiaries on the Polish Internet market as, currently the President of the Management Board of the Company and of the following Subsidiaries: Wirtualna Polska Media SA. In 2009, he was appointed as a member of the management board of Bridge20 Enterprises Limited and continues to perform such a function today.. Additionally, Jacek Świderski is a member of the supervisory boards of the subsidiaries Jacek Świderski graduated the Warsaw School of Economics in 2002 with a magister degree in management.

Michał Brański - Member of the Management Board/ VP Strategy

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

In 1999, Michał Brański, together with Jacek Świderski and Krzysztof Sierota, established an Internet portal under the name go2.pl (later o2.pl), and in 2000, he incorporated MediaOne sp. z o.o. (later, o2.pl sp. z o.o., and, subsequently, Grupa o2 sp. z o.o., which, in 2011, was transformed into a joint stock company, Grupa o2 SA (currently, Wirtualna Polska Holding SA). Since the creation of the portal, he has developed the business of the Company and its Subsidiaries on the Polish Internet market as, currently a member of the Management Board of the Company and member of the supervisory boards of the subsidiaries. Since 2009, Michał Brański has been a member of the management board of Borgosia Investments Limited, and since 2014, the president of the management board of 10x SA, Now2 Sp. z o.o. (from 2015).

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

Krzysztof Sierota - Member of the Management Board/ CTO

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

In 1999, Krzysztof Sierota, together with Jacek Świderski and Michał Brański, established an Internet portal under the name go2.pl (later o2.pl), and in 2000, he incorporated MediaOne sp. z o.o. (later, o2.pl sp. z o.o., and subsequently, Grupa o2 sp. z o.o., which, in 2011, was transformed into a joint stock company, Grupa o2 SA (currently, Wirtualna Polska Holding SA)). Since the creation of the portal, Krzysztof Sierota has developed the business of the Company and its Subsidiaries on the Polish Internet market as, currently a member of the Management Board of the Company and member of the supervisory boards of the subsidiaries. Since 2009, Krzysztof Sierota has also been a member of the management board of Jadhave Holdings Limited, and since 2010, a member of the management board of Bwave.pl sp. z o.o. and since 2014, the president of the management board of Albemuth Inwestycje SA, Highcastle Sp. z o.o. (from 2015).

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

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

From February 11, 2014 Member of the Management Board, CFO

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

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

POWERS OF THE MANAGEMENT BOARD

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

In particular, the powers of the Management Board include:

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

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

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

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

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

COMPOSITION AND ELECTION OF THE MANAGEMENT BOARD

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

Management Board is determined by the Supervisory Board in accordance with a motion of the President of the Management Board.

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

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

SUPERVISORY BOARD

GENERAL INFORMATION

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

The Supervisory Board operates in accordance with provisions of the Polish Commercial Code, Articles of Association of the Company and By-laws of the Supervisory Board adopted in resolution of the General Meeting of the Company on the 25 August 2018.

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

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

Members of the Supervisory Board may participate in the adoption of the resolutions of the Supervisory Board by casting their vote in writing through the intermediation of another member of the Supervisory Board. Votes in writing may not be cast with respect to any matters introduced to the agenda during a meeting of the Supervisory Board.
The Supervisory Board may adopt the resolutions in writing or by means of remote communication. The adoption of resolutions in accordance with the above-mentioned procedure (casting a vote in writing through the intermediation of another member of the Supervisory Board, in writing or using means of direct remote communication) does not apply to the election of the Chairman or the Deputy Chairman of the Supervisory Board, the appointment of a member of the Management Board or dismissing or suspending such people from their duties.

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

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

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

MEMBERS OF THE SUPERVISORY BOARD

Currently the Supervisory Board consists of six members.

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

As of 31 December 2019 the composition of the Supervisory Board was as follows:

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

In2019, there were no changes to the composition of the Supervisory Board.

Jarosław Mikos - Chairman of Supervisory Board

Since 1 April 2015 Chairman of the Supervisory Board.

Jarosław Mikos commenced his professional career in 1991 at Dziennik Nowa Europa, where he worked until 1992 as a journalist. From 1993 – 1994 he was a journalist at Tygodnik Cash as the head of the business editorial office. In 1995, Jarosław Mikos commenced his cooperation with Delloite&Touche Tohmatsu Ltd. as senior consultant, and from 1996 to 1997 he worked as senior consultant for Coopers&Lybrand. From 1997 to 1999 he was a manager at the Department of Advising in Privatisation Processes and M&A at the London office of PriceWaterhouseCoopers, and from 1999 to 2000, the senior manager at the Warsaw office of PriceWaterhouseCoopers at the Department of Counselling in M&A Processes. From 2001 to 2005 he was the CFO, and since 2002 he has been the President of the Management Board at Energis Polska sp. z o.o. Subsequently, from 2006 to 2008 and from 2009 to 2010 he was the President of the Management Board of Stolarka Wołomin SA Additionally, from 2007 to 2011 he was the President of the Management Board of Stolarka SA, Seegerdach sp. z o.o. and Remix sp. z o.o., while from 2011 to 2013 he was a member of the Supervisory Board of Mediatel SA, Info TV FM sp. z o.o. and Info TV Operator sp. z o.o. In the meantime, he also acted as the President of the Management Board of Magna Polonia SA Since 2014, Jarosław Mikos has been related to the Group, in which he is Chairman of the Supervisory Board of the Wirtualna Polska Holding S.A.. Since December 2017 he has been a President of the Management Board of Polskie e-Płatności S.A..

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

Krzysztof Krawczyk - Vice – chairman of the Supervisory Board

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

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

Krzysztof Krawczyk has an over 20-year successful track record in European private equity and has served on the boards of numerous private and publicly-listed companies in telecom, media, manufacturing, logistics and healthcare sectors throughout the CEE region. Prior to joining CVC, Krzysztof Krawczyk was Managing Partner at Innova Capital, a leading mid-market private equity firm in Central Europe. Krzysztof Krawczyk also worked at Pioneer Investment, a Poland-based private equity fund, and Daiwa Institute of Research, an advisory arm of Japanese investment bank Daiwa.

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

Krzysztof Krawczyk holds a degree (with Honours) in Finance & Banking from the Warsaw School of Economics. He is also an alumnus of Executive Program at Harvard Business School.

Krzysztof has been awarded a PE Person of the Year for 2014 and 2017 by members of Polish Private Equity Association.

Beata Barwińska-Piotrowska – Member of the Supervisory Board

Since February 10, 2014 Member of the Supervisory Board.

Beata Barwińska-Piotrowska commenced her professional career in 1997 at the law office of Kancelaria Żebrowski i Wspólnicy, where she worked until 1998. From 1998 to 2001 she was an attorney at the law office of Kancelaria Adwokacka

Wardyńscy i Wspólnicy, and from 2001 to 2004 at the law office of Linklaters. Subsequently, until 2005, Beata Barwińska-Piotrowska ran her own law firm, Indywidualna Kancelaria Adwokacka Beaty Barwińskiej. In 2005, she commenced cooperation as a senior attorney with the law firm of Weil, Gotshal & Manges. Since 2010 she was an Of Counsel at the Warsaw office of the law firm of CMS Cameron McKenna. Since November 2017 r. she has been a Partner at Jedwabny & Brzozowska law firm. Moreover she is a Managing Partner in Brzozowska & Barwińska law firm.

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

Mariusz Jarzębowski – Member of the Supervisory Board

Since 23 June 2015 Member of the Supervisory Board

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

Piotr Walter – Member of the Supervisory Board

Piotr Walter graduated from the Columbia College in Chicago and the International Institute for Management Development (PED) in Lausanne. He studied journalism at the Warsaw University and directing at the Lodz Film School. He started his professional career as a producer of television commercials in ITI Film Studio. And in TVN S.A., as program promotion director and TVN SA management board member.

Then, as director general and president of the management board of TVN S.A., he developed the nationwide TV channel and a portfolio of 13 thematic channels, creating the strongest television brand in Poland. As the vice-president of the TVN Group management board, he implemented the Group's Internet and Over-The-Top (TVN Player) strategy. In 2013-2015, he discharged the function of vice-president of the ITI Group, Supervisory Board Member and Chairman of the Strategy and Content Committee of TVN SA Recently he is involved as a co-producer engaged in the production of feature films and co-owner of CIA Content Impact Agency operating in the field of production and distribution of video content and services related to the development of content marketing strategies.

Aleksander Wilewski – Member of the Supervisory Board

Aleksander Wilewski is a Swedish/Polish entrepreneur who has launched a wide range of pioneering companies, including Explorica, Clickad, Guldbrev, Streetcom and Total Fitness. Aleksander Wilewski has broad and significant experience across a diverse range of businesses, driving them to be operationally efficient and financially successful. At the forefront of digital marketing, he founded Clickad, later sold it to the private equity firm 3TS, and then served on the board of directors. During his time as Head of Marketing and Operations for Explorica in the US and prior to serving on its board, his strategic and operational initiatives generated a business turnover of $80 million. Most recently, Aleksander Wilewski co-founded Guldbrev in Sweden, a fast growing e-commerce company. Aleksander Wilewski studied in Stockholm School of Economics with a major in accounting and finance. He is fluent in Swedish, Polish and English. Currently, Aleksander Wilewski is a board member for Guldbrev, Total Fitness and Egain Systems.

MEMBERS OF THE SUPERVISORY BOARD WHO SATISFY THE INDEPENDENCE CRITERIA

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

Supervisory Board is any actual and important relationship with a shareholder who is entitled to exercise at least 5% of all of the votes at the General Meeting.

If the Management Board receives a written statement from a member of the Supervisory Board who has met the independence criteria so far stating that he has ceased to meet these criteria or obtains such information from another source, the Management Board will, within 2 weeks of receiving such a statement or taking such a message, convene the General Meeting in order to appointment of a member of the Supervisory Board who meets the above criteria.

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

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

- Mr Krzysztof Krawczyk– Member of the Supervisory Board
- Mr Mariusz Jarzębowski – Member of the Supervisory Board,
- Mr Piotr Walter – Member of the Supervisory Board,
- Mr Aleksander Wilewski – Member of the Supervisory Board

POWERS OF THE SUPERVISORY BOARD

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

- the selection or change of the entity authorised to audit financial statements of the Company and conduct audits of the Company;
- the appointment and dismissal of members of the Management Board in accordance with the request of the President of the Management Board;
- the determination of the number of members of the Management Board in accordance with the request of the President of the Management Board;
- the adoption of the by-laws of the Supervisory Board and the by-laws of the Management Board;
- the granting of consent to the Company to conclude any material transaction with a Related Party, excluding any standard transactions concluded on an arm's length basis within the scope of any operational dealings of the Company with a Related Party in which the Company holds a majority shareholding;
- reviewing and opining on any and all matters that are to be the subject of resolutions of the General Meeting; 6) opining on long-term development plans of the Company and the annual financial plans of the Company;
- the granting of consent to:
  - (a) conclusion by the Company or any of its subsidiaries of an agreement resulting in consolidated financial debt in excess of 3.5 times EBITDA, with the proviso that the value of such an agreement exceeds PLN 50,000,000 (fifty million);
  - (b) both with respect to the Company and its subsidiary, the execution of contracts of employment, mandate agreements, service agreements (or any other agreements of a similar nature) where the amount of annual remuneration exceeds PLN 1,200,000 (one million, two hundred thousand) (including the maximum payable bonus under any such agreements);
- determining the remuneration of the President of the Management Board and other members of the Company's Management Board;

STRUCTURE AND METHOD OF ELECTION OF THE SUPERVISORY BOARD

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

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

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

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

In the case of the expiry of a mandate of an independent member of the audit committee as referred to in §22, the member of the Supervisory Board appointed by way of co-option should satisfy the independence criteria referred to in Article 86 section 5 of the Auditors' Act and should have qualifications in accounting and auditing.

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

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

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

THE SUPERVISORY BOARD'S COMMITTEES

The Supervisory Board may appoint permanent committees or ad hoc committees acting as collective advisory bodies to the Supervisory Board.

A Committee shall be established by the Supervisory Board from among its members by means of a resolution.

A committee shall consist of 3 to 5 members.

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

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

THE AUDIT COMMITTEE

In accordance with § 22 of the Articles of Association, the Supervisory Board appointed an Audit Committee consisting of at least three members, including at least two members (including the Chairman of the Committee) who meet the independence criteria, at least one member who has knowledge and skills of accounting or auditing financial statements and at least one member who has knowledge and skills of the Companies' branch of business, therefore the composition of the Audit Committee meets the criteria stated in the provisions of the Auditors Act.

The tasks of the Audit Committee are specified in the relevant provisions of law and internal regulations of the Company and include, in particular: 1) monitoring: a) the financial reporting process, b) effectiveness of the internal control system, as well as risk management and internal audit systems, also with regard to financial reporting, c) performance of financial auditing activities, in particular auditing by the audit firm, taking into consideration any applications and determinations of the Audit Oversight Commission resulting from the control carried out in the audit firm; 2) control and monitoring of independence of the statutory auditor and the audit firm, especially, if the audit firm provides to the public interest entity services other than auditing; 3) informing the supervisory board or other supervisory body of the public interest entity about audit results and explanation of how this audit contributed to reliability of financial reporting in the public interest entity, as well as what was the role of the audit committee in the audit process; 4) assessment of independence of the statutory auditor and expressing consent to for his/her provision of acceptable services other than audits in the public interest entities; 5) preparation of the policy of selecting the audit firm to conduct the audit; 6) preparation of the policy of providing acceptable services other than auditing by the audit firm conducting the audit, its affiliates and by a member of the audit firm's network; 7) determination of procedures of selecting the audit firm by the public interest entity; 8) presentation of the recommendations referred to in Article 16, passage 2 of the Regulation No 537/2014 to the supervisory board or to any other supervisory body, or the body referred to in Article 66, passage 4 of the Act of 29 September 1994 on Accounting, in accordance with the policies referred to in item 5 and 6; 9) submission of recommendations aimed at ensuring reliability of the financial reporting process in the public interest entities.

The Supervisory Board may also appoint other committees, in particular the nomination and remuneration committee. Specific tasks and manners of appointing and functioning of the committees are stated in the Supervisory Board By-laws.

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

The Audit Committee is chaired by a Chairman.

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

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

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

As at December 31, 2019, the following members of the Supervisory Board were members of the Audit Committee:

- Krzysztof Krawczyk - Chairman of the Audit Committee, Member of the Supervisory Board meeting the independence criteria
- Jarosław Mikos - Member of the Audit Committee
- Mariusz Jarzębowski - Member of the Audit Committee, Member of the Supervisory Board meeting the independence criteria

Mr. Krzysztof Krawczyk is a member of the Audit Committee with knowledge and skills in accounting. Mr Krzysztof Krawczyk graduated with honours from the Warsaw School of Economics with a master's degree in Finance and Banking. In addition, Mr. Krawczyk also completed the Managerial Program at Harvard Business School in Boston.

All members of the Audit Committee have knowledge and skills in the Company's branch of business in view of their many years of experience in cooperating with entities operating on the media and internet market, including::

- Jarosław Mikos. from 2001 to 2005 was the CFO and from 2002 the president of the management board at Energis Polska sp. o.o. Then, in the years 2006-2008 and 2009-2010 he was the chairman of the board in Stolarka Wołomin SA In addition, in the years 2007-2011 he was the chairman of the board at Stolarka SA, Seegerdach sp. O.o. and Remix sp. o.o., and in the years 2011-2013, he was a member of the supervisory board in Mediatel SA, Info TV FM sp. o.o. and Info TV Operator sp. o.o. In the meantime, he was also the President of the Management Board of Magna Polonia SA. Since 2014, Jarosław Mikos has been associated with the WP Group, where he is the Chairman of the Supervisory Board. From December 2017, he is the president of Polskie e-Płatności SA.
- Krzysztof Krawczyk is a partner and the head of the Warsaw office of CVC Capital Partners, one of the world's private equity and investment advisory firms. Krzysztof Krawczyk has over 20 years of experience in Private Equity on the Central and Eastern European market. He sat on the supervisory boards of many private companies, as well as listed companies, from sectors such as telecommunications, media, retail, production, logistics, infrastructure and medical care.
- Mariusz Jarzębowski worked in the new technologies industry in the United States, Austria and Germany. Before returning to Europe, Mariusz Jarzębowski worked in the Silicon Valley in NeXT and Apple, headed by Steve Jobs. Mariusz Jarzębowski also worked in an investment fund, where he continued work on the development of new ventures and served on their Supervisory and Advisory Boards. At Microsoft, as a specialist in competition strategies and new markets, Mariusz Jarzębowski helped companies create new sources of growth and learn from start-ups.

In 2019 four meetings of the Audit Committee were held.

In 2019, PricewaterhouseCoopers Sp. z o.o to provide to the Group's Companies allowed non-audit services. Therefore, the Company assessed the independence of this auditing company and the Audit Committee agreed to provide these services.

The Audit Committee of the Supervisory Board prepared and adopted:

- *Policy and procedures for selecting an audit firm to audit the statutory financial statements of Wirtualna Polska Holding SA ("Company") and the Wirtualna Polska Holding Capital Group ("Capital Group") adopted by the Resolution of the Audit Committee of the Supervisory Board of Wirtualna Polska Holding SA,*

- *Policy of Wirtualna Polska Holding SA ("Company") and the Wirtualna Polska Holding Capital Group ("Capital Group") in the scope of providing additional services by the auditing firm, an affiliated entity the auditing firm or a member of its network adopted by Resolution of the Supervisory Committee of Wirtualna Polska Holding SA.*

The main assumptions of the Policy for selecting an audit firm to audit the statutory financial statements

- Inquiry for the selection of an audit firm for statutory audit of the Company's financial statements and statutory audit of the consolidated financial statements of the Group is prepared by the Member of the Management Board /Chief Financial Officer by the end of March of the year subject to examination and consulted with the Audit Committee and then sent to selected entities providing services audit. The inquiry contains documentation enabling to learn about the Company's and the Company's Capital Group's operations as well as selection criteria defined in a transparent and non-discriminatory manner.
- The collected offers of audit firms together with the report containing the conclusions of the selection procedure are submitted to the Audit Committee and the Supervisory Board of the Company. The report is approved by the Audit Committee.
- The members of the Audit Committee of the Company analyse the submitted offers of audit firms, set the dates of meetings with representatives of those audit firms that submitted offers and on the basis of these activities make a recommendation to choose an audit firm. Unless it concerns the renewal of a audit order, the recommendation includes justification and at least two possibilities of an audit firm, with the Audit Committee expressing preference for one of them. The Audit Committee states in the recommendation that it is free from the influence of a third party and no clause limiting the selection of an audit firm has been imposed on it.
- Members of Audit Committee when selecting an audit firm operating in an international network should be guided by its impartiality, independence, the highest quality of auditing work, knowledge of the business branch in which the Company and it subsidiaries operate.
- The selection of an audit firm takes place pursuant to a resolution of the Company's Supervisory Board, after considering the recommendations of the Audit Committee.
- The contract with the entity providing auditing services may be concluded for a minimum period of 2 years. The inquiry is not prepared in the case when the Company has a valid contract for the provision of audit services in a given year.
- Maximum periods of cooperation with the entity authorized to conduct the audit and mandatory rotation of the key certified auditor:
    - the maximum period of uninterrupted duration of statutory audits referred to in art. 17 sec. the second paragraph of Article 1 (2) of Regulation No 537/2014, carried out by the same audit firm or an audit firm related to that audit firm or any member of the network operating in the European Union countries to which these audit firms belong, may not exceed five years;
    - a key certified auditor may not conduct a statutory audit in the same public interest entity for a period longer than 5 years;
    - a key certified auditor may re-conduct the statutory audit in the entity referred to in par. 2, after at least 3 years from the end of the last statutory audit.

The main assumptions of the policy in the scope of providing additional services by the auditing firm, an affiliated entity the auditing firm or a member of its network

- A statutory auditor or an audit firm that performs statutory audits of the Company or an entity related to the auditing firm or any member of the network to which the statutory auditor or audit firm belongs does not directly or indirectly provide to the Company or related entities any prohibited services that are not auditing financial statements or activities financial audit.
- Prohibited services are not services indicated in art. 136 sec. 2 of the Act of May 11, 2017 on statutory auditors, audit firms and public supervision.
- The provision of the services referred to in point 2 is possible only to the extent not related to the Company's tax policy, after the Audit Committee has performed an assessment of risk and safeguards for independence and consent by the Audit Committee.
- In the event that the competent authorities have permitted, by way of derogation, the audit firm to provide some of the services prohibited under Article 5 par. 3 of Regulation (EU) No 537/2014 of the European Parliament and of the Council of April 16, 2014. on detailed requirements regarding statutory audits of financial statements of public-interest entities repealing Commission Decision 2005/909 / EC, the Audit Committee shall issue guidelines on these services.
- A statutory auditor or an audit firm that conducts statutory audits of Companies and - if the statutory auditor or audit firm is part of the network - each member of such network may provide services to the Company or its subsidiaries services that are not audit of financial statements other than prohibited services that are not audit of financial statements, however, each such services should be verified by the Audit Committee in terms of risk assessment and safeguards of independence.

- The remuneration for allowed services that are not audit is subject to the restrictions set out in the Act on Certified Auditors and in the Regulation.

On March 25, 2019, the Audit Committee adopted a resolution regarding: recommendation for the selection of PricewaterhouseCoopers Polska limited liability company Audyt sp.k. (formerly PricewaterhouseCoopers sp. z o. o.) as a chartered auditor authorized to audit and review the stand-alone and consolidated financial statements of the Company for the years 2019 - 2020. The said recommendation met the conditions set out in applicable provisions and in the Company's Policy and procedures for selecting an audit firm to audit the statutory financial statements.

6. DESCRIPTION OF THE DIVERSITY POLICY APPLIED TO ADMINISTRATION, MANAGEMENT AND SUPERVISION

The Group exercises a policy whereby the Company employs competent and creative individuals with the relevant professional experience and education; sex and age is of no importance as regards employing any specific person in the Company. In accordance with the Articles of Association, the President of the Management Board is be appointed by the General Meeting; the other members of the Management Board are appointed by the Supervisory Board at the request of the President of the Management Board and to the extent provided therein, while the Supervisory Board is appointed by the General Meeting. Under the Articles of Association it is possible to add a new member to the Supervisory Board by means of co-option by the other members of the Supervisory Board if the number of the mandates of certain members of the Supervisory Board appointed by the General Meeting falls below the minimum number of members of the Supervisory Board as provided for in the Articles of Association. Consequently, the composition of the Management Board will depend on the General Meeting (with respect to the President of the Management Board) and the President of the Management Board and the Supervisory Board (with respect to the other members of the Management Board), while the composition of the Supervisory Board will principally depend on the Company's shareholders who will act by voting at the General Meeting.

Management Board representation regarding the Financial Statements and the Management Report for the year ending 31 December 2019 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 2019

The Management Board of Wirtualna Polska Holding SA confirms that, to the best of their knowledge, the annual consolidated 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's Capital Group 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 and its Capital Group, 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 consolidated 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 2019

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

The Supervisory Board confirms that:

- On March 25, 2019 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 2019-2020,
- 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 2019

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

- Management's Report on the activities of Wirtualna Polska Holding for the period of 3 and 12 months ending 31 December 2019,
- Consolidated financial statements of Wirtualna Polska Holding SA for the year ended 31 December 2019, including:
    a. Consolidated income statement and other comprehensive income, showing for the year ended 31 December 2019 net profit in the amount of PLN 71,132 thousand,
    b. Consolidated statement of the financial position, showing total assets as of 31 December 2019 in the amount of PLN 1,145,069 thousand,
    c. Consolidated statement of changes in equity showing increase in equity in the amount of PLN 45,367 thousand and total value of equity in the amount of PLN 513,127 thousand as of 31 December 2019,
    d. Consolidated cash flow statement showing increase in cash and cash equivalents in the amount of PLN 7,266 thousand and total value of cash and cash equivalents of PLN 73,929 thousand as of 31 December 2019,
    e. Notes to the consolidated financial statements.

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

Management's Report on activities of Wirtualna Polska Holding SA for the period of 3 and 12 months ending 31 December 2019 and consolidated financial statements of Wirtualna Polska Holding SA for the year ended 31 December 2019 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.

Consolidated financial statements of WP Capital Group

for the year ended 31 December 2019

CONSOLIDATED STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME

PLN'000	Note	Twelve months ending 31 December 2019	Twelve months ending 31 December 2018
Sales	8	**708 700**	**567 316**
Cost of goods sold		(32 050)	(4 220)
Amortization and depreciation		(79 282)	(55 622)
Amortization and depreciation of acquired programming rights		(5 156)	(3 489)
Materials and energy used		(6 341)	(6 192)
Costs related to acquisitions of subsidiares and restructuring, including:	9,10	**(6 463)**	(8 189)
External services	9,10	(4 243)	(5 551)
Salary and employee benefit expense	9,10	(789)	(373)
Other operating expenses and income	9,10	(1 431)	(2 265)
Costs of the employee option scheme	30	(2 376)	(1 357)
Other external services		(233 845)	(206 030)
Other salary and employee benefit expenses		(199 569)	(164 920)
Other operating expenses	13	(15 413)	(11 426)
Other operating income/gains	12	1 740	1 400
Operating profit		**129 945**	**107 271**
Finance income	14	2 827	2 359
Finance costs	15	(19 677)	(17 963)
Revaluation of commitments to purchase non-controlling interests and other liabilities on business combinations		(12 221)	1 771
Dividends received		56	
Share in profits of investments accounted for using the equity method		(2 077)	-
Profit before tax		**98 853**	**93 438**
Income tax	17	(27 721)	(17 441)
Net profit		**71 132**	**75 997**
Other comprehensive income/(losses) re-classifiable to profit and loss, including:	31	**92**	**601**
The effective part of gains and losses on the cash flow hedges		165	611
Other comprehensive income/(losses) non re-classifiable to profit and loss		(73)	(10)
Comprehensive income		**71 224**	**76 598**
Net profit attributable to:			
Equity holders of the Parent Company		68 998	73 921
Non-controlling interests		2 134	2 076
Comprehensive income attributable to:			
Equity holders of the Parent Company		69 090	74 522
Non-controlling interests		2 134	2 076
Net profit attributable to equity holders of the Parent Company per share (in PLN)			
Basic	18	2,38	2,56
Diluted	18	2,37	2,54

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

PLN'000	Note	As of 31 December 2019	As of 31 December 2018
Non-current assets			
Property, plant and equipment	19, 20	106 477	58 252
Goodwill	21,22	364 254	352 090
Trademarks	21,22	172 104	178 544
Homepage and WP mail	21	114 477	120 961
Other intangible assets	21	115 607	107 159
Non-current programming assets	26	5 805	5 385
Investments accounted for using the equity method	27	2 923	-
Long-term receivables		208	501
Other financial assets	26	26 727	16 612
Deferred tax assets	33	555	15 162
		909 137	**854 666**
Current assets			
Current programming assets	25	1 270	3 369
Trade and other receivables	28	160 733	138 748
Cash and cash equivalents	40	73 929	66 663
		235 932	**208 780**
TOTAL ASSETS		**1 145 069**	**1 063 446**
Equity			
Equity attributable to equity holders of the Parent Company			
Share capital	29	1 451	1 449
Supplementary capital		321 969	320 895
Revaluation reserve	31	147	55
Other reserves		(1 144)	(3 774)
Retained earnings		178 458	138 455
		500 881	**457 080**
Non-controlling interests	32	***12 246***	***10 680***
		513 127	**467 760**
Long-term liabilities			
Bank loans and other loans	34	311 208	335 098
Leasing liabilities due to the right of use the assets	34	46 845	2 122
Other long-term liabilities	36	44 376	49 626
Deferred tax liabilities	33	23 676	17 719
		426 105	**404 565**
Short-term liabilities			
Bank loans and other loans	34	35 547	30 607
Leasing liabilities due to the right of use the assets	34	14 709	1 332
Trade and other payables	36	148 188	151 415
Provisions of employee benefits	35	4 356	3 828
Other provisions	35	1 105	1 988
Current income tax liabilities		1 931	1 951
		205 837	**191 121**
TOTAL EQUITY AND LIABILITIES		**1 145 069**	**1 063 446**

Holding SA

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

PLN'000	Note	Equity attributable to equity holders of the Parent Company						Non-controlling interests	Equity
		Share capital	Supplementary capital	Revaluation reserve	Other reserves	Retained earnings	Total		
Equity as of 1 January 2019		**1 449**	**320 895**	**55**	**(3 774)**	**138 455**	**457 080**	**10 680**	**467 760**
Net profit/ (loss)		-	-	-	-	68 998	68 998	2 134	71 132
Other comprehensive income	31	-	-	92	-	-	92	-	92
Total comprehensive income		**-**	**-**	**92**	**-**	**68 998**	**69 090**	**2 134**	**71 224**
Option scheme	29,30	2	1 074	-	2 630	-	3 706	-	3 706
Adjustment to purchase price allocation	24	-	-	-	-	-	-	(568)	(568)
Dividend paid	29	-	-	-	-	(28 995)	(28 995)		(28 995)
Equity as of 31 December 2019		**1 451**	**321 969**	**147**	**(1 144)**	**178 458**	**500 881**	**12 246**	**513 127**

PLN'000	Note	Equity attributable to equity holders of the Parent Company						Non-controlling interests	Equity
		Share capital	Supplementary capital	Revaluation reserve	Other reserves	Retained earnings	Total		
Equity as of 1 January 2018		**1 443**	**318 759**	**(546)**	**(36 984)**	**117 777**	**400 449**	**19 479**	**419 928**
Change of accounting policy		**-**	**-**	**-**	**-**	**(5 901)**	**(5 901)**	**-**	**(5 901)**
Equity adjusted		**1 443**	**318 759**	**(546)**	**(36 984)**	**111 876**	**394 548**	**19 479**	**414 027**
Net profit/(loss)		-	-	-	-	73 921	73 921	2 076	75 997
Other comprehensive income		-	-	601	-	-	601	-	601
Total comprehentive income		**-**	**-**	**601**	**-**	**73 921**	**74 522**	**2 076**	**76 598**
Option scheme		6	2 136	-	1 357	-	3 499	-	3 499
Acquisition of non-controlling interest		-	-	-	31 853	(19 594)	12 259	(13 729)	(1 470)
Dividend paid		-	-	-	-	(27 748)	(27 748)	(4 506)	(32 254)
Acquisition of a subsidiary		-	-	-	-	-	-	7 260	7 260
Adjustment to purchase price allocation		-	-	-	-	-	-	100	100
Equity as of 31 December 2018		**1 449**	**320 895**	**55**	**(3 774)**	**138 455**	**457 080**	**10 680**	**467 760**

Holding SA

CONSOLIDATED CASH FLOW STATEMENT

PLN'000	Note	Twelve months ending 31 December 2019	Twelve months ending 31 December 2018
Cash flows from operating activities			
Profit before tax		**98 853**	**93 438**
Adjustments for:		**115 301**	**70 246**
Amortization and depreciation		79 282	55 622
Amortization and depreciation of acquired programming rights		5 156	3 489
Payments for programming rights		(4 702)	(5 929)
Losses on the sale /liquidation/revaluation of property, plant and equipment and intangible assets		1 645	647
Finance costs		19 677	17 963
Share in the profit/loss of investments accounted for using the equity method		2 077	-
Finance income on revaluation of other financial assets and investment liabilities		(2 372)	(1 040)
Revaluation of commitments to purchase non-controlling interests and other liabilities on business combinations		12 221	(1 771)
Costs of the employee option scheme		2 376	1 357
Other adjustments		(59)	(92)
Changes in working capital		**(18 972)**	**2 900**
Change in trade and other receivables	42	(23 192)	(18 527)
Change in trade and other payables	42	4 665	20 814
Change in provisions	42	(445)	613
Income tax paid		(9 235)	(12 623)
Income tax refunded		3 039	1 753
Net cash flows from operating activities		**188 986**	**155 714**
Cash flows from investing activities			
Sale of intangible assets and property, plant and equipment		271	116
Dividends received		56	
Purchase of intangible assets and property, plant and equipment		(58 479)	(42 699)
Repayment of loans granted			
Repayment of liabilities arising from business combinations		(23 140)	(10 825)
Acquisition of subsidiary (less cash acquired)	22, 42	(14 874)	(67 061)
Exercising of the option to acquire non-controlling interest			(118 881)
Acquisition of shares in investments accounted for using the equity method		(5 000)	
Acquisition of other financial assets		(7 742)	
Other		(239)	
Net cash flows from investing activities		**(109 147)**	**(239 350)**
Net cash flows from financing activities			
Inflows from share capital increase		1 330	2 142
Bank loans and other loans received		104	153 379
Repayment of finance leases		(9 728)	(651)
Repayment of bank commissions		(2 398)	(2 649)
Interest paid	34	(13 850)	(11 139)
Repayment of loans received	34	(19 014)	(4 838)
Dividends paid to the shareholders of the parent company		(28 995)	(27 748)
Dividends to non-controlling shareholders			(4 506)
Net cash flows from financing activities		**(72 551)**	**103 990**
Total net cash flows		**7 288**	**20 354**
Cash and cash equivalents at the beginning of the period		**66 663**	**46 442**
Impact of exchange differences on cash and cash equivalents		(22)	(133)
Cash and cash equivalents at the end of the period		**73 929**	**66 663**

Notes to consolidated financial statements

1. GENERAL INFORMATION

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

As of 31 December 2019 Wirtualna Polska Holding Capital Group composed of the Parent Company and 16 consolidated subsidiaries.

Wirtualna Polska Holding and the remaining Capital Group's companies were formed for an indefinite period. The Group's core operations comprise sale of advertising services on the Internet and operating Internet portals such as WP.pl, o2.pl, pudelek.pl, money.pl, abcZdrowie.pl, aggregators such as Domodi.pl, wakacje.pl, nocowanie.pl, eholiday.pl, superauto24.com or extradom.pl, as well as providing electronic services (WP e-mail, o2 e-mail).

The Parent Company was registered in Poland and its seat is in Warsaw at Żwirki i Wigury 16.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

BASIS FOR PREPARATION

The consolidated financial statements of the Wirtualna Polska Holding Group have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRS), in order to fulfil the requirements of art. 55 sec.1 of the accounting act dated 29 September 1994 ("Accounting act" – Journals of Laws from 2019, item 351 with later amendments).

These financial statements have been prepared in accordance with IFRS standards which are binding in the European Union in the financial year ending 31 December 2019.

The consolidated financial statements have been prepared on the historical cost basis.

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

NEW AND AMENDED STANDARDS AND INTERPRETATIONS

In these consolidated financial statements, the following standards, which came into force on 1 January 2018, were applied for the first time:

- **IFRS 16 „Leases"**

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

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset and liability arising from the payment obligation. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (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 Group has been applying IFRS 16 since 1 January 2019.

The group classified the contract as a leasing agreement when it gives the lessee the right to control the use of the identified asset. As a result of the analyzes carried out, the Group identified two main categories of leasing agreements:

- real estate: sales rooms, offices, technical areas;
- other: cars and technical devices

As of 1 January 2019, the Group, as the lessee, recognises all identified contracts in accordance with one model, in which the asset is recognized in the statement of financial position in correspondence with the liability under the lease agreements.

Lease liability includes future discounted lease payments for identified contracts. The accounting for these items in the statement of financial position depends on:

- duration of the contracts adopted for particular types of contracts: this period includes the non-cancellable lease period, periods resulting from the lease extension option, if it can be assumed with reasonable assurance that the lessee will use these options and periods resulting from the lease termination option, if it can be with reasonable certainty assume that the lessee will not use these options. While determining the leasing period, legal and custom regulations applicable in the Polish legal environment as well as the specificity of contracts in the Group were also taken into account;
- structure of fixed and variable payments in the contract;
- determination of the marginal interest rate when the interest rate of the lease cannot be easily determined. Discount rates adopted by the Group include the contract currency and are not differentiated by type of asset.

At the commencement date, the Group measures the asset due to the right of use at cost. The cost of the asset due to the right of use includes:

- the amount of the initial measurement of the lease liability as described above
- all leasing payments paid on or before the start date, less any leasing incentives received
- any initial direct costs incurred by the lessee, and
- an estimate of the costs to be borne by the lessee in connection with the dismantling and removal of the underlying asset, renovating the place where it was, or renovating the underlying asset to the condition required by the terms of the lease, unless those costs are incurred in order to produce inventory.

Property, plant and equipment used under finance leases are depreciated over the shorter of the two periods: useful life of the asset or lease term.

The above elements affecting the recognition of lease agreements in accordance with IFRS 16 are based on the subjective assessment of the Management Board taking into account current interpretations of IFRS 16. Subjective assessment and estimates of the Management Board may change as a result of new interpretations of IFRS 16 issued by the International Accounting Standards Board and / or in the case of when the development of the generally accepted practice of applying accounting principles will lead to the development of more transparent interpretations in this respect.

The Group decided to apply two exemptions provided for in the leasing standard and to recognize the following types of contracts:

- contracts whose leasing period is shorter than 12 months;
- contracts for which the underlying asset is worth less than USD 5,000.

As at 1 January 2019, the Group applied the "modified retrospective method" without transforming the comparative data.

The impact of applying IFRS 16 on the statement of financial position as at 1 January 2019 is presented in the next table. As regards the presentation of leasing in the statement of financial position, lease assets will be shown in the same positions in which the relevant assets would be presented if owned by the Group companies, i.e. in property, plant and equipment.

The application of IFRS 16 from 1 January 2019 did not result in recognition of additional leases of property, plant and equipment other than real estate.

PLN'000	As of 1 January 2019	IFRS 16 Adjustment	As of 1 January 2019 RESTATED
Property, plant and equipment	58 252	20 803	79 055
Other fixed assets	796 414	(140)	796 274
Non-current assets	**854 666**	**20 663**	**875 329**
Current assets	**208 780**	**-**	**208 780**
TOTAL ASSETS	**1 063 446**	**20 663**	**1 084 109**
Equity	**467 760**	**-**	**467 760**
Bank loans and other loans	335 098	-	335 098
Leasing liabilities due to the right of use the assets	2 122	15 019	17 141
Other long-term liabilities	67 345	-	67 345
Long-term liabilities	**404 565**	**15 019**	**419 584**
Bank loans and other loans	30 607	-	30 607
Leasing liabilities due to the right of use the assets	1 332	8 545	9 877
Other short-term liabilities	159 182	(2 901)	156 281
Short-term liabilities	**191 121**	**5 644**	**196 765**
TOTAL EQUITY AND LIABILITIES	**1 063 446**	**20 663**	**1 084 109**

As of 1 January 2019, the total value of assets under lease and rental contracts consists of the following assets:

- Assets due to the right of use buildings PLN 20,803 thousand;
- Vehicles (recognized in accordance with IAS 17 as of 31 December 2018) PLN 1,487 thousand;
- IT equipment (recognized according to IAS 17 as of 31 December 2018) PLN 1,978 thousand.

The main differences between off-balance sheet liabilities as of 31 December 2018 and the lease liability recognized as at the date of first application result from:

- exclude from the valuation according to IFRS 16 agreements with a minimum non-cancelable lease period of less than twelve months;
- including in the valuation of the liability as at the date of the first application of the discounted cash flows
- changes in estimated rental periods and cash flow values.

The Group includes the maturity and currency of the contracts and is not diversified by type of assets. The discount rate applied by the Group is 3.22% for contracts settled in national currency and 1.19% for contracts settled in other currencies.

PLN'000	
Future minimum lease payments under operating leases as of 31 December 2018 (in accordance with IAS 17)	17 722
Financial leasing liabilities recognized in accordance with IAS 17 as of 31 December 2018	3 454
Exemption from short-term leasing and low-value assets	(680)
The difference resulting from the estimated lease periods, the value of accepted cash flows and the discount rate	6 522
Finance lease liability for property, plant and equipment and right of use the buildings as of 1 January 2019	27 018

For information purposes, the impact of the application of IFRS 16 on the Group's results for the financial year ended 31 December 2019 is presented below.

PLN'000	Twelve months ending 31 December 2019 (in accordance with to IFRS 16)	IFRS 16 Adjustment	Twelve months ending 31 December 2019 (in accordance with IAS 17)
Sales	**708 700**	**-**	**708 700**
Cost of goods sold	(32 050)	-	(32 050)
Amortization and depreciation	(79 282)	10 302	(68 980)
Amortization and depreciation of acquired programming rights	(5 156)	-	(5 156)
Materials and energy used	(6 341)	-	(6 341)
Costs related to public offering, acquisitions of subsidiaries and restructuring	(6 463)	-	(6 463)
Costs of the employee option scheme	(2 376)	-	(2 376)
Other external services	(233 845)	(8 612)	(242 457)
Other salary and employee benefit expenses	(199 569)	-	(199 569)
Other operating expenses	(15 413)	-	(15 413)
Other operating income/gains	1 740	-	1 740
Operating profit	**129 945**	**1 690**	**131 635**
Finance income	2 827	-	2 827
Finance costs	(19 677)	471	(19 206)
Revaluation of commitments to purchase non-controlling interests and other liabilities on business combinations	(12 221)	-	(12 221)
Dividends received	56	-	56
Share in profits of investments accounted for using the equity method	(2 077)	-	(2 077)
Profit before tax	**98 853**	**2 161**	**101 014**
Income tax	(27 721)	(411)	(28 132)
Net profit	**71 132**	**1 750**	**72 882**

Net earnings per share attributable to the shareholders of the Parent Entity decreased as a result of changes in accounting policy by PLN 0.06. The changes only affected the ONLINE segment results.

IFRIC 23: Uncertainty related to the recognition of income tax

IFRIC 23 clarifies the recognition and measurement requirements in IAS 12 in a situation of uncertainty related to the recognition of income tax. The guidelines are valid for annual periods beginning on 1 January 2019 or after that date. The application of the standard since 1 January 2019 have't affected the amount of tax assets and liabilities recognized by the Group in previous periods.

Annual changes to IFRS 2015 - 2017

In December 2017, the International Accounting Standards Board published "Annual changes to IFRS 2015-2017", which introduce changes to four standards: IFRS 3 "Business combinations", IFRS 11 "Joint arrangements", IAS 12 "Income taxes" and IAS 23 "Costs of external financing". The amendments contain explanations and clarify the guidelines for recognition and valuation standards.

IFRS 3 "Business combinations"

As a result of the amendment to IFRS 3, the definition of "venture" has been modified. The currently introduced definition has been narrowed down and is likely to result in more acquisitions as a purchase of assets. Amendments to IFRS 3 are effective for annual periods beginning on 1 January 2020 or after that date.

IAS 1 "Presentation of financial statements" and IAS 8 "Accounting principles (policy), changes in estimates and correcting errors"

The Council has published a new definition of the term 'materiality'. Amendments to IAS 1 and IAS 8 clarify the definition of materiality and increase consistency between standards, but are not expected to have a significant impact on the

preparation of financial statements. The change is mandatory for annual periods beginning on 1 January 2020 or after that date.

Issued and non-binding changes to standards and interpretations not listed above will not have a significant impact on the Group's consolidated financial statements.

CONSOLIDATION

SUBSIDIARIES

Subsidiaries are all entities over which the Group exercises control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Consolidation is discontinued from the date control ceases.

The Group accounts for business combinations under the purchase method. The consideration made for acquisition of a subsidiary is the fair value of the assets given to and liabilities incurred towards former owners of the acquiree and equity instruments issued by the Group. The consideration made comprises the fair value of assets or liabilities resulting from contingent consideration arrangements. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Potential contingent consideration to be transferred by the Group is carried at fair value at the acquisition date. Subsequent fair value changes of the contingent consideration, which has been classified as a financial asset or liability, are recognised in accordance with IFRS 9 in equity or in profit or loss. Contingent consideration which classifies as equity is not subject to revaluation and its subsequent payment is accounted for in equity. Identifiable assets and liabilities of an acquiree are measured at fair value at the date of acquiring control. The Group carries non-controlling interests either at fair value or at the proportionate share in fair value of identifiable net assets; the choice is made separately for each acquisition.

The surplus of the sum of the consideration made, the value of all non-controlling interests in the acquiree and the fair value of the previously held equity interests in the acquire as of the date of acquisition, over the fair value of the identifiable net assets acquired is recorded as goodwill. If the entire consideration made, identified non-controlling interests and previously held interests is less than the fair value of the net assets of a subsidiary acquired under a bargain purchase, the difference is recognised directly in profit or loss.

Transaction costs are charged to profit or loss when incurred.

Intragroup transactions and settlements and unrealised gains on transactions concluded between group companies are eliminated. Unrealised losses are also eliminated. Where necessary, the amounts reported by the subsidiaries are adjusted so that they comply with the Group's accounting policies.

NON-CONTROLLING INTERESTS AND TRANSACTIONS WITH NON-CONTROLLING SHAREHOLDERS

Non-controlling interests comprise shares in companies covered by consolidation not owned by the Group. The Group measures all non-controlling interests in an acquiree at the proportionate share (corresponding to the non-controlling interest) in net identifiable assets of the acquiree or at fair value. Non-controlling interests identified in net assets of the consolidated subsidiaries are recorded separately from the ownership interest of the Parent Company in these net assets. Non-controlling interests in net assets include:

(i) the value of non-controlling interests at the initial business combination date, calculated in line with IFRS 3; and

(ii) changes in equity attributable to non-controlling interests starting from the date of the business combination.

Gains and losses and each item of other comprehensive income are attributed to the shareholders of the Parent Company and to non-controlling interests. Total comprehensive income is attributed to the Parent Company's shareholders and to non-controlling interests even if as a result non-controlling interests are negative in value.

Transactions with non-controlling shareholders which do not result in loss of control are shown as equity transactions, i.e. as transactions with owners acting under capital ownership rights. The difference between the fair value of the consideration and the purchased or sold share in the carrying value of the subsidiary's net assets is shown in equity.

ASSOCIATES

Associates are entities on which the Group exerts significant influence but which it does not control, which usually accompanies holding 20% to 50% of the general number of votes in the decision-making body of the entity. Investments in associates are carried under the equity accounting method and initially stated at cost. The Group's share of its associate's post-acquisition profit or loss is recognised in profit or loss. Its share in other comprehensive income is recognised in other comprehensive income, and its share of post-acquisition movements in other capital items is recognised in other reserves. The cumulative post-acquisition movements in these capital items are adjusted against the carrying amount of the investment.

The measurement under the equity accounting method is discontinued on classifying an investment as "non-current assets held for sale" in accordance with IFRS 5.

OPERATING SEGMENTS REPORTING

Starting from 2016, after obtaining the final decision of the National Broadcasting Council and launch of work on the television programme in Multiplex 8, the Management Board re-segmented its activities and analyses Group's activity regarding revenue streams and the EBITDA operating result, dividing it into two segments – i.e. Online and TV. The main operating segment continues to be Online – i.e. the Group's activity on the Internet. Despite the fact that the TV segment did not meet the criteria of IFRS 8 for its separate disclosure, due to the significant difference in its nature, the Management Board decided to present the information about this individual segment starting from 2016.

MEASUREMENT OF ITEMS DENOMINATED IN FOREIGN CURRENCIES

FUNCTIONAL AND PRESENTATION CURRENCIES

The items contained in the financial statements are valued in the currency of the basic economic environment in which the Group's companies conduct operations ("the functional currency"). The financial statements are presented in the Polish zloty (PLN), which is the functional currency of the Parent Company and Group's companies and presentation currency of the Group.

TRANSACTIONS AND BALANCES

Transactions denominated in foreign currencies are converted 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 recognised in profit or loss.

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.

Subsequent outlays are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their initial cost less their residual values over their estimated useful lives, as follows:

	Period:
• Buildings, premises and improvements in not-owned fixed assets	1-10 years;
• Servers and other devices	3-10 years;
• Plant and machinery	2-10 years;
• Other property, plant and equipment items	1-10 years;

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

In the case of the right of use an asset recognized under financial leasing agreements, the depreciation period does not exceed the period for which the contract was concluded.

Finance costs subject to capitalisation are also an element of assets under construction.

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

INTANGIBLE ASSETS

GOODWILL

Goodwill arises in connection with acquisition of businesses. Goodwill is reduced by impairment losses recorded after initial recognition in line with the accounting policy.

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 amortised over the estimated useful lives of 2–10 years. The useful life estimates and amortisation method are verified at the end of each financial year.

COMPUTER SOFTWARE

Purchased computer software (licenses) is recorded at the amount corresponding to the costs incurred on purchase of specific software and its preparation for use. These costs are amortised over the estimated useful lives of 2-5 years. The useful life estimates and amortisation method are verified at the end of each financial year.

TRADEMARKS AND CLIENT RELATIONS AND INTERNET DOMAINS

Identifiable intangible assets obtained under an acquisition transaction are carried at fair value determined on acquisition. Except for a situation in which their indefinite useful life is justified, the initial cost is reduced by amortisation charges. Assets with indefinite useful lives are tested annually for impairment; all intangible assets are tested for impairment when there are indications of impairment.

The useful lives for the individual groups of intangible assets are as follows:

	Period:
• Trademarks	2-20 years or indefinite period;
• Client relations	2-13 years;
• Website services and other intangible assets	4-25 years.

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

OWNERSHIP RIGHTS – INTERNALLY GENERATED DEVELOPMENT PROJECTS

The costs of development projects directly related to designing and testing of identifiable and unique computer software and website services controlled by the Group are recorded as intangible assets when they meet the following criteria:

- technical possibility of completing the software so that it is fit for use;
- management has the intention to complete the software and use or sell it;
- the ability to use or sell the software;
- it is possible to show how the software will generate probable future economic benefits;
- the availability of adequate technical, financial and other means to complete the development and to use or sell the software; and
- the ability to reliably measure the expenditure attributable to the software during its development.

Costs which can be directly attributed and are capitalised comprise the costs of employment related to development of software and website services.

Other expenditure on development which does not meet these criteria is recognised as a cost when incurred. The development expenditure previously recorded as a cost is not capitalised in subsequent periods.

The capitalised costs related to development of software and website services are amortised over their estimated useful lives of 2-5 years.

PROGRAMMING ASSETS

Programming assets include acquired licences for the broadcasting of movies, TV series, television programmes and capitalised production costs with an expected emission period longer than one year.

Programming assets are recognised at the purchase price at the moment when the material is delivered to the Company, it has been verified and is available for its first running. Advance payments for acquired programming assets, prior to the licence start date, are recognised as prepayments for programming assets. Contractual costs are allocated to individual programs within a particular contract. Expenditure such as translation costs or technical costs associated with the materials delivered by the licensor are included in the purchase price of a given programming asset. Contracts for the purchase of programming inventory which are concluded and valid, but which do not meet the criteria for their recognition as assets are not recognised in the balance sheet, but disclosed as future contractual commitments at the amount of liabilities resulting from such contracts and outstanding as of the balance sheet date.

Programming inventory is classified as current or non-current, depending on the licence period. Programming rights with a licence period shorter than 1 year from the balance sheet date are classified as current.

Programming assets are amortised using the method reflecting the manner of consuming the economic benefits embodied in the licenses acquired within their estimated useful lives limited by the term of the respective license agreements. Amortisation starts at the first broadcast and is calculated depending on the number of available showings of the program. If the number of showings is unlimited, the programming rights are amortised on a straight-line basis over the licence period. Amortisation cost is recognised in the income statement in the "Amortisation and depreciation of acquired programming rights" line.

Programming assets are null and void upon the disposal or termination of the licence period. Gains or losses on annulation of an intangible assets are determined at the amount of the difference between net proceeds from the sale of the asset, if any, and the carrying amount of the asset. These are shown in the profit or loss of the period under "Other operating income or expenses".

Expenditure on acquisition of programming rights is presented as operating activities in the cash flow statement.

Programming assets are reviewed for impairment at least annually and whenever there is any indication that the carrying amount may not be recoverable. Impairment write downs are recognised in the amount the balance sheet value exceeds the recoverable value. Impairment losses are recognised on each license in case of withdrawal from broadcasting an item in the expected future and expected future losses anticipated upon disposal of the rights. Impairment write-downs on programming assets are recognised as the cost of the period in which the impairment occurred. Impairment of programming assets is reversed if the reason for the original impairment ceases to exist. The reversals are recorded as cost reductions.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Goodwill and assets with an indefinite useful life are not subject to amortisation but are tested annually for impairment, or more frequently if there are indications of impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purpose of impairment testing, goodwill is allocated to cash-generating units which according to expectations will benefit from the synergies of a business combination. Each CGU or CGU group to which goodwill was allocated represents the lowest level in an entity on which goodwill is monitored for internal management purposes. For the purposes of assessing impairment, other assets are also grouped at the lowest level for which there are highly independent cash flow (cash-generating units).

Impairment occurs when the carrying amount of an asset or CGU exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs of sell and value in use. Impairment losses are allocated first to goodwill attributed to the CGU in respect of which impairment had been identified, and then the remaining amount is allocated to other assets based on relative carrying amounts.

Non-financial assets (other than goodwill) which were previously impaired are assessed at each balance sheet date for indications of a possibility of reversing the impairment write-downs recorded.

FINANCIAL ASSETS

The Group has financial assets belonging to the following 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 management model adopted by the Group and the contractual terms of cash flows. The Group reclassifies investments in debt instruments only when the management model of those assets changes.

Financial assets 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 assets in order to obtain cash flows resulting from the contract;
- its contractual terms give rise to cash flows at specified times, only repayment of principal and interest on the principal outstanding ('SPPI').

The Group assesses whether the classification test according to IFRS 9, so-called SPPI test - i.e. checking if payments for receivables represent only repayment of principal and interest.
If the test is satisfied, the Group measures the asset at amortized cost. To the category of financial assets measured at amortized cost, the Group counts cash and cash equivalents, loans granted, trade receivables and other receivables.

Financial assets at fair value through other comprehensive income

Financial assets from which the flows constitute only the repayment of principal and interest, and which are maintained in order to collect contractual and sales payments, 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 the case of cessation of the recognition of a financial asset, 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 at fair value through profit or loss

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

LOSS OF VALUE OF FINANCIAL ASSETS

The Group's policy regarding the impairment of financial assets is in line with the requirements of IFRS 9, which requires estimation 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 degree 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 degree of risk - balances for which there has been a significant increase in credit risk since the initial recognition and for which an expected loss is determined based on the probability of default throughout the entire loan period;
(iii) the third degree of risk - the balance with the identified impairment.

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

The Group 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.

OPTION-RELATED COMMITMENTS TO PURCHASE NON-CONTROLLING INTEREST

The issued put options which give non-controlling shareholders the right to sell their shares to the Group constitute the Group's commitment to buy its own equity instruments. This commitment is initially carried at fair value constituting the present value of the buy-up amount.

The commitment is initially recorded in correspondence with equity attributable to equity holders of the Parent Company (as "other reserves") when the conditions for exercising the options do not transfer the risks and benefits related to those shares to the Group. When the conditions for exercising the option do transfer the risks and benefits related to the non-controlling interests to the Group, the commitment is no longer recorded in correspondence with other reserves.

After initial recognition, the commitment is measured at amortised cost; the interest expense is recognised in the finance costs. Changes to the amount of the commitment arising from changes in estimates of the amounts payable are also recorded in the finance costs in the period in which the estimate has been changed.

NON-CURRENT ASSETS (DISPOSAL GROUP) HELD FOR SALE

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount is to 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 of sell.

TRADE RECEIVABLES

Trade receivables are amounts due from customers mainly for services provided in the course of normal business activities. Receivables repayable within one year (or in the course of normal business activities, if it is longer) are classified as current assets. Otherwise, they are shown as non-current assets. Trade receivables are initially carried at fair value. After initial recognition, receivables are stated at amortised cost using the effective interest rate method, taking account of impairment losses. In the case of short-term receivables, valuation at amortised cost corresponds to the amount due. The costs of recording receivables write-downs are charged to other operating expenses in the consolidated financial statements.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand and in the 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.

SHARE CAPITAL

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

DIVIDEND DISTRIBUTION

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

LOANS AND BORROWINGS

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred. Loans and borrowings are subsequently shown at amortised cost. Any differences between the proceeds (net of transaction costs) and the redemption value are recognised in the income statement over the period of the relevant agreements using the effective interest 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 capitalised as an advance payment for liquidity-related services and amortised over the period of the loan to which it relates.

BORROWING COSTS

Borrowing costs (both related to general and specific borrowings), which can be directly attributed to purchase, construction or manufacture of qualifying assets, i.e. assets that require substantial preparation time for intended use or sale, are capitalised as part of the cost of purchase or manufacture until substantially all actions necessary to prepare the qualifying asset to the intended use or sale have been completed.

Income from temporary investment of funds borrowed specifically to finance the acquisition of a qualifying asset reduces the capitalised borrowing costs.

Other borrowing costs are recognised in the period in which they were incurred.

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 recognised at fair value and subsequently they are stated at amortised cost using the effective interest rate method. In the case of short-term liabilities, valuation at amortised cost corresponds to the amount due.

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 recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised.

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 realised or the deferred tax liability is settled.

Deferred tax is recognised 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 liabilities relate to income tax imposed on the same tax-payer by the same tax authorities.

In a situation where there is a negative temporary difference between the book value and tax value of an investment in a subsidiary, for which the Group does not plan to make a sale in the foreseeable future, the deferred tax asset for this temporary difference is not recognized in the financial statement.

INCENTIVE SCHEME – SHARE BASED PAYMENTS

The Group runs equity settled and cash settled share-based incentive schemes.

Equity settled share-based incentive schemes

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

- taking account of all market conditions (e.g. 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 income statement, 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.

PROVISIONS

Provisions are recognised when the Group has an obligation (legal or constructive) following from past events and when it is certain or highly probable that meeting the obligation will lead to the necessity of an outflow of funds embodying

economic benefits and the amount of the liability can be reliably assessed. Provisions are measured at the present value of the expenditure which according to expectations will be necessary to fulfil the obligation.

REVENUE RECOGNITION

The Group 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.

When another entity is involved in the delivery of goods and services to the client, the entity determines whether the company has a commitment to provide goods or services (in this case the entity acts as the principal) or it orders another entity to provide those goods or services (in this case the entity is an agent). An entity is an agent if it does not control the good or service before it is handed over to the customer. If the entity acts as an agent, it recognizes revenue in the amount of the fee or commission to which it is entitled in exchange for ensuring that the goods are delivered by another entity.

- **Revenue from online advertisements**

Revenue from advertising survives online from sales of advertisements is recognised in the month of performing the service – e.g. displaying an online and television advertisement (straight line settlement) or redirecting to the customer's website (depending on the actual number of redirects), in the case of advertisement in the CPS model (cost per sale), the occurrence of the event conditioning the right to remuneration (including agreement signing, purchasing, etc.). Revenues are recognized over the period of time in which the service is provided, i.e. during the advertising period. The degree of fulfilment of the obligation is measured in proportion to the duration of the service provided.

- **Revenue from agency sales of tourist survives**

In accordance with the Group's policy, the moment of fulfilling the obligation to perform the service for the client (understood as a tour operator) is the moment when the reservation of a given tourist product is confirmed and the prepayment paid. Revenues from intermediation in the sale of tourist services are recognized at this point in time, while payment of remuneration is usually payable upon the payment of the full price for the tourist event, which results in the creation of an contract asset.

- **Revenue from the sale of architectural designs online**

Pursuant to the Group's policy, the moment of fulfilling the obligation to perform the service for the client is the moment when substantially all the risk and benefits are transferred to the client, i.e. if the Group has transferred the goods to the client, the client has accepted the goods and a reasonable degree of collection of the relevant receivables is ensured.

- **Revenue from TV advertisements**

Revenue from advertising survives online from sales of advertisements is recognised in the month of performing the service Revenues from sale of TV advertisements are recognized over the period of time in which the service is provided, i.e. during the advertising period. The degree of fulfilment of the obligation is measured in proportion to the duration of the service provided.

- **Income and costs from barter transactions**

The Group recognises income from barter transactions comprising the exchange of advertising services only when the services are different in nature, i.e. they are advertising services on different carriers or they are emitted in different media, and the amount of income can be reliably established. Income from barter transactions is recognised at the fair value of the services provided, adjusted for any cash flow. The fair value of services provided via barter transactions is determined with reference to non-barter transactions which comprise services similar to those provided under the barter arrangement, occur frequently, represent a significant part of the transaction, where the amount of consideration is established in cash and the transactions do not relate to the same counterparty with which the barter transactions are concluded.

If the services were received before the Group has performed its service the respective liability is recorded. Similarly, if the advertising service was performed before receiving the services from the counterparty, the respective receivable is recorded.

CONTRACT ASSETS AND LIABILITIES

The contract asset is recognised if the entity transferred good or services to the client, and the remuneration for the goods or services transferred is conditioned by other element then on the passage of time. If the remuneration for a service or good is transferred before the entity obligation is fulfilled, the entity recognizes contract liability.

Contract assets and liabilities are offset against each other at the level of the given contract and presented in net value.

The relation between the date of fulfilling the obligation to perform the service and the date of payment and the impact on the contract assets and liabilities :

- **Sale of online advertisements** –the sale is made with a payment term from 14 to 60 days. Trade receivable is recognized at the same moment in which revenue is recognized, as the receipt of remuneration depends only on the passage of time. Memorials for annual rebates are recognized as liabilities arising from contracts with customers;
- **Agency sales of tourist services** - the moment of fulfilling the obligation to perform the service for the client (understood as a tour operator) is the moment when the reservation of a given tourist product is confirmed and the prepayment paid. Revenues from intermediation in the sale of tourist services are recognized at this point in time, while payment of remuneration is usually payable upon the payment of the full price for the tourist event, which results in the creation of an contract asset.
- **Sale of TV advertisements** - the sale is made with a payment term of approx. 30 days. Trade receivable is recognized at the same moment in which revenue is recognized, as the receipt of remuneration depends only on the passage of time. No contract assets or liabilities are recognized;
- **Sales of subscription services and other pre-paid services** - sales are made with an immediate payment deadline, while the obligation to perform the service is spread over time, so revenue is recognized over the period in which the service is provided, i.e. during the subscription period. The degree of fulfilment of the obligation to perform the service is measured in proportion to the duration of the service being provided. As a result, until the moment of total fulfilment of the obligation, the Group recognizes a contract liability.

LEASES – THE GROUP AS A LESSEE

Since 1 January 2019, the Group, as a lessee, has recognized all identified contracts in accordance with one model, in which the statement of financial position includes an asset arising from the right to use the leased asset in correspondence with the liability arising from leasing contracts.

The Group classifies a contract as a leasing contract if it provides the right to control the use of the identified asset. To qualify as a lease, three conditions must be met:

- the contract transfers to the lessee the right to use the identified asset;
- the lessee obtains economic benefits from the use of this asset;
- the lessee obtains the right to manage the way the asset is used for the duration of the contract.

As of 1 January 2019, the Group identified two main categories of lease contracts:

- real estate: showrooms, offices, technical areas;
- other rents: cars and technical equipment

The lease liability includes future discounted lease payments for identified contracts. Accounting for these items in the statement of financial position depends on:

- the duration of contracts accepted for specific types of contracts: this period includes the irrevocable lease period, periods resulting from the option to extend the lease, if it can be assumed with sufficient certainty that the lessee will use these options and periods resulting from the option to terminate the lease, if it can be given with sufficient certainty assume that the lessee will not exercise these options. While determining the leasing period, the legal and customary regulations in force in the Polish legal environment as well as the specifics of the contracts in the Group were taken into account;
- structures of fixed and variable payments in the contract;
- defining the marginal interest rate when the leasing interest rate cannot be easily determined.

The discount rates adopted by the Group include the currency of the contracts.
At the commencement date, the Group measures the asset due to the right of use at cost. The cost of the asset due to the right of use includes:

- the amount of the initial measurement of the lease liability as described above
- all leasing payments paid on or before the start date, less any leasing incentives received
- any initial direct costs incurred by the lessee, and
- an estimate of the costs to be borne by the lessee in connection with the dismantling and removal of the underlying asset, renovating the place where it was, or renovating the underlying asset to the condition required by the terms of the lease, unless those costs are incurred in order to produce inventory.

Property, plant and equipment used under finance leases are depreciated over the shorter of the two periods: useful life of the asset or lease term.
The Group applies two exemptions provided for in the leasing standard and the following types of contracts are charged to costs:

- contracts whose irrevocable lease term is less than 12 months;
- contracts for which the underlying asset is less than USD 5,000.

As of 1 January 2019, the Group applied the "modified retrospective method" without transforming comparative data.

3. APPROVAL FOR PUBLICATION OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved for publication by the Management Board of Wirtualna Polska Holding SA on 11 March 2020.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements in accordance with IFRS EU requires making the judgments, estimates and assumptions which affects the reported values of assets and liabilities and revenues and expenses in the period. Estimates and judgments are subject to a constant verification and are based on previous experience and other factors, including expectations on future events which seem reasonable in this situation.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equate to the actual results. The main accounting estimates and assumptions made in these consolidated financial statements were the same as in financial statements for the year ending 31 December 2018.

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.

Deferred tax asset

Deferred tax asset on contributing to the business

In 2011, the Parent Company contributed its business with a fair value of PLN 311,000 thousand to the subsidiary Wirtualna Polska Media SA (formerly Grupa Wirtualna Polska S.A.). As a result of this transaction, a temporary difference arose in the consolidated financial statements between the tax and carrying value of the contributed business's assets of PLN 265,195 thousand. A deferred tax asset was recorded on this difference which as of 31 December 2019 amounted to PLN 7,958 thousand (PLN 12,534 thousand as of 31 December 2018).

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

As part of Group's plan to locate all of its editorial and advertising activity in Wirtualna Polska Media, on 1 September 2014, a demerger of WP Shopping Sp. z o.o. was carried out. The demerger was carried out by transferring a business unit of WP Shopping Sp. z o.o. to Wirtualna Polska Media SA (the so-called spin-off). As a result of the demerger, the Editorial and Advertising Division was transferred to Wirtualna Polska Media SA (GWP) and the operations of the e-Commerce Centre were continued at WP Shopping Sp. z o.o. Moreover, all assets and liabilities which were not clearly designated as remaining with WP Shopping Sp. z o.o., shall transfer to Wirtualna Polska Media SA.
As a result of the merger, the majority of WP Shopping Sp. z o.o.'s assets and liabilities were transferred to Wirtualna Polska Media SA. In accordance with the regulations of the transaction moment and the individual interpretations held by the company, this transaction did not change the tax value of the investment in this subsidiary.

In December 2016, Wirtualna Polska Media SA sold all of its shares in WP Shopping Sp. z o.o. to an external entity Nextfield Investments Limited. The tax loss on the sale of shares in WP Shopping as per individual accounting books of Wirtualna Polska Media SA amounted to PLN 377,652 thousand. The Company has prepared detailed tax and financial projections for the following years, showing the estimated taxable income on the basis of which the Management Board has decided to recognize in 2016 an additional asset on the tax loss in GWP of PLN 54,996 thousand. The company updated its financial and tax forecasts for the following years, and recognised additional tax loss in 2018 in the amount of PLN 6,292.

The total value of deferred tax asset recognized on tax losses as of 31 December 2019 amounted to PLN 19,378 thousand.

On 24 February 2020, Wirtualna Polska Media S.A. received customs and fiscal control findings carried out by the Head of the Małopolski Customs and Tax Office in Krakow ("Head of Tax Office"). The Tax Office examined WPM's compliance with the CIT regulations for the fiscal year 2016. The Head of Tax Office concluded that WPM had incorrectly recognized the tax costs related to the sale of WP Shopping shares (previously WP SA) and questioned the tax loss recognised on the transaction. It should be emphasized that the Head of Tax Office did not question the legitimacy of recognizing the tax costs, but the amount recognized.

The Head of Tax Office presented a different interpretation of tax regulations than WPM. Consequently, according to the Head of Tax Office, WPM was not entitled to recognize the full amount of tax costs related to the transaction on shares.

In the event that the Head of Tax Office issues a decision unfavourable for Wirtualna Polska Media, consistent with the Tax Control Findings, WPM will pursue appropriate legal action in defence of its position. WPM estimates the maximum possible negative impact on the consolidated result of the Capital Group in the amount of PLN 61.3 million (reversal of recognized tax asset and current tax deduction for 2016). Out of this amount WPM utilized PLN 42.1 million in current income tax in 2016-2019. The above amounts do not include potential interest estimated by WPM as of the date of the control findings at PLN 1.3 million.

WPM does not agree with the outcome of the tax financial audit. It's in possession of individual tax interpretations of the Minister of Finance and tax opinions prepared by reputable tax advisory companies confirming its position. WPM is not going to submitted tax returns adjustments, and in the event it receives an unfavourable tax decision following these Tax Control Findings it will pursue appropriate legal action in defence of its position.

As at the date of the report, the Group assesses the probability of positive outcome of any tax dispute before judicial authorities at over 50%. Therefore, no provision was made for tax deductions recognised in the years 2016-2019 and no impairment loss was recognized on the amount of recognized income tax asset.

Recovery of the deferred tax asset

The Group recognizes a deferred tax asset based on the assumption that a tax profit will be generated in the future enabling its utilization. The Parent Company's Management Board has prepared financial projections until 2025, which confirm that sufficiently high taxable income will be generated in the future to enable the utilization of the asset. The financial model has been developed based on market-wide forecasts and the Management Board's expectations. Deterioration of tax results in the future might result in the assumption becoming unjustified.

Amortisation and depreciation rates

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

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

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

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

Approach to barter transactions

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

Litigation

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

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

Commitments in respect of put options for non-controlling interests are subsequently measured at the amount being the best present estimate of the discounted purchase price (the commitments are presented as other liabilities; see note 36).

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

Nocowanie.pl Sp. z o.o.

The basic assumptions being the basis for the options' valuation are as follows: forecasted EBITDA and its average annual growth rate, which are the basis for the calculation of the option exercise price and discount rate of 5,02%. An increase in the forecasted growth dynamics of revenues by 1 p.p. in 2020 increases the value of liabilities by 0.4%. An increase in the forecasted EBITDA margin by 1 p.p. in 2020 increases the value of the liabilities by 1%. An increase in the discount rate of 1 p.p. decreases the liability by 0,7%.

The commitment was initially estimated at PLN 11,571 thousand. As of 31 December 2019 the value of these commitments amounted to PLN 37,838 thousand and as of 31 December 2018 amounted to PLN 21,764 thousand.

Details concerning changes of value of these commitments during 2019 are described in note 36 to the consolidated financial statements for the year 2019.

Any changes in the value of these liabilities, resulting from discount settlement after the initial recognition, are presented in profit or loss as financial income/costs. Changes in the value resulting from an update of the forecasted results as the basis for estimating future liability are recognized as "Revaluation of commitments to purchase non-controlling interests".

Determining the value of trademarks and other intangible assets related to acquisitions

As part of the settlement of the acquired subsidiaries, the Group made significant estimates as to the valuation of intangible assets such as trademarks, client relationships, home page and WP e-mail. The estimates were based on revenues and costs to be generated by the acquired subsidiaries, as anticipated by the Group. In the case of trademarks, the Royalty Relief Method was adopted. The method focuses on determining the hypothetical royalties that would be charged to the company for using the trademark had the Company not been its owner. Details regarding assets purchased in 2019 and their valuation are presented in note 22.

Impairment tests

Goodwill and intangible assets were subject to an impairment test as of 31 December 2019. Details of the test are discussed in Note 21 the Group's consolidated financial statements for 2019.

Allowances for trade receivables

The Group creates allowance based on expected credit loss in the entire life of the receivables for each receivables portfolio. The Group conducted a portfolio analysis of receivables based on current credit ratings of clients and used simplified matrix of allowances in particular ageing segments. The analysis was conducted based on expected credit loss ratios determined on historical data (note 28).

Estimate of the annual rebates liability

As a part of cooperation with clients, the Group grants annual rebates. These rebates are granted to clients individually or in groups based on turnover value or percentage achieved. During the year the Group estimates annual rebates liabilities based on current turnover forecast and recognizes them as a reduction of revenues for the period. The annual rebates are a

variable consideration recognized to the extent to which it is highly probable that there will be no reversal of a significant part of revenues The final amounts of rebates are known after the end of the financial year.

Estimate of liabilities due to contingent consideration related to business combinations

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

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

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

5. INFORMATION ON SEASONALITY IN GROUP'S OPERATIONS

Advertising revenues are subject to seasonality - revenues in the first and third quarters are lower than in the second and fourth quarters of the year, except for revenues generated by Wakacje.pl S.A., Travel Network Solutions S.A., Nocowanie.pl Sp. z o.o. and eHoliday.pl Sp. z o.o., which operate in tourism sector and their revenues reach the highest levels in the third quarter of the year. Other Group's revenues do not show seasonality.

6. INFORMATION ON SEGMENT REPORTING

Starting from 2016, after obtaining the final decision of the National Broadcasting Council and after the launch of the television program in Multiplex 8, the Management Board re-segmented its activities and analyses Capital Group's activity regarding revenue streams and the EBITDA operating result, divided into two segments – i.e. Online and TV. The main operating segment continues to be Online – i.e. the Group's activity on the Internet. Although the TV segment did not meet the requirements of IFRS 8 as to its separation in current and previous periods, however, due to the significant difference in its character and perspective, the Management Board decided to present information regarding this segment from 2016.

Twelve months ending 31 December 2019 roku (PLN'000)	Segment Online	Segment TV	Total
Sales	688 379	20 321	708 700
including cash sales	665 150	20 321	685 471
EBITDA (IAS 17) (Note 9)	205 195	(4 580)	200 615
Adjusted EBITDA (IAS 17) (Note 9)	214 670	(4 339)	210 331
EBITDA (IFRS 16) (Note 9)	213 807	(4 580)	209 227
Adjusted EBITDA (IFRS 16) (Note 9)	223 282	(4 339)	218 943

Twelve months ending 31 December 2018 roku (PLN'000)	Segment Online	Segment TV	Total
Sales	550 816	16 500	567 316
including cash sales	526 254	16 500	542 754
EBITDA (Note 9)	168 726	(5 833)	162 893
Adjusted EBITDA (Note 9)	178 721	(5 721)	173 000

The Management Board does not analyse the operating segments in relation to their asset's value. The Group's operating segments are presented consistently with the internal reporting submitted to the Parent Company's Management Board, which is the main body responsible for making operational decisions.

7. THE GROUP'S STRUCTURE

As of 31 December 2019 the Capital Group represented: the parent company Wirtualna Polska Holding SA and 16 subsidiaries. The consolidated financial statements of the Group comprise the Company and the following subsidiaries:

No.	Name of subsidiary	Location	% of shares 31 December 2019	% of shares 31 December 2018
1	Wirtualna Polska Media S.A.	Poland, Warsaw	100%	100%
2	Totalmoney.pl Sp. z o.o.	Poland, Wrocław	100%	100%
3	Businessclick.pl Sp. z o.o.	Poland, Warsaw	100%	100%
4	Finansowysupermarket.pl Sp. z o.o.	Poland, Warsaw	100%	100%
5	Domodi Sp. z o.o.	Poland, Wrocław	100%	100%
6	Wakacje.pl S.A.	Poland, Gdańsk	100%	100%
7	Nocowanie.pl Sp. z o.o.	Poland, Lublin	75%	75%
8	Netwizor Sp. z o.o.	Poland, Warsaw	100%	100%
9	eHoliday.pl Sp. z o.o.	Poland, Warsaw	75%	75%
10	WP Zarządzanie Sp. z o.o.	Poland, Warsaw	100%	100%
11	My Travel Sp. z o.o. (2)	Poland, Warsaw	-	100%
12	Extradom.pl Sp. z o.o.	Poland, Wrocław	100%	100%
13	Parklot Sp. z o.o.	Poland, Warsaw	100%	100%
14	Superauto24.com Sp. z o.o.	Poland, Chorzów	51%	51%
15	Travel Network Solutions Sp. z o. o. (1)	Poland, Warsaw	100%	-
16	Open FM Sp. z o. o. (3)	Poland, Warsaw	100%	-
17	Autocentrum.pl S.A. (4)	Poland, Kraków	100%	-

(1) On 26 February 2019 Wakacje.pl SA acquired 100% shares of Travel Network Solutions
(2) On 1 April 2019, My Travel Sp. z o.o. and Wakacje.pl SA. merged by transferring all assets of My Travel Sp. z o.o. to Wakacje.pl S.A.
(3) On 1 July 2019 OPEN FM Sp. Z o.o. was registered.
(4) On 30 October Wirtualna Polska Media acquired 100% shares in Autocentrum.pl SA

The Group's activities are focused mainly on selling advertisements on the Internet. Furthermore, Wakacje.pl SA and Travel Network Solutions sp. z o. o. operate on the tourism sector in addition to online travel trips, also give customers the opportunity to buy offline through a franchise network of fixed-line stores. Business other than sale of advertisement is run by Netwizor Sp. z o.o., which provides internet services connected with the distribution of television channels on the Internet and by Extradom which deals in the sale of architectural projects online.

All Extradom's revenues result from the sale of goods and are recognized in the full value of the architectural project sold. The recognition of sales results in the above model is one of the factors affecting the nominal increase in sales revenues while reducing the Group's EBITDA margin.

Changes in the Group's structure in 2019

On 26 February 2019 Wakacje.pl SA acquired 100% of shares in Travel Network Solutions Sp. z o.o., owner of the Wakacyjny Świat travel agency network.

On 18 March 2019 Wirtualna Polska Holding SA acquired 13.1% of shares in Teroplan SA, owner of e-podroznik.pl portal.

On 16 April 2019 after meeting the conditions precedent of the investment agreement of 6 March 2019, Wirtualna Polska Holding SA concluded with INNC Limited, Michał Laskowski and Digitics SA an investment agreement under which WPH acquired the right to acquire 20% of shares in share capital of Digitics SA.

On 1 July 2019 OPEN FM Sp. z o.o. was registered.

On 30 October 2019 Wirtualna Polska Media acquired 100% of shares in Autocentrum.pl SA, one of the leaders in video content production and aggregation of automotive-related product data.

Mergers in 2019

On 1 April 2019 My Travel Sp. z o.o. and Wakacje.pl Sp. z o.o. merged by transferring all assets of My Travel Sp. z o.o. to Wakacje.pl Sp. z o.o.

Changes in the Group's structure after the balance sheet date

On 2 January 2020, Totalmoney.pl Sp. z o.o. and Finansowysupermarket.pl Sp. z o.o. merged by transferring all assets of Finansowysupermarket.pl sp. z o. o. to Totalmoney.pl Sp. z o.o.
On 1 February 2020, the company Wirtualna Polska Media SA and Autocentrum.pl SA merged by transferring all assets of Autocentrum.pl SA to Wirtualna Polska Media SA .

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

8. SALES

PLN'000	Twelve months ending 31 December 2019	Twelve months ending 31 December 2018
Sales in Online segment, including:	**688 379**	**550 816**
Sales of services settled in cash	665 150	526 254
Sales of services settled in barter	23 229	24 562
Sales in TV segment, including:	**20 321**	**16 500**
Sales of services settled in cash	20 321	16 500
Sales of services settled in barter	-	-
Total	**708 700**	**567 316**

PLN'000	Twelve months ending 31 December 2019	Twelve months ending 31 December 2018
Domestic sales	562 683	448 532
Export sales	146 017	118 784
European Union	131 244	101 809
Outside European Union	14 773	16 975
Total	**708 700**	**567 316**

The following table present the contract assets and liabilities by categories.

PLN'000	As of 31 December 2019	As of 31 December 2018
Contract assets, including:	**11 142**	**11 248**
Accrued provision income on sale of touristic services	11 142	11 248
Contract and refund liabilities, including:	**39 749**	**32 566**
Refund liability	29 940	23 318
Pre-paid subscriptions and positioning points	7 590	7 536
Other	2 218	1 712

All obligations to perform the service will be fulfilled within 1 year from the balance sheet date.

9. EBITDA AND ADJUSTED EBITDA

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

In connection with the Group's transition from 1 January 2019 to the new leasing standard (IFRS 16), which significantly affects the value of the EBITDA ratio, the EBITDA ratio is presented in the financial report in two variants, one in accordance with applicable IFRS 16 and the other calculated on the basis of the previous standard IAS 17, which was in force when comparing comparative data for previous years (including 2018).

PLN'000	12 months ending 31 December 2019 (IFRS 16)	12 months ending 31 December 2019 (IAS 17)	12 months ending 31 December 2018 (IAS 17)
Profit before tax	**98 853**	**98 853**	**93 438**
Impact of the transformation on IFRS 16	-	2 161	-
Adjusted profit before tax	**98 853**	**101 014**	**93 438**
Share in profits/loss of investments accounted for using the equity method and dividends from associates	2 077	2 077	-
Finance costs	19 677	19 206	17 963
Finance income	(2 827)	(2 827)	(2 359)
Revaluation of commitments to purchase non-controlling interests	12 221	12 221	(1 771)
Dividends received	(56)	(56)	-
Operating profit	**129 945**	**131 635**	**107 271**
Depreciation of the right of use buildings		-	-
Amortization and depreciation of fixed assets and intangibles	79 282	68 980	55 622
EBITDA	**209 227**	**200 615**	**162 893**
Adjustments, including:			
Restructuring and transaction costs - external services	4 243	4 243	5 551
Restructuring and transaction costs - salaries	789	789	373
Restructuring and transaction costs - other operating costs and revenues	1 431	1 431	2 265
Costs of the employee option scheme	2 376	2 376	1 357
Amortization and depreciation of acquired programming rights	220	220	-
Net result of barter transactions settlements	579	579	(58)
Revaluation and liquidation of non-financial assets	111	111	647
Other	(33)	(33)	(28)
Adjusted EBITDA	**218 943**	**210 331**	**173 000**

10. ADJUSTED PROFIT BEFORE TAX

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

In connection with the Group's transition from 1 January 2019 to the new leasing standard (IFRS 16), which affects the gross value profit before tax, this indicator is presented in the financial report in two variants, one in accordance with applicable IFRS 16 and the other calculated on based on the previous standard IAS 17, which was in force when comparing comparative data for previous years (including 2018).

In addition, from 2019, part of the depreciation of the right to use buildings, resulting from accelerated depreciation of this right, is added to the costs adjusting gross profit. Acceleration of depreciation results from the signing of new lease agreements in Warsaw and Wroclaw, assuming earlier than foreseen in the original agreement cease to use the right to use current premises in these cities.

PLN'000	12 months ending 31 December 2019 (IFRS 16)	12 months ending 31 December 2019 (IAS 17)	12 months ending 31 December 2018 (IAS 17)
Profit before tax	**98 853**	**98 853**	**93 438**
Impact of the transformation on IFRS 16		2 161	-
Adjusted profit before tax	**98 853**	**101 014**	**93 438**
Adjustments, including:			
Restructuring and transaction costs - external services	4 243	4 243	5 551
Restructuring and transaction costs - salaries	789	789	373
Restructuring and transaction costs - other operating costs and revenues	1 431	1 431	2 265
Costs of the employee option scheme	2 376	2 376	1 357
Profit / loss on the sale of other financial assets	-	-	-
Net result of barter transactions settlements	579	579	(58)
Revaluation and liquidation of non-financial assets	111	111	647
Revaluation of commitments to purchase non-controlling interests and other liabilities on business combinations	12 221	12 221	(1 771)
Accelerated depreciation	2 566	760	-
Valuation of the interest rate hedging instrument	-	-	-
Other	(33)	(33)	(28)
Total adjustments	**24 283**	**22 477**	**8 336**
Adjusted profit before tax	**123 136**	**123 491**	**101 774**

11. BARTER TRANSACTIONS

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

PLN'000	Twelve months ending 31 December 2019	Twelve months ending 31 December 2018
Sales	23 229	24 562
External services	(23 449)	(24 375)
Other operating expenses	(359)	(129)
Net result on barter transaction settlements	**(579)**	**58**

12. OTHER OPERATING INCOME/GAINS

The following table presents other operating income/gains:

PLN'000	Twelve months ending 31 December 2019	Twelve months ending 31 December 2018
Revenues from grants	841	475
Liabilities expired and forgiven	96	75
Repayment of receivables previously written off	163	-
Other	640	850
Total	**1 740**	**1 400**

13. OTHER OPERATING EXPENSES

The following table presents the other operating expenses incurred by the Group in the years 2019 and 2018:

PLN'000	Twelve months ending 31 December 2019	Twelve months ending 31 December 2018
Representation and other costs by type, including:	6 215	4 342
Representation	3 307	2 172
Other costs by type	2 908	2 170
Revaluation of receivables	2 420	368
Taxes and charges	3 370	2 818
Revaluation of provisions	573	953
Revaluation and liquidation of non-financial assets	1 645	528
Loss on disposal of non-financial assets	-	119
Other	1 190	2 298
Costs related to acquisitions of subsidiaries and restructuring	1 431	2 265
- taxes and fees for the purchase of subsidiaries	90	2 165
- penalties, fines and compensation	40	37
- other	1 301	63
Total	**16 844**	**13 691**
including:		
Costs related to restructuring	1 431	2 265
Other operating costs	15 413	11 426

14. FINANCE INCOME

The following table presents the financial income incurred by the Group in the years 2019 and 2018:

PLN'000	Twelve months ending 31 December 2019	Twelve months ending 31 December 2018
Interest income	415	341
Currency exchange differences	30	968
Other	2 382	1 050
Total	**2 827**	**2 359**

15. FINANCE EXPENSES

The following table presents the financial expenses incurred by the Group in the years 2019 and 2018:

PLN'000	Twelve months ending 31 December 2019	Twelve months ending 31 December 2018
Interests and commissions	17 137	13 955
Reversal of discount on investment liabilities	2 269	3 566
Revaluation of financial assets		88
Other	271	354
Total	**19 677**	**17 963**

16. REVALUATION OF COMMITMENTS TO PURCHASE NON-CONTROLLING INTERESTS AND OTHER LIABILITIES ON BUSINESS COMBINATONS

The table below presents the costs and revenues incurred by the Group in 2019 and 2018:

PLN'000	Twelve months ending 31 December 2019	Twelve months ending 31 December 2018
Revaluation of the value of the liability under the put option into non-controlling interests	(14 692)	(502)
Revaluation of earn-out liabilities - Superauto24.com Sp. z o.o.	834	-
Revaluation of earn-out liabilities - My Travel Sp. z o.o.	1 637	2 273
	(12 221)	**1 771**

17. CURRENT AND DEFERRED INCOME TAX

The following table presents the current and deferred tax for 2019 and 2018:

PLN'000	Twelve months ending 31 December 2019	Twelve months ending 31 December 2018
Current income tax	**7 834**	**5 926**
For the financial year	7 834	5 926
Adjustments to previous year	-	-
Deferred tax	**19 887**	**11 515**
Temporary differences arising and reversed	19 887	11 515
Total income tax	**27 721**	**17 441**

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

PLN'000	Twelve months ending 31 December 2019	Twelve months ending 31 December 2018
Profit before tax	**98 853**	**93 438**
Corporate income tax at the statutory rate of 19%	**18 782**	**17 753**
Tax effects of the following items:		
Revenues and costs non-taxable permanent differences	3 236	2 915
The revaluation of the liability to buy non-controlling interests and other liabilities arising from business combinations	2 322	(337)
The reversal of the discount on commitments to purchase non-controlling interest	346	655
Unrecognized tax assets	2 569	2 173
Activated portion of tax loss on the sale of WP Shopping		(6 292)
Other	466	574
Total income tax	**27 721**	**17 441**

Tax settlements and other regulated areas of activities (for example, customs or foreign currency issues) may be subject to inspections by administrative bodies which are entitled to impose high penalties and sanctions. The lack of reference to established legal regulations in Poland results in ambiguities and inconsistencies in the binding regulations. Frequent differences of opinion as to the legal interpretation of tax regulations, both internally within the state bodies and between the state bodies and enterprises, result in areas of uncertainty and conflict. Due to these factors the tax risk in Poland is considerably higher than in countries with more precisely developed tax systems. Tax settlements may be subject to inspections within five years from the end of the year in which tax was paid. As a result of inspections, the Group's tax settlements may be increased by additional tax liabilities. The Group is of the opinion that as of 31 December 2019 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.

18. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares in issue during the year. The dilutive items include shares under the option scheme (Note 30).

PLN'000	Twelve months ending 31 December 2019	Twelve months ending 31 December 2018
Net profit attributable to equity holders of the Parent Company	**68 998**	**73 921**
Weighted average number of shares shown for the purpose of calculating basic earnings per share (no. of units)	28 989 659	28 891 220
Effect of diluting the number of ordinary shares	161 842	182 410
Weighted average number of ordinary shares shown for the purpose of calculating diluted earnings per share (no. of units)	29 151 501	29 073 630
Basic (In PLN)	2,38	2,56
Diluted (in PLN)	*2,37*	*2,54*

Holding SA

19. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Description	Buildings, structures and leasehold improvements	Servers, machines and other devices	Vehicles	Other property, plant and equipment items	Fixed assets under construction	Total
Gross carrying amount as of 1 January 2019	**15 275**	**88 995**	**2 297**	**5 946**	**9 083**	**121 596**
Additions due to:	***65 582***	***13 932***	***926***	***1 050***	***(3 322)***	***78 168***
- purchases and transfers	44 779	13 932	922	1 050	(3 322)	57 361
- change of accounting policy	20 803	-	-	-	-	20 803
- business combinations (Note 22)	-	-	4	-	-	4
Disposals due to:	***(230)***	***(1 559)***	***(461)***	***(417)***	***-***	***(2 667)***
- business combinations (Note 24)	-	-	(148)	(124)	-	(272)
- liquidation	(230)	(1 559)	(313)	(293)	-	(2 395)
Gross carrying amount as of 31 December 2019	**80 627**	**101 368**	**2 762**	**6 579**	**5 761**	**197 097**
Accumulated depreciation as of 1 January 2019	**5 981**	**53 808**	**407**	**2 941**	**-**	**63 137**
Additions due to:	***13 443***	***13 765***	***559***	***1 688***	***-***	***29 455***
- depreciation	13 443	13 765	559	1 688	-	29 455
Disposals due to:	***(213)***	***(1 495)***	***(178)***	***(234)***	***-***	***(2 120)***
- liquidation	(213)	(1 495)	(178)	(234)	-	(2 120)
Accumulated depreciation as of 31 December 2019	**19 211**	**66 078**	**788**	**4 395**	**-**	**90 472**
Impairment loss as of 1 January 2019	-	207	-	-	-	207
Disposals due to:	-	*(59)*	-	-	-	*(59)*
- liquidation	-	(59)	-	-	-	(59)
Impairment loss as of 31 December 2019	-	148	-	-	-	148
Net carrying amount as of 31 December 2019	**61 416**	**35 142**	**1 974**	**2 184**	**5 761**	**106 477**

Holding SA

Description	Buildings, structures and leasehold improvements	Servers, machines and other devices	Vehicles	Other property, plant and equipment items	Fixed assets under construction	Total
Gross carrying amount as of 1 January 2018	**14 856**	**86 471**	**1 280**	**5 378**	**9 629**	**117 614**
Additions due to:	***451***	***11 005***	***1 361***	***792***	***(546)***	***13 063***
- purchases and transfers	439	10 934	554	633	(546)	12 014
- business combinations (Note 23)	12	71	807	159	-	1 049
Disposals due to:	***(32)***	***(8 481)***	***(344)***	***(224)***	***-***	***(9 081)***
- liquidation	(32)	(8 481)	(344)	(224)	-	(9 081)
Gross carrying amount as of 31 December 2018	**15 275**	**88 995**	**2 297**	**5 946**	**9 083**	**121 596**
Accumulated depreciation as of 1 January 2018	**3 446**	**48 375**	**405**	**2 168**	**-**	**54 394**
Additions due to:	***2 562***	***13 416***	***276***	***979***	***-***	***17 233***
- depreciation	2 562	13 416	276	979	-	17 233
Disposals due to:	***(27)***	***(7 983)***	***(274)***	***(206)***	***-***	***(8 490)***
- liquidation	(27)	(7 983)	(274)	(206)	-	(8 490)
Accumulated depreciation as of 31 December 2018	**5 981**	**53 808**	**407**	**2 941**	**-**	**63 137**
Impairment loss as of 1 January 2018	-	207	-	-	-	207
Impairment loss as of 31 December 2018	-	207	-	-	-	207
Net carrying amount as of 31 December 2018	**9 294**	**34 980**	**1 890**	**3 005**	**9 083**	**58 252**

As of 31 December 2019 and 31 December 2018 the Group did not have any commitments to purchase property, plant or equipment.

As of 31 December 2019 bank loans are secured with property, plant and equipment to the carrying amount of PLN 51,057 thousand.

The tables above contain data on fixed assets in finance lease.

Holding SA

20. FIXED ASSETS IN FINANCIAL LEASING

Description	Buildings, structures and leasehold improvements	Servers, machines and other devices	Vehicles	Total
Gross carrying amount as of 1 January 2019	**-**	**2 881**	**2 192**	**5 073**
Additions due to:	***64 361***	**-**	***977***	***65 338***
- new lease contracts	43 558	-	849	44 407
- change of accounting policy	20 803	-	-	20 803
- business combinations	-	-	128	128
Disposals due to:	**-**	**-**	***(397)***	***(397)***
- adjustment to the purchase price allocation	-	-	(165)	(165)
- liquidation	-	-	(232)	(232)
Gross carrying amount as of 31 December 2019	**64 361**	**2 881**	**2 772**	**70 014**
Accumulated depreciation as of 1 January 2019	**-**	**903**	**705**	**1 608**
Additions due to:	***10 302***	***743***	***380***	***11 425***
- depreciation	10 302	743	380	11 425
Disposals due to:	**-**	**-**	***(151)***	***(151)***
- adjustment to the purchase price allocation	-	-	(17)	(17)
- liquidation	-	-	(134)	(134)
Accumulated depreciation as of 31 December 2019	**10 302**	**1 646**	**934**	**12 882**
Impairment loss as of 1 January 2019	-	-	-	-
Impairment loss as of 31 December 2019	**-**	**-**	**-**	**-**
Net carrying amount as of 31 December 2019	**54 059**	**1 235**	**1 838**	**57 132**

Holding SA

21. INTANGIBLE ASSETS

PLN'000	Goodwill	Trademarks	Other intangible assets			Total
			Homepage and WP mail	Client relations	Copyrights and other intangible assets	
Gross carrying amount as of 1 January 2019	**352 270**	**191 505**	**152 300**	**60 906**	**132 336**	**889 317**
Additions due to:	**12 164**	**1 692**	**-**	**1 885**	**41 881**	**57 622**
- purchases	-	-	-	-	41 816	41 816
- business combinations (Note 22, 24)	12 164	1 692	-	1 885	65	15 806
- other		**-**	**-**	**-**		-
Disposals due to:	**-**	**-**	**-**	**-**	**(7 089)**	**(7 089)**
- liquidation	-	-	-	-	(7 089)	(7 089)
Gross carrying amount as of 31 December 2019	**364 434**	**193 197**	**152 300**	**62 791**	**167 128**	**939 850**
Accumulated depreciation as of 1 January 2019	**-**	**12 961**	**31 339**	**27 479**	**58 592**	**130 371**
Additions due to:	**-**	**8 132**	**6 484**	**10 155**	**25 056**	**49 827**
- depreciation	-	8 132	6 484	10 155	25 056	49 827
Disposals due to:	**-**	**-**	**-**	**-**	**(6 982)**	**(6 982)**
- liquidation	-	-	-		(6 982)	(6 982)
Accumulated depreciation as of 31 December 2019	**-**	**21 093**	**37 823**	**37 634**	**76 666**	**173 216**
Impairment loss as of 1 January 2019	180	-	-	-	12	192
Impairment loss as of 31 December 2019	180	-	-	-	12	192
Net carrying amount as of 31 December 2019	**364 254**	**172 104**	**114 477**	**25 157**	**90 450**	**766 442**

Holding SA

PLN'000	Goodwill	Trademarks	Other intangible assets			
			Homepage and WP mail	Client relations	Copyrights and other intangible assets	Total
Gross carrying amount as of 1 January 2018	**259 774**	**165 365**	**152 300**	**49 789**	**107 079**	**734 307**
Additions due to:	**92 496**	**26 140**	**-**	**11 117**	**27 917**	**157 670**
- Purchases	-	-	-	-	27 226	27 226
- business combinations (Note 23)	92 797	26 140	-	11 117	79	130 133
- other	(301)	-	-	-	612	311
Disposals due to:	**-**	**-**	**-**	**-**	**(2 660)**	**(2 660)**
- liquidation	-	-	-	-	(2 660)	(2 660)
Gross carying amount as of 31 December 2018	**352 270**	**191 505**	**152 300**	**60 906**	**132 336**	**889 317**
Accumulated depreciation as of 1 January 2018	**-**	**8 292**	**24 855**	**19 177**	**42 146**	**94 470**
Additions due to:	**-**	**4 669**	**6 484**	**8 302**	**18 934**	**38 389**
- depreciation	-	4 669	6 484	8 302	18 934	38 389
Disposals due to:	**-**	**-**	**-**	**-**	**(2 488)**	**(2 488)**
- liquidation	-	-	-	-	(2 488)	(2 488)
Accumulated depreciation as of 31 December 2018	**-**	**12 961**	**31 339**	**27 479**	**58 592**	**130 371**
Impairment loss as of 1 January 2018	**180**	**-**	**-**	**-**	**12**	**192**
Impairment loss as of 31 December 2018	**180**	**-**	**-**	**-**	**12**	**192**
Net carrying amount as of 31 December 2018	**352 090**	**178 544**	**120 961**	**33 427**	**73 732**	**758 754**

The Group capitalises salary expense as part of development projects. In the years covered by this financial statement, capitalised salary expense amounted to PLN 29,271 thousand in 2019 and PLN 21,807 thousand in 2018. The main projects whose expenditures were subject to capitalization in 2019 concerned the development of the WP Pilot platform and the Mailing Platform, the creation of a new broadcasting and billing system for Totalmoney's advertising campaigns, and the development of the Wakacje.pl home page.
As of 31 December 2019 and 31 December 2018, bank loans are secured with intangible assets to the carrying amount of PLN 375,929 thousand in 2019 and PLN 360,947 thousand in 2018.

Goodwill

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

PLN'000	Cash generating unit	As of 31 December 2019	As of 31 December 2018
Wirtualna Polska Media SA.	Publishing and Advertising activities	92 040	92 040
Grupa Kapitałowa Money.pl Sp. z o.o.	Publishing and Advertising activities	11 550	11 550
Grupa Kapitałowa Money.pl Sp. z o.o.	Financial lead generation	7 808	7 808
NextWeb Media Sp. z o.o.	Publishing and Advertising activities	19 072	19 072
Finansowy supermarket.pl sp. z o.o.	Financial lead generation	6 148	6 148
dobreprogramy Sp. z o.o.	Publishing and Advertising activities	3 593	3 593
Domodi Sp. z o.o.	Lead Generation fashion/interion	9 349	9 349
Allani Sp. z o.o.	Lead Generation fashion/interion	9 497	9 497
Wakacje.pl S.A.	International travel	62 888	62 888
TotalMoney.pl Sp. z o.o.	Financial lead generation	8 820	8 820
Nocowanie.pl Sp. z o.o.	Domestic travel	16 793	16 793
Netwizor.pl Sp. z o.o.	Publishing and Advertising activities	2 272	2 272
eHoliday Sp. z o.o.	Domestic travel	9 463	9 463
My Travel Sp. Z o.o.	International travel	15 491	15 372
Extradom.pl Sp. z o.o.	Extradom	58 317	58 317
Parklot Sp. z o.o.	International travel	1 168	1 168
Superauto24.com Sp. z o.o.	Superauto24	18 533	17 940
http Sp. z o.o.	Publishing and Advertising activities	180	180
Travel Network Solutions Sp. z o.o.	International travel	5 610	-
Autocentrum	Publishing and Advertising activities	5 842	-
Goodwill (gross)		**364 434**	**352 270**
Goodwill revaluation write-off:			
http Sp. z o.o.	Publishing and Advertising activities	(180)	(180)
Goodwill (net)		**364 254**	**352 090**

In the case of the acquisition of Travel Network Solutions Sp. z o.o. and Autocentrum.pl. Sp. z o.o. the goodwill presented above is based on the provisional settlement of the purchase price as of 31 December 2019.

The cash generating unit of the Grupa Wirtualna Polska SA holds the trademark "WP.pl" with a carrying amount of PLN 102,500 thousand, which has been attributed with an unspecified useful life and is tested for impairment.

Impairment tests

The Management Board analysed for impairment of intangible assets as part of the following cash generating units (according to the table above):

- Publishing and Advertising activities;
- Domestic travel;
- International travel
- Extradom;
- Lead Generation fashion/interior;
- Superauto24;
- Financial Lead Generation.

Impairment test were conducted as of 31 December 2019.

The recoverable value of the cash generating units was determined based on the calculated value in use. The key assumptions which when changed may have a significant effect on the estimated value in use of the assets are: the revenue growth rate, EBITDA margin and discount rate before tax.

Cash flow projections have been prepared based on the budget for 2020, past results and expectations of the Management Board for the development of the market in 2021-2024, based on the available market sources. Due to the limited scope of long-term forecasts as to the development of the advertising market in Poland, it was assumed for the purposes of the tests that the cash flow growth rate in the residual period exceeding the five-year forecast period would be equal to the inflation target of the NBP of 2.5%. The pre-tax discount rate was estimated based on the macroeconomic and market data for the individual cash generating units.

The impairment tests conducted with the following assumptions and taking into account probable changes in these assumptions did not show a need to record impairment allowances in respect of the tested assets.

	Period of forecast	Annual growth rate in the residual period	Discount rate
Extradom	5 years	2,5%	10.6%
Publishing and Advertising activities	5 years	2,5%	10.6%
Lead Generation fashion/interior	5 years	2,5%	10.6%
Financial lead generation	5 years	2,5%	10.6%
International travel	5 years	2,5%	10.6%
Superauto	5 years	2,5%	10,6%
Domestic travel	5 years	2,5%	10.6%

22. ACQUISITION AND BUSINESS COMBINATIONS in 2019

Travel Network Solutions sp. z o. o.

On 26 February 2019 Wakacje.pl SA acquired 2,300 shares in the share capital of Travel Network Solutions Sp. z o.o., representing 100% of the share capital and entitling to 100% votes at the Travel Network Solutions general meeting.

The final, non-adjusting purchase price of 100% shares was PLN 6,750 thousand and was financed from the Group's own funds.

Travel Network Solutions is the owner of the franchise chain Wakacyjny Świat, with 103 sale offices. After this transaction, Wakacje.pl group will comprise over 350 sale offices operating under the following brands: Wakacje.pl, My Travel and Wakacyjny Świat, which constitutes 70% of the domestic market. Some of the Wakacyjny Świat sale offices are located in towns where Wakacje.pl and My Travel are not present.

Goodwill on the acquisition of PLN 5,611 thousand is attributable, among others to economies of scale expected as a result of the combination of the Group's operations with entity acquired. No portion of goodwill recorded will be deductible for income tax purposes. The fair value of trade and other receivables amounted to PLN 412 thousand (including PLN 361 thousand of trade receivables). As of the date of the control takeover, receivables in the amount of PLN 11 thousand were considered as uncollectible.

Costs related to the purchase transaction in the amount of PLN 106 thousand were recognized in the consolidated statement of profit or loss and other comprehensive income for 2019 as "Costs related to purchases of subsidiaries and restructuring".

The next table lists the remuneration paid and the fair values of acquired assets and liabilities as of the date of the acquisition of the entity.

As of 31 December 2019, all the below settlements are provisional.

PLN'000	Travel Network Solutions Sp. z o.o.
Cash and cash equivalents - payment for the shares	6 750
Total	**6 750**
Non-controlling interests measured at the value of share in net assets	-
Recognized values of identifiable acquired assets and liabilities	
Cash and cash equivalents	35
Property, plant and equipment	1
Trademark	719
Client relations	504
Copyrights and other intangible assets	65
Trade and other receivables	412
Trade and other payables	(349)
Deferred tax	(247)
Other provisions	-
Total identifiable net assets	**1 140**
Goodwill	**5 610**

For information purposes, the next table presents the unaudited financial results of the entity acquired in 2019 for the period from 1 January 2019 to the date the Group takes over control (results not included in this consolidated financial statement) and from the date of taking control until 31 December 2019 (results included in the results of the Capital Group in 2019). The individual data presented have not been audited by a certified auditor.

(PLN'000)	Since 01.01.2019 to the acquisition date	Since the acquisition date to 31.12.2019
Sales	743	7 055
Cash sales	743	7 055
EBITDA	(91)	723
Adjusted EBITDA	(91)	815
Net profit/(loss)	(95)	476

Autocentrum.pl S.A.

On 30 October 2019, the subsidiary Wirtualna Polska Media SA purchased 5,000,000 shares in the share capital of Autocentrum.pl SA, constituting 100% of the share capital and entitling to 100% votes at the shareholders' meeting of Autocentrum.pl.

The final, non-adjusting purchase price for 100% shares was PLN 9,350 thousand and was financed from the Group's own funds.

Autocentrum.pl is one of the leaders in video content production and aggregation of product data related to the automotive industry.

Goodwill on the acquisition of PLN 5,842 thousand is attributable, among others to economies of scale expected as a result of the combination of the Group's operations with entity acquired. No part of the reported goodwill will be deductible for income tax purposes. The fair value of trade and other receivables is PLN 551 thousand (including PLN 549 thousand of trade receivables). As at the date of taking over control, no receivables were considered uncollectible.

Costs related to the transaction in the amount of PLN 226 thousand were included in the consolidated statement of financial result and other comprehensive income in the item "Costs related to the purchase of subsidiaries and restructuring", of which PLN 116 thousand was recognized in 2018, and 110 thousand in 2019.

The next table lists the remuneration paid and the fair values of acquired assets and liabilities as at the date of the acquisition of the entity. As of 31 December 2019, all the below settlements are provisional.

PLN'000	Autocentrum.pl S.A.
Cash and cash equivalents - payment for the shares	9 350
Total	**9 350**
Non-controlling interests measured at the value of share in net assets	
Recognized values of identifiable acquired assets and liabilities	
Cash and cash equivalents	1 191
Property, plant and equipment	3
Trademark	973
Client relations	1 381
Trade and other receivables	551
Trade and other payables	(144)
Deferred tax	(447)
Total identifiable net assets	**3 508**
Goodwill	**5 842**

For information purposes, the next table presents the unaudited financial results of the entity acquired in 2019 for the period from 1 January 2019 to the date of acquisition of control by the Capital Group (results not included in these consolidated financial statements) and from the date of acquisition of control until 31 December 2019 (results included in the results of the Capital Group in 2019). The individual data presented have not been audited by a certified auditor.

Since 01.01.2019 to the acquisition date	
PLN'000	Autocentrum.pl S.A.
Sales	2 306
Cash sales	2 306
EBITDA	1 026
Adjusted EBITDA	1 026
Net profit	934

Since the acquisition date to 31.12.2019	
PLN'000	Autocentrum.pl S.A.
Sales	483
Cash sales	481
EBITDA	260
Adjusted EBITDA	260
Net profit	242

Teroplan sp. z o. o.

On 18 March 2019, Wirtualna Polska Holding S.A. acquired 13.11% of shares in the share capital of Teroplan SA, the owner of the e-podróżnik.pl website.

The final purchase price for 13.11% shares was PLN 7,753 thousand and was financed from the Group's own funds.

The e-podróżnik.pl website offers the possibility to purchase tickets from over 400 domestic and international bus and railway carriers. The service facilitates daily travel, providing Poland's biggest timetable comprising over 1,200 carriers. More than 3 million passengers use e-podróżnik.pl every month.

Teroplan S.A. is a company introducing numerous technological inventions for the passenger transport industry. Among other things, it is executing a system which will automate the route and price planning and vehicle management processes. The project fits into the latest global trends in application of artificial intelligence in the management and use of information contained in big data.

The Group recognizes shares acquired in Teroplan S.A. as investments in financial instruments measured at fair value

through profit or loss. The Group revalued the shares in Teroplan. The fair value of shares held as of 31 December 2019 was PLN 8,133 thousand. Financial income from revaluation was recognized as "Finance income".

Digitics S.A.

On 6 March 2019, Wirtualna Polska Holding SA entered into a conditional investment agreement with INNC Limited, Michał Laskowski and Digitics SA, the conditions of which were met on 16 April 2019, based on which, after meeting the conditions precedent set out in the contract, WPH acquired the right to purchase 20% of shares in the share capital of Digitics SA, entitling to 20% of votes at the General Meeting of Shareholders in exchange for a cash contribution of PLN 2.5 million. At the same time, the agreement entitled WPH to subscribe for 20,000 subscription warrants convertible to 20,000 shares to Digitics SA by the end of 2019 in exchange for a further contribution of PLN 2.5 million. The subscription of new shares allows WPH to maintain a 20% stake in the share capital of Digitics SA.The contribution was made in June 2019.

In addition, the investment agreement provides for a conditional option mechanism enabling WPH to acquire the remaining shares of Digitics SA. The option mechanism shell be initialized if the companies LTM EBITDA exceeds the contractual value for 4 consecutive months. If this condition is met, WPH will have the right and obligation to acquire:

- shares in such a number that together with the shares already held by WPH will entitle WPH to 51% of votes at the general meeting of the company. The price will be calculated as the product of the multiple set out in the investment agreement and LTM EBITDA in the month the contractual threshold is met;
- shares in such a number that together with the shares already held by WPH will entitle WPH to 75% of votes at the general meeting of the company. The price will be calculated as the product of the multiple set out in the investment agreement and EBITDA for the first full financial year following the year in which the contractual threshold of EBITDA is met;
- shares in such a number that together with the shares already held by WPH will entitle WPH to 100% of votes at the general meeting of the company. The price will be calculated as the product of the multiple set out in the investment agreement and EBITDA for the second full financial year following the year in which the contractual threshold of EBITDA is met.

In a situation where the company does not met the EBITDA threshold, the maximum value of the investment will not exceed PLN 5 million. Due to the initial stage of this project and the high probability of not realizing the contracted EBITDA level, the Group sees no grounds to recognize the put option liability for other shares of Digitics SA.

The investment agreement grants WPH certain personal corporate rights that gives the Group the ability to exert significant influence over the company's operations. Consequently, the Group will present the investment in Digitics SA as an investment associated company consolidated with the equity method. In 2019 the initial value of investment was decreased by PLN 2,077 thousand of net loss generated by the company and attributable to the Group.

Acquisitions after balance sheet date

No acquisitions occurred after the balance sheet date.

23. ACQUISITION AND BUSINESS COMBINATIONS in 2018

My Travel Sp. z o.o.

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

The final sale price was determined as the product of the normalized MyTravel EBITDA for the financial year 2018 and the multiplier established by the parties. The sale price will be paid in three instalments. The Management Board of WPH expects that the final settlement of the sale price will take place in the third quarter of 2019. The parties agreed that the sale price will not be lower than PLN 10,000 thousand and will not be higher than PLN 19,000 thousand of which 7,943 thousand was paid immediately after signing the contract. Another tranche in the amount of PLN 2,692,thousand was paid in the third quarter of 2018, while the remaining part will be settled in 2019. The

payment of both tranches of the sale price in 2018 was financed from the own funds of Wakacje.pl SA

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

Goodwill on the acquisition of PLN 15,372 thousand is attributable to i.a. economies of scale expected as a result of the combination of the Group's operations with entity acquired. No portion of goodwill recorded will be deductible for income tax purposes. The fair value of trade and other receivables amounted to PLN 4,236thousand (including PLN 3,919 thousand of trade receivables). As of the date of the control takeover, receivables in the amount of PLN 1,005 were considered as uncollectible.

Costs related to the purchase transaction in the amount of PLN 280 thousand were recognized in the consolidated statement of profit or loss and other comprehensive income for the year 2018 as "Costs related to purchases of subsidiaries and restructuring".

- **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 instalments. The first instalment in the amount of PLN 52.9 million was paid on 8 November 2018. The company paid the second instalment 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 Instalment. 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 Instalment .

At the same time, the Parties agreed that a part of the Sale Price in the amount of PLN 15.525 thousand 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.

All the above amounts will be increased by interest payable in installments in arrears and calculated from the unpaid portion of the retained amount due to the seller and will be reduced by all amounts deducted by WPH in accordance with the share sale agreement.

Goodwill in the amount of PLN 58,317 thousand is attributable to i.a. the economies of scale expected from the merger of the Group's operations with the business of the acquired entity. No part of the goodwill recognized will be deductible for income tax purposes. The fair value of trade receivables and other receivables is PLN 1,771 thousand (including 881 thousand PLN of trade receivables). As at the date of taking over control, receivables worth PLN 46 thousand PLN were considered unrecoverable.

Costs related to the purchase transaction in the amount of PLN 537 thousand were recognized in the consolidated financial result and other comprehensive income for 2018 as "Costs related to the purchase of subsidiaries and restructuring".

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 thousand 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

- 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;
- 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 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;
- 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 option 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.

Goodwill in the amount of PLN 17,940 thousand is attributable to i.a. the economies of scale expected from the merger of the Group's operations with the business of the acquired entity. No part of the goodwill recognized will be deductible for income tax purposes. The fair value of trade receivables and other receivables is PLN 1,240 thousand (including 1,183 thousand PLN of trade receivables). As at the date of taking over control, there are no receivables that are considered unrecoverable.

Costs related to the purchase transaction in the amount of PLN 550 thousand were recognized in the consolidated financial result and other comprehensive income for 2018 as "Costs related to the purchase of subsidiaries and restructuring".

Parklot Sp. z o.o.

On 4 October 2018, a subsidiary of Wakacje.pl SA acquired 100% shares in Parklot Sp. z o.o. with headquarters in Warsaw.

Parklot is a marketplace acting as an intermediary in booking parking spaces at the largest airports in Poland. The website can boast the largest number of users in its category, and its offer includes almost 50 parking lots at airports.

The final purchase price of shares was PLN 2,782 thousand.

Goodwill in the amount of PLN 1,168 thousand due to the takeover is attributable to the i.a. economies of scale expected from the merger of the Group's operations with the business of the acquired entity. No part of the goodwill recognized will be deductible for income tax purposes. The fair value of trade and other receivables is PLN 371 thousand (including PLN 159 thousand of trade receivables). As at the date of taking over control, there were no

trade receivables that were considered unrecoverable.

The Group did not incur any significant costs related to this acquisition.

The next table lists the remuneration paid and the fair values of the assets and liabilities taken over as at the acquisition date of individual entities in financial statement for the year ended 31 December 2018. As of 31 December 2018 all of the following settlements were provisional.

PLN'000	My Travel Sp. z o.o.	Extradom.pl Sp. z o.o.	Parklot Sp. z o.o.	Superauto24.com Sp. z o.o.
Cash and cash equivalents - payment for the shares	7 939	59 475	2 782	450
Cash and cash equivalents - unpaid part of purchase price		15 525	-	-
Share capital increase				20 650
Additional payment - deferred payment	9 751	-	-	4 396
Total	**17 690**	**75 000**	**2 782**	**25 496**
Non-controlling interests measured at the value of share in net assets	-	-	-	7 259
Recognized values of identifiable acquired assets and liabilities				
Cash and cash equivalents	1 084	3 401	224	20 999
Property, plant and equipment	150	96	-	802
Trademark	2 211	16 515	1 012	6 402
Client relations	3 306	569	688	6 554
Copyrights and other intangible assets	72	7	-	-
Trade and other receivables	4 236	1 771	371	1 240
Trade and other payables	(7 874)	(2 353)	(359)	(18 720)
Deferred tax	(840)	(3 247)	(322)	(2 462)
Provisions for employee benefits	(27)	(76)	-	-
Total identifiable net assets	**2 318**	**16 683**	**1 614**	**14 815**
Goodwill	**15 372**	**58 317**	**1 168**	**17 940**

For information purposes, the next table presents the unaudited financial results of entities acquired in 2018 for the period from 1 January 2018 to the date when the Group took over control over them (results not included in this consolidated financial statement) and from the date of taking control until 31 December 2018 (results included in the results of the Capital Group for 2018). The individual data presented have not been audited by a certified auditor.

PLN'000	Since 01.01.2018 to the acquisition date			
	My Travel Sp. z o.o.	Extradom.pl Sp. z o.o.	Parklot Sp. z o.o.	Superauto24.com Sp. z o.o.
Sales	6 370	29 651	2 688	10 168
Cash sales	6 370	29 651	2 688	10 168
EBITDA	(387)	4 190	167	4 334
Adjusted EBITDA	81	5 289	544	4 334
Net profit/ (loss)	(386)	3 550	115	4 200

PLN'000	Since the acquisition date to 31.12.2019			
	My Travel Sp. z o.o.	Extradom.pl Sp. z o.o.	Parklot Sp. z o.o.	Superauto24.com Sp. z o.o.
Sales	10 992	6 679	463	-
Cash sales	10 992	6 679	463	-
EBITDA	1 342	791	90	-
Adjusted EBITDA	1 696	903	90	-
Net profit	1 094	442	69	-

24. CHANGES TO PURCHASE PRICE ALLOCATION

In these financial statements, an adjustment has been made to the information contained in the published consolidated statements for the year ended 31 December 2018 in relation to the acquisition of Superauto24.com Sp. z o.o. and My Travel Sp. z o.o.

My Travel Sp. z o.o.

The next table lists the remuneration paid and the fair values of the assets and liabilities of My Travel Sp. z o.o. shown as of the acquisition date. As of 31 December 2019, the settlement is final.

PLN'000	PPA as of 31.12.2018	Adjustment	PPA as of 31.12.2019
Cash and cash equivalents - payment for the shares	7 939	-	7 939
Deferred payment	9 751	-	9 751
Total purchase price	**17 690**	**-**	**17 690**
Recognized values of identifiable acquired assets and liabilities			
Cash and cash equivalents	1 084	-	1 084
Property, plant and equipment	150	-	150
Trademark	2 211	-	2 211
Client relations	3 306	-	3 306
Copyrights and other intangible assets	72	-	72
Trade and other receivables	4 236	(119)	4 117
Trade and other payables	(7 874)	-	(7 874)
Deferred tax	(840)	-	(840)
Provisions for employee benefits	(27)	-	(27)
Total identifiable net assets	**2 318**	**(119)**	**2 199**
Goodwill	**15 372**	**119**	**15 491**

Superauto24.com Sp. z o.o.

The next table lists the remuneration paid and the fair values of acquired assets and liabilities of Superauto24.com Sp. z o.o. shown as at the acquisition date. As of 31 December 2019, the settlement is final.

PLN'000	PPA as of 31.12.2018	Adjustment	PPA as of 31.12.2019
Cash and cash equivalents - payment for the shares	450	-	450
Share capital increase	20 650	-	20 650
Additional payment - deferred payment	4 396	-	4 396
Total	**25 496**	**-**	**25 496**
Non-controlling interests measured at the value of share in net assets	7 259	(568)	6 691
Recognized values of identifiable acquired assets and liabilities			
Cash and cash equivalents	20 999	-	20 999
Property, plant and equipment	802	(272)	530
Trademark	6 402	-	6 402
Client relations	6 554	-	6 554
Trade and other receivables	1 240	(493)	747
Trade and other payables	(18 720)	(396)	(19 116)
Deferred tax	(2 462)	-	(2 462)
Total identifiable net assets	**14 815**	**(1 161)**	**13 654**
Goodwill	**17 940**	**593**	**18 533**

25. NON-CURRENT PROGRAMMING ASSET

Programming assets include acquired licences for the transmission of movies, TV series, television programmes and capitalised production costs with the expected emission period longer than one year.

Programming assets is classified as current or non-current, depending on the licence period. Programming rights with a remaining licence period shorter than 1 year are classified as current.

PLN'000	As of 31 December 2019	As of 31 December 2018
Acquired programming rights	7 075	8 754
Total	**7 075**	**8 754**
including:		
current programming assets	1 270	3 369
non-current programming assets	5 805	5 385

PLN'000	Twelve months ending 31 December 2019	Twelve months ending 31 December 2018
Net book value as of 1 January	8 754	8 463
Additions:	5 011	3 825
- purchase of programming assets	5 011	3 825
Amortization and depreciation od acquired programming rights	(5 156)	(3 489)
Impairment allowance recognized and liquidations	(1 534)	(45)
Net book value as of 31 December	**7 075**	**8 754**

26. OTHER FINANCIAL ASSETS

eSky.pl SA shares

On 9 June 2017 Wirtualna Polska Media SA concluded a conditional share purchase agreement regarding acquisition of 625,000 ordinary series B bearer shares in a company eSky.pl SA The acquired shares represent 6.31% of the share capital of the company and entitle to 6.31% of votes on the General Meeting of the Company. On 19 June 2017, the suspending condition specified in the agreement has been fulfilled, the transaction has been finalized

The agreement contains provisions relating to the level of guaranteed return on investment (IRR) for the Wirtualna Polska Media SA in the form of irrevocable bids for the acquired shares submitted to the Wirtualna Polska Media SA by the sellers, which may be executed by the Group in the periods indicated in the agreement or upon the fulfilment of the specified (the put option). The put option payment is secured by a registered pledge established on pledged shares. In addition, the agreement includes provisions for the conduct of a possible transaction involving the sale of a controlling interest in the Company's shares in the future and the terms of the Wirtualna Polska Media SA participation in such a process and sets a doubled return on investment (IRR) for Wirtualna Polska Media SA if such transaction has not taken place within a certain period of time (as an execution of the put option).

The total purchase price for the shares and the put option described above amounted to PLN 15,625 thousand out of which PLN 14,526 thousand was attributed to the shares and PLN 1,098 thousand to the put option.

In accordance with IFRS 9, these shares were classified as financial assets at fair value through profit or loss. The company valued the shares held by the market multiples method. As at the balance sheet date, the fair value of shares in eSky.pl SA amounted to PLN 15,935 thousand and the fair value of the put option for these shares was PLN 2,658 thousand.

Teroplan Sp. z o. o.

On 18 March 2019, Wirtualna Polska Holding S.A. acquired 13.11% of shares in the share capital of Teroplan SA, the owner of the e-podróżnik.pl website.

The final purchase price of 13.11% of shares was PLN 7,753 thousand and was financed from the Group's own funds.

The e-podróżnik.pl website offers the opportunity to purchase tickets from over 400 domestic and international

carriers for bus and rail connections. The website facilitates everyday travel by providing the largest timetable in Poland, covering over 1,200 carriers. Every month, over 3 million passengers use e-podróżnik.pl. Teroplan S.A. is a company that introduces many technological innovations for the passenger transport industry. It implements, among others a system that automates route and price planning processes and vehicle management processes. The project is part of the latest global trends in the application of artificial intelligence technology in management processes and the use of information contained in big data collections.

The Group recognizes shares acquired in Teroplan S.A. as investments in financial instruments measured at fair value through profit or loss.

The Group measured the value of its shares in Teroplan. The fair value of shares held as of 31 December 2019 was PLN 8,133 thousand. Financial income from revaluation was recognized in the position "Financial income".

27. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD

Digitics SA

On 6 March 2019, Wirtualna Polska Holding SA concluded with INNC Limited, Michał Laskowski and Digitics SA in the organization a conditional investment agreement, the conditions of which were met on April 16, 2019, on the basis of which, following the fulfillment of the conditions precedent specified in the agreement, WPH acquired the right to take up 20% of shares in the share capital of Digitics SA, entitling to 20% of votes at the General Meeting of Shareholders in exchange for a cash contribution of PLN 2.5 million. At the same time, the agreement provided for the acquisition by WPH of 20,000 subscription warrants entitling to subscription for 20,000 shares in Digitics SA by the end of 2019 in exchange for an additional PLN 2.5 million. Acquisition of issued new shares will allow WPH to maintain a 20% share in the share capital of Digitics SA. The above additional payment was made in June 2019.

In addition, the investment agreement provides for a conditional option mechanism enabling WPH to purchase the remaining shares of Digitics SA. The condition triggering the option mechanism is that Digitics SA exceeds the standard value of LTM EBITDA specified in the contract for four consecutive months. If this condition is met, the Trade and Investment Promotion Section will have the right and obligation to purchase:

- shares in such a number which, together with the shares in the company's share capital held by WPH to date, entitle WPH to exercise 51% of votes at the company's general meeting, according to the valuation being the product of the multiplier resulting from the investment agreement and the company's LTM EBITDA in the month of exceeding the contractual value;

- shares in such a number that, together with the shares in the share capital of the company held by WP to date, entitle WP to exercise up to 75% of votes at the company's general meeting, according to the valuation being the product of the multiplier resulting from the investment agreement and the company's EBITDA for the first full financial year following the year in which the contracted value of EBITDA was exceeded;

- shares in such a number which, together with the shares in the company's share capital held by WP so far, entitle WP to exercise up to 100% of votes at the company's general meeting at a valuation which is the product of the multiplier resulting from the investment agreement and the Company's EBITDA for the second full financial year following the year in which the contracted value of EBITDA was exceeded.

In a situation where the Company does not achieve the forecasted positive EBITDA level, the maximum purchase value will not exceed PLN 5 million. Due to the initial stage of development of this project and the high probability that the contractual EBITDA level will not be met, the Group does not see any grounds to recognize in the balance sheet the liability arising from the put options held for the remaining shares of Digitics SA.

The investment agreement grants personal rights to Trade and Investment Promotion Section ensuring that it can exert significant influence on the company's operations. Accordingly, the Group has classified the company in Digitics SA as an associate and is consolidating it using the equity method. Digitics SA deals with financial services.

PLN'000	As of 31 December 2019
Associates	
Digitics Group	*2 923*
Total investments accounted for using the equity method	***2 923***

In 2019, the initial value of the investment was reduced by 2.077 thousand due to the loss generated by the company during this period and attributable to shares held by the Group.

PLN'000	Twelve months ending 31.12.2019
Amount as of 01.01.2019	**-**
Additions in the reporting period due to:	***5 000***
- purchase shares in an associate	5 000
Disposals in the reporting period due to:	***2 077***
- share in associate's losses	2 077
Amount as of 31.12.2019	**2 923**

The following tables summarize the financial information about Digitics SA:

PLN'000	As of 31.12.2019
Digitics Group:	
Current assets (short-term)	5 861
Non-current assets (long-term)	222
Short-term liabilities	(4 332)
Long-term liabilities	-
Net assets	**1 751**

PLN'000	Twelve months ending 31 December 2019
Digitics Group:	
Sales	932
Amortization and depreciation	(55)
Finance income	-
Finance costs	(43)
Income tax	-
Net loss	**(10 387)**
The Group's share in losses	**(2 077)**

28. TRADE AND OTHER RECEIVABLES

PLN'000	As of 31 December 2019	As of 31 December 2018
Trade receivables	133 857	112 172
Impairment allowances	3 995	1 420
Trade receivables net	**129 862**	**110 752**
Barter receivables gross	2 536	1 568
Impairment allowances	47	87
Barter receivables net	**2 489**	**1 481**
Contract assets	11 142	11 248
State receivables	7 435	8 153
Settlements with employees	58	110
Other	9 747	7 004
Total	**160 733**	**138 748**

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

The security for the Group loan constitutes the Group's current and future receivables subsequent to trade contracts. To secure the loan, the Borrower and the Additional Guarantors were obliged to make a conditional assignment of receivables from trade contracts with a total value of at least PLN 10,000 thousand. The Group also made the commitment that to secure the loan at any time, 60% of the Group's receivables shall be assigned.

The following table shows the classification of assets valued at amortised cost to 3 impairment degree categories:

PLN'000	As of 31 December 2019			As of 31 December 2018		
	Grade 1	Grade 2	Grade 3	Grade 1	Grade 2	Grade 3
Gross book values	73 929	131 215	5 178	66 663	111 873	1 867
Trade receivables		131 215	5 178		111 873	1 867
Cash	73 929			66 663		
Allowance (IFRS 9)	-	418	3 624	-	362	1 145
Trade receivables		418	3 624		362	1 145
Cash	-					
Net book value (IFRS 9)	**73 929**	**130 797**	**1 554**	**66 663**	**111 511**	**722**

Reconciliation of impairment allowance on trade receivables in the current reporting year is presented in the next table

PLN'000	As of 31 December 2019		As of 31 December 2018	
	Allowance for receivables		Allowance for receivables	
	ECL throughout the entire life without impairment	ECL throughout the entire life with impairment	ECL throughout the entire life without impairment	ECL throughout the entire life with impairment
Allowance for receivables as of 1 January 2019 (IFRS 9)	**362**	**1 145**	**372**	**1 467**
Utilization of impairment allowances	-	(714)	-	(700)
Allowance recognized in profit and loss	56	3 193	(10)	378
Allowance as of 31 December 2019 (IFRS 9)	**418**	**3 624**	**362**	**1 145**

The table below presents the rates of default and the calculation of impairment losses.

PLN'000	Current and expired up to 90 days	Expired above 90 days
Gross receivables as of 1 January 2019	111 873	1 867
Failure ratio	0,32%	61,33%
Expected credit loss as of 1 January 2019	362	1 145
PLN'000	Current and expired up to 90 days	Expired above 90 days
Gross receivables as of 31 December 2019	131 215	5 178
Failure ratio	0,32%	69,99%
Expected credit loss as of 31 December 2019	418	3 624

29. SHARE CAPITAL

As of 31 December 2019, the share capital was composed of 29,011,826 shares with a par value of PLN 0.05 each, including 11,289,709 preferred voting shares and 17,722,117 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 including among others:	3 777 164	13,02%	7 540 401	18,71%
Orfe SA	3 763 237	12,97%	7 526 474	18,68%
Michał Brański through subsidiaries including among others:	3 777 164	13,02%	7 540 400	18,71%
10X SA	3 763 236	12,97%	7 526 472	18,68%
Krzysztof Sierota through subsidiaries including among others:	3 777 164	13,02%	7 540 400	18,71%
Albemuth Inwestycje SA	3 763 236	12,97%	7 526 472	18,68%
Founders together *	**11 331 492**	**39,06%**	**22 621 201**	**56,13%**
AVIVA OFE	2 190 044	7,55%	2 190 044	5,43%
Others	15 490 290	53,39%	15 490 290	38,44%
Total	**29 011 826**	**100,00%**	**40 301 535**	**100,00%**

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

Company and conducting a long-term policy towards the Company exercise voting rights jointly.

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 including among others:	3 777 164	13,04%	7 540 401	18,74%
Orfe S.A.	3 763 237	13,00%	7 526 474	18,70%
Michał Brański through subsidiaries including among others:	3 777 164	13,04%	7 540 400	18,74%
10X S.A.	3 763 236	13,00%	7 526 472	18,70%
Krzysztof Sierota through subsidiaries including among others:	3 777 164	13,04%	7 540 400	18,74%
Albemuth Inwestycje S.A.	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 S.A., 10X SA and Albemuth Inwestycje S.A.) concerning joint voting at the general meeting of the Company and conducting a long-term policy towards the Company exercise voting rights jointly.

The share capital of the Company was fully paid up as of 31 December 2019 and 2018.

Significant changes of shareholders

In 2019 there were no significant changes in shareholders.

Share capital increase

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 at the General Meeting.

On 24 May 2019 KDPW registered and WSE admitted to trading 12,389 series D ordinary bearer shares and 8,595 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 1,449,770.70 and is divided into 28,995,414 shares with a nominal value of PLN 0.05, entitling to 40,285,123 votes at the General Meeting.

On 30 August 2019 KDPW registered and WSE admitted to trading 10,287 series D ordinary bearer shares and 6,125 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 1,450,591.30 and is divided into 29,011,826 shares with a nominal value of PLN 0.05, entitling to 40,301,535 votes at the General Meeting.

Changes in the share capital after the balance sheet date

On 31 January 2020 KDPW registered and WSE admitted to trading 4,102 series D ordinary bearer shares and 6,385 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 1,451,115.65 and is divided into 29,022,313 shares with a nominal value of PLN 0.05, entitling to 40,312,022 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	13,01%	7 540 401	18,71%
Orfe SA	3 763 237	12,97%	7 526 474	18,68%
Michał Brański through subsidiaries including among others:	3 777 164	13,01%	7 540 400	18,71%
10X SA	3 763 236	12,97%	7 526 472	18,68%
Krzysztof Sierota through subsidiaries including among others:	3 777 164	13,01%	7 540 400	18,71%
Albemuth Inwestycje SA	3 763 236	12,97%	7 526 472	18,68%
Founders together	**11 331 492**	**39,04%**	**22 621 201**	**56,12%**
Aviva OFE	2 190 044	7,55%	2 190 444	5,43%
Other	15 500 777	53,41%	15 500 777	38,45%
Total	**29 022 313**	**100,00%**	**40 312 022**	**100,00%**

Dividend policy and profit distribution

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

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

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

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

PLN'000	Twelve months ending 31 December 2019	Twelve months ending 31 December 2018
Dividends declared and paid for the current and previous years	28 995	27 748
Dividend per 1 share	1,00	0,96

30. INCENTIVE SCHEMES – SHARE-BASED PAYMENTS

First Incentive Schemes

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

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

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 2019, 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.

On 26 September 2016, the resolution no. 3 of the Extraordinary Shareholders Meeting of the Company was passed.

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

The total costs recognized in the financial result for the period ending 31 December 2019 in respect of the scheme amounted to PLN 609 thousand and the total cost recognized in the previous periods amounted to PLN 5,609 thousand.

	Share options (no. of units)
As of 1 January 2019	**257 229**
Awarded	
Non executed	(20 484)
Executed	(40 555)
As of 31 December 2019	**196 190**
Including the number of options vested as of the balance sheet date	54 528

The exercise price of the options outstanding as of 31 December 2019 amounted to PLN 12.17, and the period remaining to the end of the contractual life of the option is between 1 and 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 2016.

The weighted average fair value of the options awarded during 2019, 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 cost recognized in profit or loss for the period ended December 31, 2019 under this program was PLN 1,766 thousand while the cost of the year recognized in previous periods was PLN 2,187 thousand. The program has been classified as a share-based payment program settled in the Company's equity instruments.

	Share options (no. of units)
As of 1 January 2019	**349 400**
Awarded	120 000
Non executed	
Executed	(26 190)
As of 31 December 2019	**443 210**
Including the number of options vested as of the balance sheet date	109 504

The exercise price of the options outstanding as of 31 December 2019 amounted to PLN 32, and the period remaining to the end of contractual life of the option is between 3 and 5 years.

31. DISCLOSURE OF COMPONENTS OF OTHER COMPREHENSIVE INCOME

	Twelve months ending 31 December 2019	Twelve months ending 31 December 2018
The effective part of gains and losses on the cash flow hedges:	**165**	**611**
- Gains arising during the year	165	611
Actuarial gains and losses on employee benefits provisions:	**(90)**	**(12)**
- Actuarial losses from defined benefit pension plans	(90)	(12)
Income tax related to other comprehensive income/(losses)	**(17)**	**(2)**
Total comprehensive income	**92**	**601**

The following table shows the tax effect of the other comprehensive income:

	As of 31 December 2019		
	Before tax	Tax	After tax
The effective part of gains and losses on the cash flow hedges:	165	-	165
Actuarial gains (losses) from defined benefit pension plans	(90)	(17)	(73)
Total comprehensive income	**75**	**(17)**	**92**

	As of 31 December 2018		
	Before tax	Tax	After tax
The effective part of gains and losses on the cash flow hedges:	611		611
Actuarial gains (losses) from defined benefit pension plans	(12)	(2)	(10)
Total comprehensive income	**599**	**(2)**	**601**

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

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

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

32. SUBSIDIARIES WITH A NON-CONTROLLING INTEREST

Presented below is a summary of the financial information of the subsidiaries for which the value of non-controlling interests is significant from the Group's perspective. The amounts presented contain adjustments resulting from fair value measurement and do not contain adjustments eliminating transactions between companies listed below and other Group companies. As of 31 December 2019, the net asset value attributable to non-controlling interests amounted to PLN 12,246 thousand (as of 31 December 2018 it amounted to PLN 10,680 thousand).

PLN'000 Selected information from the statement of financial position:	As of 31 December 2019		
	Nocowanie.pl Sp. z o.o.	eHoliday.pl Sp. z o.o.	Superauto24.pl Sp. z o.o.
Current assets	2 029	3 523	7 703
Short-term assets	(6 559)	(3 362)	(3 376)
Long-term assets	(163)	-	(1 630)
Deferred tax	129	(251)	(1 868)
Non-current assets	20 183	5 176	13 595
Net assets	**15 619**	**5 086**	**14 424**
Accumulated non-controlling assets	**3 905**	**1 272**	**7 068**

PLN'000 Selected information from the statement of financial position:	As of 31 December 2018 Nocowanie.pl Sp. z o.o.	eHoliday.pl Sp. z o.o.	Superauto24.pl Sp. z o.o.
Current assets	1 209	2 636	22 239
Short-term assets	(6 064)	(4 523)	(18 301)
Long-term assets	(6 258)	(29)	(419)
Deferred tax	(10)	(195)	(2 461)
Non-current assets	20 951	5 964	**13 758**
Net assets	**9 828**	**3 853**	**14 816**
Accumulated non-controlling assets	**2 457**	**963**	**7 260**

PLN'000 Selected information from the income statement and other comprehensive income:	Twelve months ending 31 December 2019 Nocowanie.pl Sp. z o.o.	eHoliday.pl Sp. z o.o.	Superauto24.pl Sp. z o.o.
Sales	17 638	7 650	12 528
Profit/(loss) before tax	6 630	2 131	173
Net profit/ (loss) from continuing operations	5 327	1 699	767
Other comprehensive income			-
Comprehensive income	**5 327**	**1 699**	**767**
Comprehensive income attributable to non-controlling interests	1 332	425	376
Adjustment of the purchase price settlement			(568)
Dividends paid to non-controlling interests	116	(116)	

PLN'000 Selected information from the cash flow statement	Twelve months ending 31 December 2019 Nocowanie.pl Sp. z o.o.	eHoliday.pl Sp. z o.o.	Superauto24.pl Sp. z o.o.
Net cash and cash equivalents on operating activities from the date of acquisition or prior reporting date	8 566	1 533	945
Net cash and cash equivalents on investing activities from the date of acquisition or prior reporting date	(1 860)	(646)	(17 117)
Net cash and cash equivalents on financing activities from the date of acquisition or prior reporting date	(6 757)	(27)	(666)
Net cash and cash equivalents as of the date of acquisition or prior reporting date	959	2 403	20 999
Net cash and cash equivalents as of 31 December 2018 or the date of acquisition of 100% shares	908	3 263	4 161
Net change in cash and cash equivalents	**(51)**	**860**	**(16 838)**

33. DEFERRED TAX ASSET AND LIABILITY

Deferred tax in connection with tax losses deductible in the following years is recorded as an asset when the realisation of the tax benefits is probable by reducing future taxable income by the amount of these losses. The amount of the tax losses on which deferred tax was not recognised as of 31 December 2019 amounted to PLN 84,735. As of 31 December 2019, tax losses of PLN 12,539 thousand and PLN 7,047 thousand expire in 2023 and 2024 respectively (as of 31 December 2018 tax losses of PLN 6,892 thousand and PLN 5,492 thousand were to expire accordingly in 2022 and 2023).

The following table presents the components of the deferred tax asset and liability.

PLN'000	1 January 2019	Financial result	Change of accounting policy	Other comprehensive income	Business combinations	31 December 2019
Deferred tax assets:						
Change in tax values of assets as a result of internal reorganization of the Group	12 534	(4 576)	-	-	-	7 958
Unitilized tax losses	41 022	(21 644)	-	-	-	19 378
Write-downs of assets	995	999	-	-	-	1 994
Differences in tax and carrying amounts of liabilities and receivables	12 759	6 248	3 956	17	-	22 980
Other differences	689	554	-	-	-	1 243
Deferred tax assets	**67 999**	**(18 419)**	**3 956**	**17**	**-**	**53 553**
						-
Deferred tax liability:						**-**
Differences in carrying and tax amount of property, plant and equipment	67 975	1 620	3 956	-	694	74 245
Other differences	2 581	(152)	-	-	-	2 429
Deferred tax liability	**70 556**	**1 468**	**3 956**	**-**	**694**	**76 674**
Deferred tax assets/liability net	**(2 557)**	**(19 887)**	**-**	**17**	**(694)**	**(23 121)**

PLN'000	31 December 2019	31 December 2018
Offsetting of deferred tax liability	(52 998)	(52 837)
Deferred tax assets after offsetting	**555**	**15 162**
Deferred tax liabilities after offsetting	**23 676**	**17 719**

It is expected that deferred tax asset in the amount of PLN 42,828 thousand and deferred tax liability in the amount of PLN 4,049 thousand will be realized in less than 12 months.

34. LOANS AND LEASES

PLN'000	As of 31 December 2019	As of 1 January 2019 RESTATED	As of 31 December 2018
Long-term			
Bank loans	311 208	333 436	333 436
Other borrowings	-	1 662	1 662
A liability for the right of use buildings	45 401	15 019	
Finance lease	1 444	2 122	2 122
	358 053	**352 239**	**337 220**
Short-term			
Bank loans	35 547	30 607	30 607
A liability for the right of use buildings	13 231	8 545	
Finance lease	1 478	1 332	1 332
	50 256	**40 484**	**31 939**
Total	**408 309**	**392 723**	**369 159**

Bank loans

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

Refinancing of the current indebtedness resulting from the loan agreement of 24 March 2015 was made on 20 December 2017.

The new loan agreement bears an interest rate of 3M WIBOR plus a specified margin depending on the ratio of the

Group's net debt to EBITDA.

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

- tranche A in the amount of PLN 86,750 thousand should be repaid in twenty equal quarterly instalments payable over a period of 5 years after a lapse of 12 months from concluding the new loan agreement;
- tranche B in the amount of PLN 127,449 thousand should be repaid on the final maturity date which will fall on the 7th anniversary of the conclusion of the new loan agreement;
- tranche CAPEX 1 should be repaid in twenty equal quarterly instalments with first instalment due in fourth quarter of 2020;
- tranche CAPEX 2 should be repaid on the final maturity date which will fall on the 7th anniversary of the conclusion of the new loan agreement;

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

- financial and registered pledges on shares in Wirtualna Polska Media S.A., Totalmoney.pl Sp. z o.o., Domodi Sp. z o.oand Wakacje.pl S.A.;
- registered pledges on items and rights of Wirtualna Polska Media S.A., Totalmoney.pl Sp. z o. o., Wakacje.pl SA and Domodi Sp. z o. o.;
- ordinary and registered pledges on the rights to the trademarks of Wirtualna Polska Media S.A, Wakacje.pl SA, and Domodi Sp. z o.o.;
- financial and registered pledges on bank accounts maintained for Wirtualna Polska Holding S.A., Wirtualna Polska Media S.A., Totalmoney.pl Sp. z o.o., Wakacje.pl S.A and Domodi 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 Media S.A
- declarations on submission to enforcement procedures by Wirtualna Polska Holding S.A., Wirtualna Polska Media S.A., Totalmoney.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 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.

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 instalments 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;

Until 31 December 2019 the Group utilized PLN 153,378 thousand of CAPEX.

The debt from the loan agreement was presented in the balance sheet as of 31 December 2019 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 Group had the following undrawn credit lines:

PLN'000	As of 31 December 2019	As of 31 December 2018
Expiring within one year	212 421	-
Expiring after one year	20 000	232 421
Total	**232 421**	**232 421**

On 25 February 2020, the Company and Wirtualna Polska Media S.A. as borrowers and its subsidiaries TotalMoney.pl sp. z

o.o., Wakacje.pl S.A. and Domodi sp. z o.o. - as the guarantors entered into a senior term, capex and overdraft facilities agreements with a bank consortium comprising: (i) mBank S.A. („Facility Agent") (ii) Powszechna Kasa Oszczędności Bank Polski SA, (iii) ING Bank Śląski SA, (iv) Bank Polska Kasa Opieki SA (v) BNP Paribas Bank Polska SA as lenders pursuant to which the Lenders extended loans to the Company and WPM up to the total amount of PLN 978 mln designated for:

- financing of acquisitions and investment expenses up to the total amount of PLN 602 million (Capex Loan Tranche)
- refinancing current indebtedness under the credit facility agreements executed on December 12, 2017 with consortium of banks comprising mBank S.A. – as a lender and facilities agent, Powszechna Kasa Oszczędności Bank Polski S.A. and ING Bank Śląski S.A
- financing current activities and a revolving facility

The credit facilities bear interest of 3-M WIBOR plus a margin depending on the Group's net debt to EBITDA ratio.
The debt repayment is scheduled as follows:

- PLN 138.4m in twenty equal quarterly instalments payable from the 1st quarter of 2021;
- PLN 207.6 m on the final maturity date occurring on the 7th anniversary of signing of the New Credit Facilities Agreement;
- up to PLN 240.8m of Capex Loan Tranche in sixteen equal quarterly instalments payable from the 1st quarter of 2022;
- up to PLN 361.2m of Capex Loan Tranche on the final maturity date occurring on the 7th anniversary of signing of the New Credit Facilities Agreement.

The Lenders receivables under the New Credit Facilities Agreement will be secured by:

- financial and registered pledges over the shares in WPM, TotalMoney.pl sp. z o.o., Domodi sp. z o.o., Wakacje.pl S.A.;
- registered pledges over set of assets and rights of the Company, WPM, TotalMoney.pl sp. z o.o., Wakacje.pl S.A.;
- ordinary and registered pledges over the rights to trademarks of the WPM, Domodi sp. z o.o. and Wakacje.pl S.A.;
- financial and registered pledges on all bank accounts of the Company, WPM, TotalMoney.pl sp. z o.o., Domodi sp. z o.o., Wakacje.pl S.A., as well as the powers of attorney to such bank accounts;
- the agreement for the assignment of rights under the insurance policies, selected commercial receivables and the intercompany loans of the WPM;
- submission to enforcement relating to the claims of Lenders by the Company, WPM, TotalMoney.pl sp. z o.o., Domodi sp. z o.o. and Wakacje.pl S.A.; and
- a subordination agreement concerning any existing or future receivables with respect to WPM concerning the receivables of the Lenders.

Loans

As of 30 September 2019, the Group repaid the entire loan to the shareholder of Nocowanie.pl Sp. z o.o. drawn to finance the acquisition of 100% shares in eHoliday.pl Sp. z o.o.

Liabilities due to the right of use the assets

As of 31 December 2019, the Group is a lessee of cars and computer hardware. The lease contracts have been signed for periods not exceeding 5 years. Lease liabilities are effectively secured because the rights to the assets held under lease agreements return to the lessor upon the lessee's default.

From 1 January 2019, the Group have applied IFRS 16 "Leases" for the first time. From 1 January 2019, the Group, as a lessee, have recognized all identified contracts in accordance with one model, in which the statement of financial position includes an asset arising from the right to use the leased asset in correspondence with the liability arising from leasing contracts.

Pursuant to the introduced standard, the Group was obliged to recognize a lease liability in respect of a part of the space lease contracts which in previous periods were classified as operating leases.

As of 1 January 1 2019, the Group applied the "modified retrospective method" without transforming comparative data.

An additional lease liability recognized as of 1 January 2019 amounted to PLN 23,564 thousand, of which PLN 8,545 thousand was of a short-term nature. In March 2019, the Group recognized the asset and liability under a new office space lease agreement by Domodi in the amount of PLN 8.5 million, while in December 2019 the Group recognized a liability

under the office space lease agreement of Wirtualna Polska Media in the amount of PLN 32.7 million.

At the same time, the Group has contracts for a new office space for Totalmoney, for which the transfer of the right to use the asset will start in 2020. The Group estimates that the value of the liability and assets that will be recognized on the basis of this contract will be about PLN 4 million.

PLN'000	As of 31 December 2019	As of 31 December 2018
Gross finance lease liability (minimum lease payments)		
up to 1 year	15 498	1 332
from 1 to 5 years	42 085	2 286
over 5 years	6 651	-
Total	**64 234**	**3 618**
(-) future payments in respect of finance leases	(2 680)	(164)
Present value of finance lease liabilities	**61 554**	**3 454**
up to 1 year	14 709	1 332
from 1 to 5 years	40 233	2 122
over 5 years	6 612	-

The following table presents changes in the value of loans and leases during the year 2019:

Description	Bank loans	Other borrowings	Finance leases	Total
Amount as of 1 January 2019	**364 043**	**1 662**	**3 454**	**369 159**
Additions due to:	***13 287***	***32***	***68 568***	***81 887***
- change in credit card balance	104	-	-	104
- interest accrued	13 183	32	595	13 810
- new finance lease contracts	-	-	44 409	44 409
- change of accounting policies	-	-	23 564	23 564
Disposals due to:	***(30 575)***	***(1 694)***	***(10 468)***	***(42 737)***
- repayment loan principal	(17 352)	(1 662)	(9 728)	(28 742)
- repayment of interest	(13 223)	(32)	(595)	(13 850)
- adjustment to purchase price allocation	-	-	(145)	(145)
Amount as of 31 December 2019	**346 755**	**-**	**61 554**	**408 309**

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

Description	Bank loans	Other borrowings	Finance leases	Total
Amount as of 1 January 2018	**211 692**	**2 162**	**2 994**	**216 848**
Change of accounting policies	6 940	-	-	6 940
Amount as of 1 January ADJUSTED	**218 632**	**2 162**	**2 994**	**223 788**
Additions due to	***163 978***	***94***	***1 220***	***165 292***
- loans received	153 379	-	-	153 379
- change in credit card balance	35	-	-	35
- interest accrued	10 564	94	109	10 767
- new finance lease contracts	-	-	1 111	1 111
Disposals due to:	***(18 567)***	***(594)***	***(760)***	***(19 921)***
- repayment loan principle	(4 338)	(500)	(651)	(5 489)
- repayment of interest	(10 937)	(94)	(109)	(11 140)
- payment of bank commissions settled effectively	(3 292)	-	-	(3 292)
Amount as of 31 December 2018	**364 043**	**1 662**	**3 454**	**369 159**

35. PROVISIONS

PLN'000	As of 31 December 2019	As of 31 December 2018
Provision for employee benefits	**4 356**	**3 828**
profivion for pension benefits	482	307
holiday pay provision	3 874	3 521
Other provisions, including:	**1 105**	**1 988**
Provisions for litigation	1 105	1 988
Other	-	
Total	**5 461**	**5 816**

PLN'000	As of 31 December 2019	As of 31 December 2018
Provision for employee benefits		
At the beginning of the period	**3 828**	**3 244**
Recorded during the year	528	558
Utilized	-	-
Released	-	-
Business combinations		26
At the end of the period	**4 356**	**3 828**
Other provisions		
At the beginning of the period	**1 988**	**1 845**
Recorded during the year	903	1 378
Utilized	(1 456)	(810)
Released	(330)	(425)
At the end of the period	**1 105**	**1 988**

36. TRADE AND OTHER PAYABLES

The following table presents the structure of trade and other payables as of 31 December 2019 and 31 December 2018.

PLN'000	As of 31 December 2019	As of 1 January 2019 RESTATED	As of 31 December 2018
Long-term			
Contingent liabilities related to business combinations	3 997	4 396	4 396
Liabilities related to business combinations	11 905	13 999	13 999
Liabilities with respect to the put option for non-controlling interests	20 505	21 764	21 764
Liabilities in respect of purchase of property, plant and equipment and intangible assets	7 771	8 990	8 990
Other	198	477	477
	44 376	**49 626**	**49 626**
Short-term			
Trade payables	51 097	55 894	55 894
Contingent liabilities related to business combinations	72	5 849	5 849
Liabilities related to business combinations (other than earn-out)	2 546	18 694	18 694
Liabilities with respect to the put option for non-controlling interests	17 333	-	-
Contract and refund liabilities	39 749	32 566	32 566
State liabilities	8 844	8 582	8 582
Barter liabilities	2 986	1 792	1 792
Wages and salaries payables	10 021	9 554	9 554
Liabilities in respect of purchase of property, plant and equipment and intangible assets	7 639	9 478	9 478
Other	7 901	6 105	9 006
Total	**148 188**	**148 514**	**151 415**

As of 1 January 2019, in connection with the first application of IFRS 16, the Group eliminated PLN 2,901 thousand from other current liabilities regarding to settlements due to the contribution and the rent-free period and decreased by it the recognized value of the asset due to the right to use the buildings.

- **Revaluation of the liability under the put option for non-controlling interests Nocowanie.pl Sp. z o.o.**

In June 2019 the Management Board updated the forecasts of results for 2019 and 2020 for Nocowanie.pl Sp. z o.o. and eHoliday.pl Sp. z o.o. Valuation of the put option for non-controlling shares in Nocowanie.pl Sp. z o.o. depends on, among others the EBITDA result of both companies for 2019 for the first option and 2020 for the second option respectively. Due to higher than originally forecasted results of these companies, the Management Board decided to update the valuation of the option liability and increase it by PLN 11,610 thousand included in the financial statements of the Capital Group. The effects of the change in the valuation of the options have been included in the financial costs of the second quarter of 2019 in "Revaluation of commitments to purchase non-controlling interests and other liabilities on business combinations ".

In December 2019, based on the actual financial results of the Nocowanie.pl Group for 2019 which are the basis for the valuation of the purchase option for 12.5% shares of Nocowanie.pl (Option 1), and after further updating of forecasts for 2020 results, the Management Board decided to update the valuation of the option liability and increase it by PLN 3,082 thousand. This amount was charged to the consolidated financial result of the WPH S.A. Capital Group for the fourth quarter of 2019.

- **Revaluation and repayment of a contingent liability related to business combination - My Travel Sp. z o.o.**

In the third quarter of 2019 the Group updated the contingent liability based on the My Travel's actual financial results for 2018. As a result, the liability was reduced by PLN 1,6 million . The effect of the change in the valuation of liability was recognized as financial income of the third quarter of 2019 as " Revaluation of commitments to purchase non-controlling interests and other liabilities on business combinations". As of 31 December, 2019, the contingent liabilities arising from the acquisition of the shares in My Travel have been fully repaid.

- **Revaluation and repayment of a contingent liability related to business combination - Superauto24.com Sp. z o.o.**

The investment agreement on acquisition of 51% stake in Superauto24.com Sp. z o.o. stated that the purchase price may be increased by no more than PLN 5,000 thousand if the company reaches the financial objective set out in the agreement for the financial year 2019. Therefore, as of 31 December 2018 PL, Company recognized PLN 4,396 thousand of earn-out liability payable to the shareholders from whom the controlling pack was acquired.

During 2019, an annex was signed with minority shareholders, changing the year on which the settlement will be based to 2020. The value of future payments will not exceed PLN 11 million. The Group updated the contingent liability on the basis of forecast results and changed payment dates. As a result, the liability was reduced by PLN 0.8 million. The effects of the change in the valuation of the liability were recognized in finance income of the third quarter of 2019 as "Revaluation of the liability to buy non-controlling interests and other liabilities arising from business combinations".

- **Liabilities due to business combinations**

Superauto24.com Sp. z o.o.

As of 31 December 2018, the company Superauto24.com Sp. z o.o. recognised short-term liabilities of PLN 16,924 thousand arising from the agreements signed in December 2018 for the purchase of enterprises of Grupa Super Auto Sp. o.o. and Super Auto sp.j. B. Chojnacki, K. Makula as part of the consolidation of Superauto24.com. As of 31 December 2019, these liabilities were fully repaid.

Extradom.pl Sp. z o.o.

Wirtualna Polska Holding SA and owners selling shares in Extradom.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 2019, the liability arising from the acquisition of Extradom is PLN 14,451 thousand.

37. CONTINGENT REMUNERATION

Contingent liabilities arising from acquisitions of subsidiaries result mainly from the arrangements made with the former owners of Superauto24.com Sp. z o.o.

As of 31 December 2019, the estimated non-discounted amount of all future payments that the Group may be obliged to pay under the arrangements adopted amounted to PLN 5,072 thousand. The fair value of contingent consideration of PLN 4,069 thousand was in all cases estimated using the income method. Valuations of both obligations are at level 3 of the fair value hierarchy. Further information is disclosed in note 22 and 23.

38. LITIGATION

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

In the analysed period, the provision for court proceedings decreased by PLN 883 thousand and as of 31 December 2019 amounts to PLN 1,105 thousand.

39. FAIR VALUE ESTIMATION

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

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

The following table presents the Group's financial assets and liabilities measured at fair value as of 31 December 2019.

PLN'000	Level 1	Level 2	Level 3	Total
Assets and liabilities measured at fair value				
Assets measured at fair value through profit or loss	-	26 727	-	**26 727**
Contingent liabilities related to business combinations	-	-	(4 069)	**(4 069)**
Total	**-**	**26 727**	**(4 069)**	**22 658**

Level 1 financial Instruments

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

Level 2 financial Instruments

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

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

Level 3 financial Instruments

The following table presents changes in level 3 liabilities for the year ending 31 December 2019:

PLN'000	Contingent liabilities related to business combinations	
	As of 31 December 2019	As of 31 December 2018
At the beginning of the period	**10 245**	**7 189**
Acquisition My Travel Sp. z o.o.	-	9 751
Acquisition Superauto24.com Sp. z o.o.	-	4 396
Revaluation earn-out liability - Netwizor Sp. z o.o.	-	(371)
Revaluation earn-out liability - Superauto24.com Sp. z o.o.	(834)	-
Revaluation earn-out liability - Allani	-	168
Revaluation earn-out liability - My Travel Sp. z o.o.	(1 637)	(2 273)
Earn-out repayment - My Travel Sp. z o.o.	(4 266)	(2 692)
Earn-out repayment - Netwizor Sp. z o.o	(334)	(1 325)
Earn-out repayment - Allani Sp. z o.o.	-	(5 608)
Gains and losses recognized in the financial result	895	1 010
At the end of the period	**4 069**	**10 245**

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

PLN'000	Carrying amount	Fair value
Loans	346 755	346 402

40. OBJECTIVES AND PRINCIPLES OF FINANCIAL RISK MANAGEMENT

The Group is exposed to credit risk and liquidity risk and also to cash flow and fair value risks as a result of interest rate fluctuations. As of 31 December 2019 the Group's operations were not subject to significant currency risk due to an insignificant share of currency transactions in the Group's total transactions. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group utilizes derivative financial instruments to hedge against some risks. Since 2014, The Group has swap instruments to economically hedge against interest rate risk arising from loan agreements concluded. In connection with the new loan agreement signed on December 12, 2017, the Group terminated IRS transactions and as at 31 December 2019, it was not a party to any active hedging transactions

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

Credit risk

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

- **Trade receivables**

The Group concludes transactions with firms having a good reputation on the market and with a long relationship history which so far had no problems with the settlement of liabilities to the Group. All clients who wish to use trade credit are subjected to initial verification procedures. Moreover, due to the on-going monitoring of the balances of receivables, the Group's exposure to bad debt risk is insignificant. Due to a specific nature of the market on which the Group operates, receivables overdue up to 180 days are not considered irregular (unless the Group has information of a given client's financial difficulties). This results from the fact that the Group's clients are mainly agents (media houses, etc.) acting on behalf of the end clients. Therefore, it is frequently the case that the Group's clients suspend payment until funds from the end client are transferred to their account. There is no significant concentration of

credit risk in the Group, and receivables are usually paid up within 60 days.

The Group manages a well-diversified portfolio of customers and suppliers. In both 2019 and 2018 there was one customer whose turnover exceeded 10% of the Group's consolidated revenue and amounted to 12% in 2019 and 11% in 2018. This customer is in a stable financial situation and there were no payment delays during the long-term cooperation. Therefore, the Management Board sees no risk of excessive concentration of income.

- **Cash in the bank**

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

PLN'000	As of 31 December 2019	As of 31 December 2018
Banks with rating A1 –A3	73 929	66 663
Total cash at banks	**73 929**	**66 663**

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 Group 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.
The Group has no cash deposits with maturities longer than three months.

- **Cash flow and fair value risk resulting from interest rate fluctuations**

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

The Group actively analyses its exposure to interest rate fluctuations. Simulations of various scenarios are conducted, taking into account refinancing, renewal of the existing positions, alternative financing and hedges. Based on these scenarios, the Group calculates the effect of specific interest rate fluctuations on the financial result. These scenarios are only created for liabilities which constitute the largest interest-bearing items. Based on various scenarios, the Group manages its cash flow risk relating to interest rate fluctuations – using interest swaps under which floating interest rates are swapped for fixed. The economic result of applying such swaps is that loans and advances with floating interest rates are transformed into instruments bearing fixed interest rates. Based on the agreements relating to interest rate swaps, the Group undertakes, together with the other parties, to swap at specific intervals (usually on a quarterly basis) the difference between the fixed and floating interest rates established based on the agreed basis principal.

Until 20 December 2017 the Group was a party in four swap agreements converting floating interest rates into fixed. The instruments were terminated after new loan agreement was signed. The Group estimates that a change of interest rate by 1 p.p. would result in additional PLN 3 million of financial interest costs per annum.

- **Liquidity risk**

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

PLN'000	up to 3 months	from 3 to 12 months	from 1 to 5 years	> 5 years	Total
As of 31 December 2019					
Interest-bearing bank loans	7 650	27 862	173 401	223 404	**432 317**
Interest-bearing other borrowing	0	0	0	-	**-**
Finance leases	4 468	10 872	41 796	6 643	**63 779**
Trade payables and other financial liabilities	137 913	9 851	47 573	0	**195 337**
As of 31 December 2018					
Interest-bearing bank loans	7 650	22 903	173 401	223 404	**427 358**
Interest-bearing other borrowing		1 662			**1 662**
Finance leases	333	999	2 122	-	**3 454**
Trade payables and other financial liabilities	105 448	17 629	46 867	2 380	**172 324**

Capital management

The principal objective of the capital management within the Group is to maintain a sound credit rating and safe capital ratios to support the Group's operating activity and to increase shareholder value. The Group 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 Group may change the payment of a dividend to the shareholders, return capital to shareholders or issue new shares.

The Group controls its capital balances using the leverage ratio, which is calculated as the ratio of net debt to total equity plus net debt. The Group's net debt includes interest-bearing loans and borrowings, less cash and cash equivalents. The capital management ratios presented below are on a level consistent with the Management Board's expectations.

PLN'000	As of 31 December 2019	As of 31 December 2018
Interest-bearing loans	346 755	369 159
Less cash and cash equivalents	(73 929)	(66 663)
Net debt	**272 826**	**302 496**
Equity	513 127	467 760
Equity and net debt	785 953	770 256
Leverage ratio I	**35%**	**39%**
Adjusted EBITDA for the last 12 months	210 331	173 000
Leverage ratio II (Net debt/Adjusted EBITDA)	**1,30**	**1,75**

41. RELATED PARTY DISCLOSURES

As of 31 December 2019 no individual entity can control the Group independently. Nevertheless, in view of the share of the overall number of votes at the General Meeting, the Founders (i.e. Jacek Świderski, Michał Brański and Krzysztof Sierota) and Companies controlled by them (acting in concert on the basis of a cooperation agreement regarding the joint exercise of ownership rights based on holding shares in the Company after the Admission Date) are able to exercise a decisive influence over the decisions regarding the most important corporate issues such as the appointment and dismissal of the President of the Management Board, the appointment and dismissal of the members of the Supervisory Board, the amendment of the Articles of Association, the issuance of new shares in the Company, a decrease of the share capital of the Company, the issuance of convertible bonds, dividend payments and other actions which, pursuant to the Commercial Companies Code, require an ordinary or a qualified majority of votes at the General Meeting.

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

The following transactions were concluded with related entities.

PLN'000	Twelve months ending 31 December 2019	Twelve months ending 31 December 2018
Purchases		
Subsidiary of a member of the Management Board of the Parent Company	138	4
Total	**138**	**4**
Sales		
Advertising services rendered to a subsidiary of a member of the Supervisory Board	441	646
Total	**441**	**646**

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

PLN'000	As of 31 December 2019	As of 31 December 2018
Liabilities		
Subsidiary of a member of the Management or Supervisory Board of the Parent Company	80	24
Total	**80**	**24**
Receivables		
Subsidiary of a member of the Supervisory Board of the Parent Company	23	-
Total	**23**	**-**

The benefits payable or paid to the Parent Company's Management and Supervisory Board Members in the analysed period of current year and previous year are presented in the following table.

PLN'000	Twelve months ending 31 December 2019	Twelve months ending 31 December 2018
Short-term employee costs (salaries)	6 932	5 934
Incentive scheme - share based payments	636	-
Total	**7 568**	**5 934**

42. EXPLANATIONS TO THE CASHFLOW STATEMENT

PLN'000	Twelve months ending 31 December 2019	Twelve months ending 31 December 2018
Change in receivables and other short-term assets arises from the following items:	**(23 192)**	**(18 527)**
Change in receivables and other short-term assets per balance sheet	(21 985)	(23 762)
Change in long-term receivables per balance sheet	293	(346)
Change in assets relating to financial activities		(2 395)
Receivables and other assets of companies as of the date of obtaining control	351	7 618
Change in accounting policies	(140)	(346)
Change in income tax receivables	(1 641)	702
Other	(70)	2
Change in short-term liabilities arises from the following items:	**4 665**	**20 814**
Change in short-term liabilities per balance sheet	(3 227)	(10 639)
Adjustment for a change in investment liabilities	6 431	42 666
Adjustment for a change in investment liabilities taken over as a result of obtaining control		19 273
Revaluation of investment liabilities recognized in operating activities		298
Liabilities taken over as a result of obtaining control	(1 228)	(30 521)
Change in long-term deferred income	(279)	93
Change in liabilities in respect of financial activities	67	(361)
Change in accounting policies	2 901	
Other		5
Change in provisions arises from the following items:	**(445)**	**613**
Change in short-term provisions per balance sheet	(355)	727
Actuarial valuation recognized in other comprehensive income	(90)	(12)
Provisions taken over as a result of obtaining control		(102)
Other		
Purchase of shares in a subsidiary	**(14 874)**	**(67 061)**
Nominal purchase price	(16 100)	(92 769)
Cash and cash equivalents in subsidiaries as of the date of the acquisition's settlement	1 226	25 708

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

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

Guarantees granted to non-Group entities

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

Inter-company guarantees

The guarantors of the current loan agreement concluded on 12 December 2017 between Wirtualna Polska Media SA, Wirtualna Polska Holding SA and mBank, PKO BP and ING Bank Śląski are: Wirtualna Polska Holding SA, Wakacje.pl SA, Money.pl Sp. z o.o., Nocowanie.pl Sp. z o.o. and Domodi Sp. z o.o. and Extradom Sp. z o. o.

44. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Customs and fiscal control findings

On 24 February 2020, Wirtualna Polska Media S.A. received customs and fiscal control findings carried out by the

Head of the Małopolski Customs and Tax Office in Krakow ("Head of Tax Office"). The Tax Office examined WPM's compliance with the CIT regulations for the fiscal year 2016. The Head of Tax Office concluded that WPM had incorrectly recognized the tax costs related to the sale of WP Shopping shares (previously WP SA) and questioned the tax loss recognised on the transaction. It should be emphasized that the Head of Tax Office did not question the legitimacy of recognizing the tax costs, but the amount recognized.
The Head of Tax Office presented a different interpretation of tax regulations than WPM. Consequently, according to the Head of Tax Office, WPM was not entitled to recognize the full amount of tax costs related to the transaction on shares.
In the event that the Head of Tax Office issues a decision unfavourable for Wirtualna Polska Media, consistent with the Tax Control Findings, WPM will pursue appropriate legal action in defence of its position. WPM estimates the maximum possible negative impact on the consolidated result of the Capital Group in the amount of PLN 61.3 million (reversal of recognized tax asset and current tax deduction for 2016). Out of this amount WPM utilized PLN 42.1 million in current income tax in 2016-2019. The above amounts do not include potential interest estimated by WPM as of the date of the control findings at PLN 1.3 million.
WPM does not agree with the outcome of the tax financial audit. It's in possession of individual tax interpretations of the Minister of Finance and tax opinions prepared by reputable tax advisory companies confirming its position. WPM is not going to submitted tax returns adjustments, and in the event it receives an unfavourable tax decision following these Tax Control Findings it will pursue appropriate legal action in defence of its position.

- **New credit facility agreement**

On 25 February 2020, the Company and Wirtualna Polska Media S.A. as borrowers and its subsidiaries TotalMoney.pl sp. z o.o., Wakacje.pl S.A. and Domodi sp. z o.o. - as the guarantors entered into a senior term, capex and overdraft facilities agreements with a bank consortium comprising: (i) mBank S.A. („Facility Agent") (ii) Powszechna Kasa Oszczędności Bank Polski SA, (iii) ING Bank Śląski SA, (iv) Bank Polska Kasa Opieki SA (v) BNP Paribas Bank Polska SA as lenders pursuant to which the Lenders extended loans to the Company and WPM up to the total amount of PLN 978 mln. Details of the new agreement are described in Note 34 to the consolidated financial statements

There were no other significant post- balance sheet events except for those described above and those regarding the changes in the Group's structure, described in note 7.

- **Impact of SARS-Cov-2 coronavirus on interest in foreign tourism**

Wakacje.pl are observing the tendency to resign from purchasing trips and canceling reservations, especially to countries where the most cases of the virus have been diagnosed. It is difficult at the moment to estimate how long the current situation will last and how it will affect travel interest in the coming months. Nevertheless, the results of the survey in the Ariadna research panel, commissioned by Wakacje.pl, show a large impact of coronavirus cases on interest in tour operators' offers. According to a study conducted in the second half of February 2020, even before confirmed cases of spreading the virus in Italy, almost half of the respondents assured that the coronavirus did not discourage them from traveling abroad in 2020. Only every fifth person questioned was concerned about the trip. At the beginning of March, when there was much more information about cases of infection in Italy, 35% of respondents were already discouraged from trips abroad, 31% were of the opposite opinion. The Management Board expects that the described downward trend in tour bookings may have a negative impact on the Group's financial results in 2020. At the same time, as at the date of this report, the Management Board is not able to precisely determine the impact of the coronavirus epidemic on other areas of the Group's operations, in particular on the advertising market. Apart from the events described above, the changes in the structure of the capital group described in note 7 did not occur as of the date of these financial statements.

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

On 2 August 2019 the Company signed an agreement on the audit of financial statements of the Company for 2019-2020 financial years and the audit of the consolidated financial statements of Capital Group for 2019-2020 financial years with PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. with its registered office in Warsaw, Polna 11 Street.

The following table includes the list of services provided for the WPH Capital Group by the entity authorised to audit financial statements or the company from its group, as well as remuneration for these services (in PLN thousand) for the

period of 12 months ended 31 December 2019 and 31 December 2018.

PLN'000	Twelve months ending 31 December 2019	Twelve months ending 31 December 2018
Audit of the annual financial statements	397	425
Other services	2	119
Review of interim financial statements	79	77
Total	**478**	**621**

46. SELECTED CONSOLIDATED FINANCIAL DATA CONVERTED INTO EUR

Consolidated income statement and other comprehensive income

	Twelve months ending 31 December 2019	Twelve months ending 31 December 2018	Twelve months ending 31 December 2019	Twelve months ending 31 December 2018
	PLN'000		EUR'000	
Segment ONLINE				
Sales	688 379	550 816	160 021	129 090
Cash sales	665 150	526 254	154 621	123 334
Adjusted ABITDA (IAS 17)*	214 670	178 721	49 902	41 885
EBITDA (IAS 17)*	205 195	168 726	47 700	39 543
Adjusted EBITDA (IFRS 16)**	223 282	-	51 904	-
EBITDA (IFRS 16)**	213 807	-	49 702	-

	Twelve months ending 31 December 2019	Twelve months ending 31 December 2018	Twelve months ending 31 December 2019	Twelve months ending 31 December 2018
	PLN'000		EUR'000	
Segment TV				
Sales	20 321	16 500	4 724	3 867
Cash sales	20 321	16 500	4 724	3 867
Adjusted ABITDA (IAS 17)*	(4 339)	(5 721)	(1 009)	(1 341)
EBITDA (IAS 17)*	(4 580)	(5 833)	(1 065)	(1 367)
Adjusted EBITDA (IFRS 16)**	(4 339)	-	(1 009)	-
EBITDA (IFRS 16)**	(4 580)	-	(1 065)	-

	Twelve months ending 31 December 2019	Twelve months ending 31 December 2018	Twelve months ending 31 December 2019	Twelve months ending 31 December 2018
	PLN'000		EUR'000	
Segments total				
Sales	708 700	567 316	164 745	132 957
Cash sales	685 471	542 754	159 345	127 201
Adjusted ABITDA (IAS 17)*	210 331	173 000	48 894	40 545
EBITDA (IAS 17)*	200 615	162 893	46 635	38 176
Adjusted EBITDA (IFRS 16)**	218 943	-	50 896	-
EBITDA (IFRS 16)**	209 227	-	48 637	-
Depreciation and amortization of tangible and intangible assets	(79 282)	(55 622)	(18 430)	(13 036)
Operating profit	129 945	107 271	30 207	25 140
Result on financial activities	(31 092)	(13 833)	(7 228)	(3 242)
Profit before tax	98 853	93 438	22 979	21 898
Net profit	71 132	75 997	16 535	17 811

Consolidated statement of financial position

	As of 31 December 2019	As of 31 December 2018	As of 31 December 2019	As of 31 December 2018
	PLN'000		EUR'000	
Total assets	1 145 069	1 063 446	268 890	247 313
Non-current assets	909 137	854 666	213 488	198 760
Current assets	235 932	208 780	55 403	48 553
Long-term liabilities	426 105	404 565	100 060	94 085
Short-term liabilities	205 837	191 121	48 336	44 447
Equity	513 127	467 760	120 495	108 781
Share capital	1 451	1 449	341	337
Non-controlling interests	12 246	10 680	2 876	2 484

Consolidated cash flow statement

	Twelve months ending 31 December 2019	Twelve months ending 31 December 2018	Twelve months ending 31 December 2019	Twelve months ending 31 December 2018
	PLN'000		EUR'000	
Net cash flows from operating activities	188 986	155 714	43 932	36 493
Net cash flows from investing activities	(109 147)	(239 350)	(25 372)	(56 095)
Net cash flows from financing activities	(72 551)	103 990	(16 865)	24 371
Total net cash flows	**7 288**	**20 354**	**1 694**	**4 770**

Conversion into euro was performed based on the following principles:

- amounts presented in PLN as of 31 December 2019 were converted into EUR at the exchange rate of 4.2585(the NBP exchange rate as of 31 December 2019),
- amounts presented in PLN as of 31 December 2018 were converted into EUR at the exchange rate of 4.3 (the NBP exchange rate as of 31 December 2018),
- amounts presented in PLN for the period of twelve months ending 31 December 2019 were converted into EUR at the exchange rate of 4.3018 (the arithmetic mean of the NBP exchange rates as of the last day of each month of the year 2019),
- amounts presented in PLN for the period of twelve months ending 31 December 2018 were converted into EUR at the exchange rate of 4.2669 (the arithmetic mean of the NBP exchange rates as of the last day of each month of the year 2018).

47. ADDITIONAL INFORMATION ON THE RESULTS OF THE FOURTH QUARTER OF 2019 (UNAUDITED)

PLN'000	Three months ending 31 December 2019	Three months ending 31 December 2018
Sales	**189 659**	**173 463**
Cost of goods sold	(6 839)	(4 220)
Amortization and depreciation	(20 723)	(14 954)
Amortization and depreciation of acquired programming rights	(1 028)	(980)
Materials and energy used	(2 220)	(2 040)
Costs related to public offering, acquisitions of subsidiaries and restructuring, including:	(3 717)	(3 202)
External services	(2 457)	(2 851)
Salary and employee benefit expenses	(298)	487
Other operating expenses	(962)	(838)
Costs of the employee option scheme	(614)	(295)
Other external services	(56 044)	(63 816)
Other salary and employee benefit expenses	(51 269)	(49 323)
Other operating expenses	(4 634)	(3 074)
Other operating income/gains	795	323
Operating profit	**43 366**	**31 882**
Finance income	528	349
Finance costs	(4 778)	(4 571)
Revaluation of commitments to purchase non-controlling interests	(2 249)	667
Dividends received		
Share in profits of investments accounted for using the equity method	(880)	-
Profit before tax	**35 987**	**28 327**
Income tax	(9 128)	(1 726)
Net profit	**26 859**	**26 601**
Other comprehensive income/(losses) re-classifiable to profit and loss:	(72)	136
Other comprehensive income/(losses) non re-classifiable to profit and loss	-	(10)
Comprehensive income	**26 787**	**26 727**
Net profit attributable to:		-
Equity holders of the Parent Company	26 496	26 508
Non-controlling interests	363	93
		-
Comprehensive income attributable to		-
Equity holders of the Parent Company	26 424	26 644
Non-controlling interests	363	93

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

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

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

Management's report on non-financial information

for the year ended 31 December 2019

Dear Readers!

In recapping our operations in this report we focus on the responsibility and sustainable development of Wirtualna Polska Holding Capital Group. In 2019, among others, we moved our main headquarters in Warsaw. Following the successful implementation of an innovative cooling system in the server room, which uses, among others, cold ambient air, we have decided to introduce more free cooling installations. We have also developed the project of a mail server which will reduce the amount of necessary equipment by up to 40% in the future and as a result ensure savings in electricity consumption.

Business Garden, where the new WP headquarters are located, is one of the best examples of green architecture in the entire city with a LEED Premium certification. As much as 60% of the complex's area is biologically active. Wherever possible, green roofs have been set up. The buildings are equipped with a rainwater management system, which saves 6 million litres of water per year in the complex. Other teams from Gdańsk, Wrocław and Lublin will also move to eco-friendly offices in 2020.

We encourage our stakeholders and users to take up environmentally sustainable steps as well. We have launched e-autokult.pl, a service on electromobility. The nocowanie.pl team has created a filter for their customers to search for eco-friendly accommodation, which makes it easier to find places with environmentally friendly solutions. We take advantage of the educational potential of our services. We promote conscious use of energy, moderate water consumption, selective waste collection and sustainable transportation. In 2019, our editorial teams were involved in a number of educational campaigns and published nearly 1,300 related materials.

Jacek Świderski

Chairman of the Management Board of Wirtualna Polska Holding SA

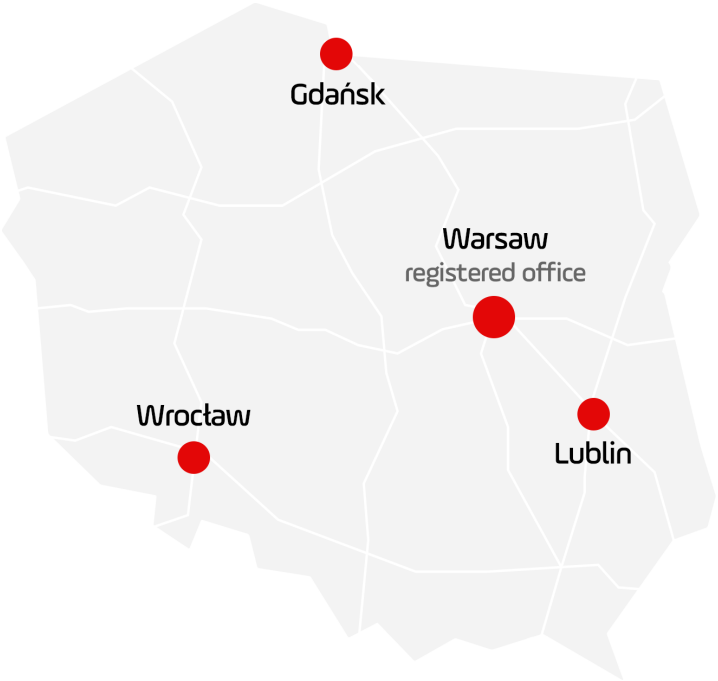
[102-14]

Learn more about us

[102-1; 102-3; 102-4]

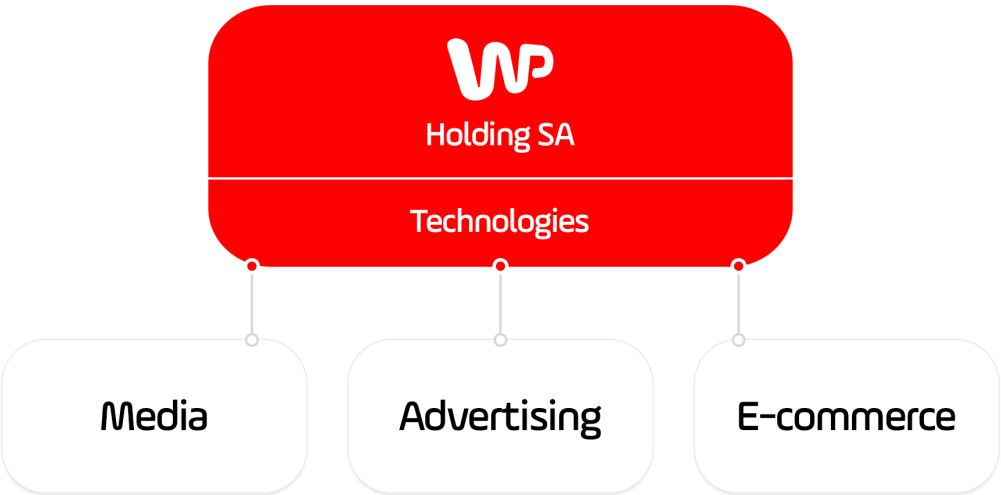
Wirtualna Polska is a capital group headed by Wirtualna Polska Holding SA, with its registered office in Warsaw, ul. Żwirki i Wigury 16. Our group operates in Poland. It offers interesting and attractive work environments in, e.g., Warsaw, Gdańsk, Wrocław and Lublin.

Our main locations:



Our brands, products, services and business model

[102-2]



Wirtualna Polska is a technology holding. Its operations involve media, advertising and e-commerce. Our mission is to remain the partner of first choice for Poles. Our websites are based on innovative solutions that allow us to broaden our target group and provide precise services and advertisements.

The scale of our operations

According to the Gemius/PBI study, there were 21.5 million real users of all Internet products of the WP Group in December 2019 with 2.8 billion page views, spending (on average) 26.5 minutes a day on the portals.

21,5 million
real users

2,8 billion
PV

26,5 minutes
daily

Our journalists and reporters prepare dozens of materials on a daily basis, including interviews, video reports, opinions, features and news. Every day, they provide current information, comment on the current events and present tidbits from the world of entertainment. They make Wirtualna Polska a place that Internet users return to every day.

Media

Portals and content

For us and our users, Wirtualna Polska is the centre of everything that happens in Poland. It is thanks to Wirtualna Polska's team of employees and collaborators that WP Home Page has outstripped the competition, rising up to the 1st place in the Gemius/PBI online traffic measurement.

WP's portfolio also includes a number of thematic portals. Each day we present the most important news from Poland and the world, we run the most popular financial service in Poland, we also provide a full overview of sports information as well as automotive, technological, lifestyle and entertainment content. In 2019, our service family expanded to include, among others, So Magazyn and e-autokult.pl.

In the same year, we introduced a fully revamped o2 service. The information is displayed in a transparent, easy-to-read form. The website features "A daily dose of good news", i.e. a section with positive information, which sets us apart from the competition. The new service avails itself of the latest technologies: React, Node.js and Golang.

We have also implemented the new WP Home Page for mobile devices. It has enlarged photos and highlights some of the titles in colour. Game results and currency rates are available in real time. There is a horizontal scrolling section at the bottom of the page. Advertisers have gained new formats.

For the first time in the history of Wirtualna Polska we have organized a WP event called #dziejesiejesienią (#happeningintheautumn). We presented new autumn time programmes and TV offer, as well as plans for the nearest future. In the brand experience section, our visitors could take a sneak peek at the "backstage" of the WP brand. The presentations covered such topics as, among others, the functioning of the DAI technology and the anti-spam system for WP and o2 mail services.

For the first time ever, we granted money.pl awards. It is the largest Polish economic service. It is an award for the leaders of Polish business, people and companies that set the tone for socio-economic changes in Poland. The final gala was held during the Impact'19 Congress in Krakow.

In 2019, the work of our journalists was recognized time and again. Paweł Kapusta was shortlisted for the Ryszard Kapuściński Award for the best literary reportage. The jury praised his Agonia, a collection of reportages on the Polish health care system. The Bohdan Tomaszewski Prize awarded by Press went to Michał Kołodziejczyk. The statuette in this category is awarded to sports journalists with outstanding journalistic skills and a superb command of the written language, as well as professional ethics and integrity.

E-mail

Other services that facilitate our users' communication are also WP Poczta and o2 poczta. They offer unlimited inbox sizes and attachments of up to 100 MB. They stand apart for their superior level of safety and business solutions. In 2019, as the first Polish publishers, we implemented the "Mail Without Borders" project. Customers with hearing impairments can easily contact the Customer Service Office with the aid of the Migam sign language translator. We have also added a function for ordering e-prescriptions in one place, which makes them easily accessible whenever they have to be shown, for example on the screen of a cellphone.

Television

Telewizja WP's programmes include movies and shows from all over the world, never before broadcast on Polish FTA TV channels. The station can boast its original feature programmes, including "Tłit" and "Money. To się liczy", entertainment shows, documentaries and home renovation and decoration programmes. Since April 2019, Telewizja WP has been broadcasting the world's most famous automotive show, "Top Gear", and since October, also Gordon Ramsay's "Kitchen Nightmares". The WP television was the first in Poland to broadcast the Sekielski brothers' film "Tylko nie mów nikomu" ("Just don't tell anyone"), broadening the audience to include terrestrial television viewers. According to Nielsen Audience Measurement, Telewizja WP closed 2019 with 0.49% share in the all 16-49 group, improving the result by 22% YTY. In the second half of 2019, it took a leading 0.54% share in MUX8.

WP television is available on terrestrial eighth multiplex (MUX8), on CANAL+ platform, in the best cable networks and in the WP Pilot service. In 2019, the customers of Cyfrowy Polsat platform also gained access to the station.

Video

Our users can also tune into traditional television online. WP Pilot enables them to watch over 90 TV channels, of which 30 are entirely free of charge. The service is available without any contracts or decoding devices. The television can be watched on the website, through the application for Android, iOS, Windows and Xbox, as well as with the use of Chromecast and Airplay.

Radio

OpenFM is the most popular Polish Internet radio. Listeners can tune into over one hundred different music stations, divided into thematic categories. The service is available at www.open.fm and via the mobile application on Android and iOS devices. In order to secure even broader distribution to our brand, in 2019 we participated in competitions of the National Broadcasting Council for broadcasting on local digital multiplexes. As a result, OpenFM can now be heard in Warsaw, Rzeszów, Katowice and Tarnów, among others.

Advertising

Wirtualna Polska operates on the Polish online advertising market, offering a wide range of advertising products to its customers. These consist of e.g. modern display advertising, including online video advertising, email advertising, mobile device advertising and efficiency model based advertising (i.e. billed for website accesses, filling out forms, registrations, purchase of goods or services, lead generation, performance marketing). WP has been developing its sales according to an intelligent programming model, which provides many advanced metrics to measure its campaigns.

As part of its new billing plan #PłaćZaObejrzane, Wirtualna Polska has introduced the 3x100 offer. The customer pays only for the video spots, which are counted as follows: 100% advertisement player seen for at least 2 seconds, not skipped, that is viewed until the end. The 3x100 standard has been available since November 2019 in video direct multiscreen display campaigns. This is a new, qualitative billing model, whose rates depend primarily on the length of the spot. At the same time, it is the first such offer in Poland.

We were also the first to introduce the DAI (Dynamic Ad Insertion) format which, along with the marketing automation technology developed at WP allows greater reach and better personalization of ads, both display and video. Replacement of a linear TV block with an unskippable video commercial was introduced in Telewizja WP in the WP Pilot service. WP sees perspectives for further development in this form of advertising. Through online TV streaming, Wirtualna Polska is able to extend the reach of the most popular nationwide TV programmes.

E-commerce

E-commerce of the WP Group is an extensive solution that guarantees the effective reach to recipients, providing users with information about trends and purchase recommendations. The Group operates in the areas of tourism, fashion, interior design and house design, financial services, and in the automotive sector.

Travel

Tourism portals of the Group provide a complete offer to travellers and those looking for accommodation in Poland and abroad. Wakacje.pl is the first tourist portal in Poland and a dynamically developing network of brick-and-mortar locations throughout Poland. Every day, the portal presents current offers of the largest renowned tour operators. Wakacje.pl supports consumers in purchasing decisions due to a unique database of reviews related to hotels and destinations, and thanks to the largest tourist discussion forum, featuring interesting daily topics and travel reports. Users interested in domestic holiday can use nocowanie.pl and eholiday.pl portals that have the biggest database of domestic accommodation in Poland.

Fashion

The mission to support our users in their everyday decisions is also demonstrated by the services offered in the two largest fashion search engines in Poland: domodi.pl and allani.pl. These portals offer several hundred thousand products from hundreds of online shops.

Interior and house design

Homebook.pl is a modern platform for interior design professionals and enthusiasts. It offers users the possibility to search among hundreds of thousands of products from hundreds of shops in the home and interior category. It also has an extensive inspiration section where interior design, advice and trends are presented, and a database of interior design specialists. Extradom.pl specializes in the sale of house design plans online. Both brands integrate the consumers' purchasing journey from the house design, through building materials, up to the interior design.

Financial services

We also assist users in important financial decisions. WP Group's services compare and make it possible to select the best insurance, credit, loan, card and account offers. Our experts use plain language, and the

content they create makes it possible to find one's way through the complex world of finance. For those interested in in-depth knowledge, they also prepare professional rankings and analyses.

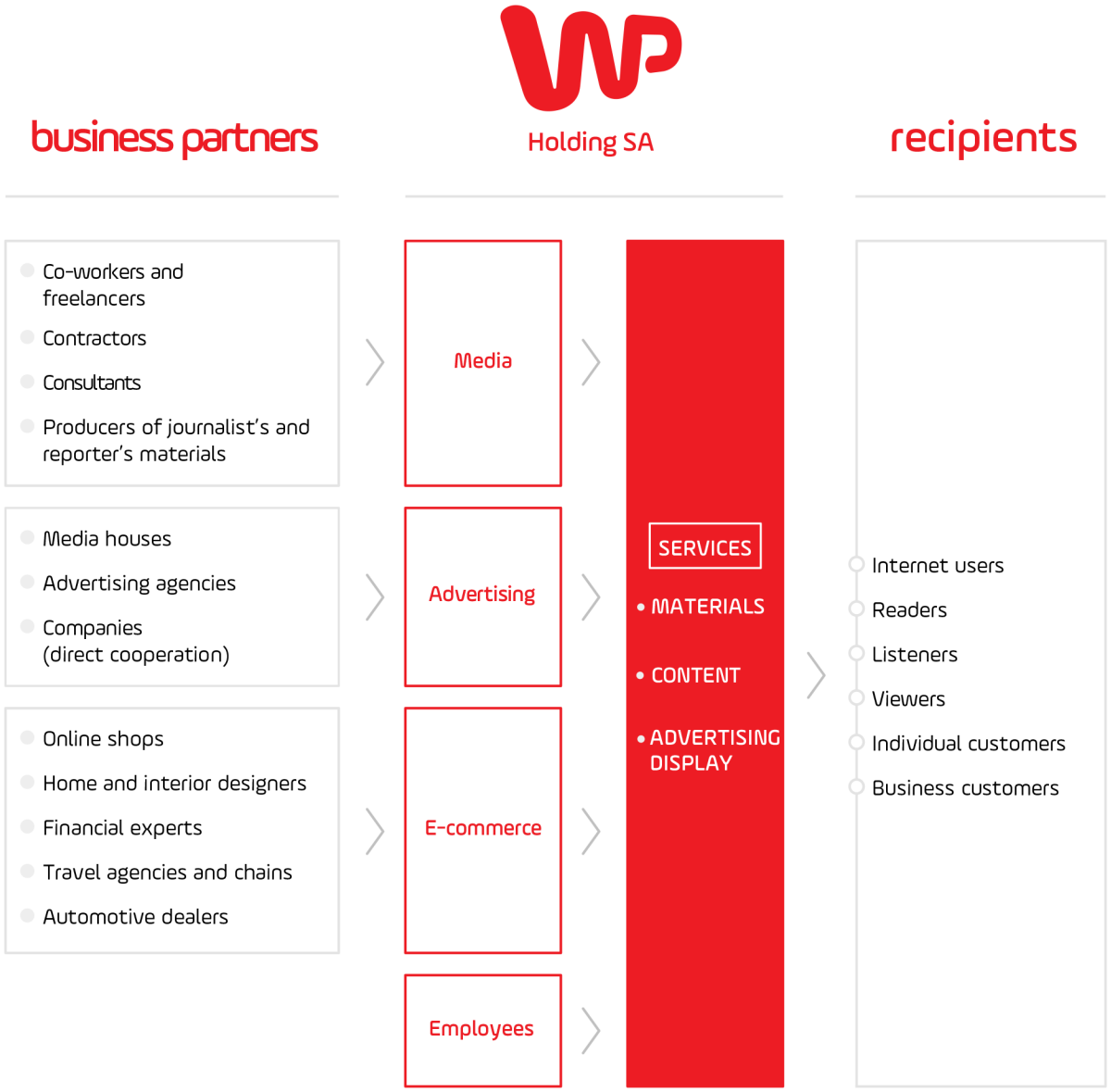
Automotive superauto.pl

Purchasing and financing of cars is another area of e-commerce in which WP operates through its superauto.pl service. It presents a wide range of new cars from authorised dealers of different brands. The highest standard of services provided by a team of experienced consultants enables individual and corporate customers to finance the purchase of a new car without leaving home, by way of lease, rental or credit.

WP Group supply chain

[102-9; 102-10]

We operate in the Internet, media and advertising sectors. We use services of trusted and long-term partners. As a Group with a portfolio involving chiefly electronic services based on its IT infrastructure, we do not identify key suppliers or operate based on an extensive supply chain, which is typical of production companies. Our principal task is to ensure the continuity of service provision: the access to publications, audio/video materials, e-commerce portals and the operation of our partners' advertising display system. Below we present the basic chain of service provision in WP Group.



In our business, we abide by the following principles:

- In building relationships with the business partners that ensure the effective operation of our advertising chain, we pay attention to the transparency of actions taken in respect of our customers and the compliance with legal provisions applicable in the advertising services sector. These regulations involve the protection of personal data and provision of electronic services, and the compliance with relevant industry standards set out, among others, by IAB Europe in the Transparency and Consent Framework.
- Our e-commerce business partners deliver the goods and services that we offer to our users. In this cooperation we always select the suppliers we can trust, who know our customers' needs, and who adapt their respective offers to customers' preferences. We would like our partners to be local suppliers and points of first contact for our customers. We diversify our offer in order to best meet our customers' needs and, at the same time, increase the range of our partners' activities. We guarantee transparent rules of cooperation, competitiveness and attractiveness of our offer, as well as trust and timely payments.
- It is our responsibility to identify risks related to the procurement chain, and to respond to any unfair or unethical behaviour among customers, partners and suppliers. The WP Group does not tolerate any corruption, regardless of its form or purpose. Restrictive agreements and abuse of a dominant position are unacceptable.

Main changes

In line with our strategy, Wirtualna Polska has made new acquisitions. In March WP Holding S.A. became a minority holder in the Teroplan S.A., owner of e-podróżnik.pl, the largest Polish platform facilitating travel planning and online purchase of bus and train tickets. In October WP Media S.A. took over the AutoCentrum.pl service, for several years a user favourite, with many dedicated followers. It is one of the market leaders in terms of video content and aggregation of product data related to the automotive industry.

In 2019, we began the project of moving our offices to environmentally friendly complexes. Moving the head office in Warsaw to the Business Garden complex at Żwirki i Wigury 16 took place at the turn of December 2019 and January 2020. A holder of a LEED Platinum certification, this building is one of the best examples of eco-friendly architecture in the capital city. Other teams from Gdańsk, Wrocław and Lublin will also move to eco-friendly offices in 2020.

Wirtualna Polska's industry presence

[102-13]

Wirtualna Polska is a managing member of the Association of Employers of the Internet Industry IAB Polska. The mission of the organisation is to support interactive communication and publicise the Internet as an effective medium, among others, through education and research activities. Chair of the Supervisory Board of IAB Polska is Joanna Pawlak, CEO of WP Media SA. Employees of Wirtualna Polska serve as experts in the industry reports that IAB Polska publishes in cooperation with Harvard Business Review Polska.

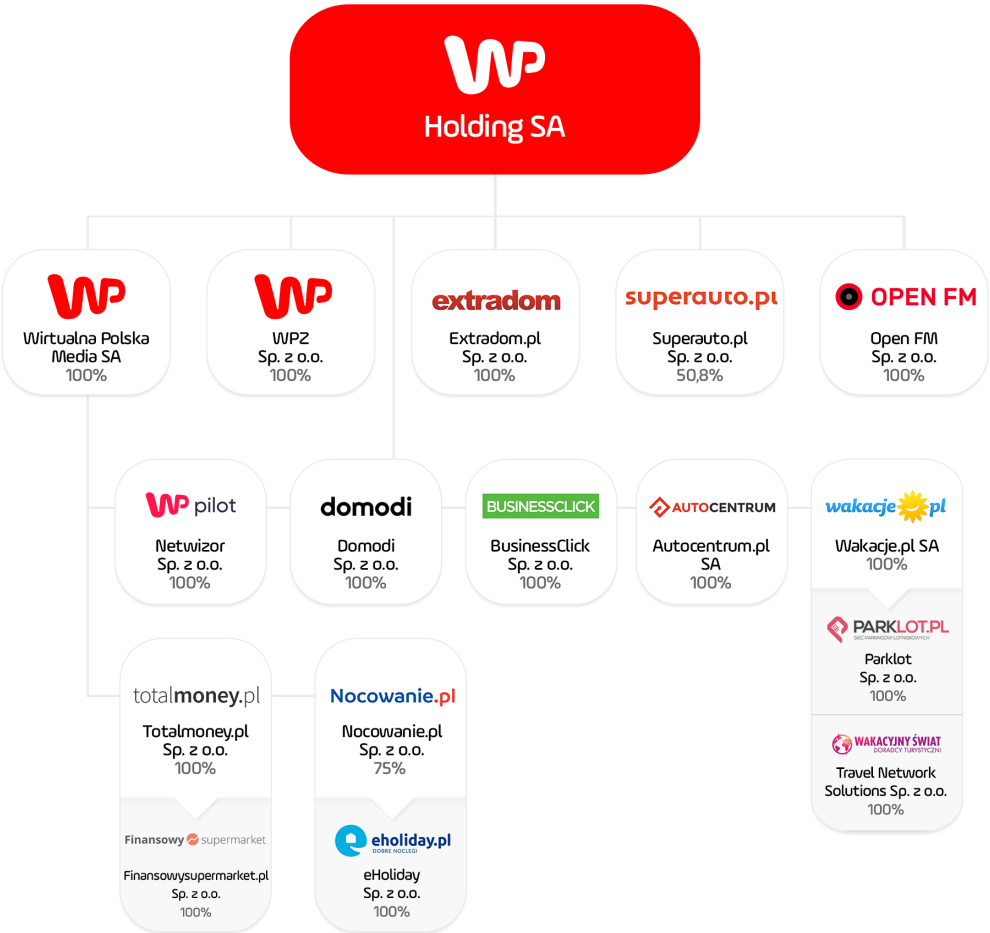
WP, along with the other largest media publishers in Poland, supports Polskie Badania Internetu (PBI) as its partner. The most important outcome of this cooperation is the Gemius/PBI measurement, which has been a standard measurement of Internet audience in Poland for 15 years. WP is also an active member of the Permanent Methodological Team of the PBI Management Board and, at its request, provides its opinions on, among others, planned changes in Gemius/PBI measurements.

We are also a member of the Polish Chamber of Tourism, Polish Tour Operators Association, and an accredited IATA agent.

Below is a list of some of the organizations, conferences and events in which the WP Group participated or was a media partner in 2019:

The structure of our Group

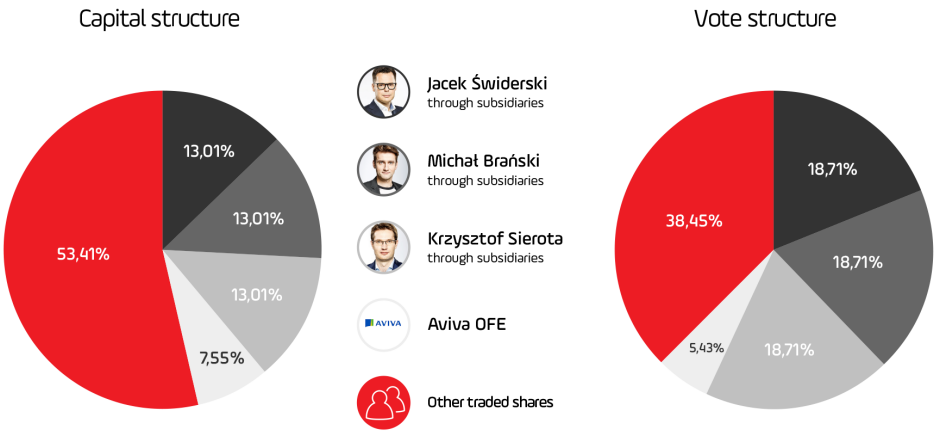
[102-45]



Shareholding and legal form of WP

[102-5]

Wirtualna Polska Holding is a joint-stock company listed on the stock exchange.



The shareholding structure is also available at: www.inwestor.wp.pl/en.

Our governing bodies and corporate governance

[102-18]

The Management Board is the managing body of Wirtualna Polska Holding SA.

Management Board of WP Holding SA

Jacek Świderski
CEO

Elżbieta Bujniewicz-Belka
CFO

Michał Brański
VP Strategy

Krzysztof Sierota
CTO

What does the Management Board do?

- Directs company's operations and manages its assets
- Represents the company
- Makes decisions in all matters not restricted by the Articles of Association or legal provisions to the exclusive capacity of the Supervisory Board or the General Meeting of Shareholders

- All its members are obliged and entitled to jointly manage company's affairs
- Operates under the Bylaws of the Management Board
- Appointed for a joint three-year term of office

Complete information on the functioning of the Management Board is available in the Articles of Association of WP Holding SA at: http://inwestor.wp.pl/en/corporate-governance/statute/.

Supervisory Board

The Supervisory Board supervises the WP Holding S.A. operations in all the fields of its activity.

Supervisory Board of WP Holding SA

Jarosław Mikos
President of the Supervisory Board

Krzysztof Krawczyk
Vice-President of the Supervisory Board, Member of the SB meeting the independence criterion

Beata Barwińska-Piotrowska
Member of the Supervisory Board

Mariusz Jarzębowski
Member of the Supervisory Board meeting the independence criterion

Aleksander Wilewski
Member of the Supervisory Board meeting the independence criterion

Piotr Walter
Member of the Supervisory Board meeting the independence criterion

What does the Supervisory Board do?

- with respect to both the company and its subsidiary, entering into employment contracts, mandate agreements, service agreements (or other agreements of a similar nature) under which the annual remuneration exceeds PLN 1.2 million (including the maximum possible level of bonuses to be paid under such agreements)
- company or any of its subsidiaries entering into an agreement resulting in consolidated financial debt exceeding 2.25 times consolidated EBITDA
- issuing of opinions on company's long-term development programmes and annual financial plans
- examination and provision of opinions on matters involved in resolutions of the General Meeting of Shareholders
- appointment or change of the entity authorised to audit company's financial statements and to carry out company's financial audit activities
- appointment and dismissal of Management Board members at the request of the Chair of the Management Board
- determination of the number of Management Board members at the request of the Chair of the Management Board
- determination of the Bylaws of the Supervisory Board and the Bylaws of the Management Board
- approval of the company entering into a significant transaction with a related entity, excluding typical transactions concluded on an arm's length basis as part of company's operating activities with a subsidiary in which the company holds a majority capital share

Complete information on the functioning of the Supervisory Board is available in the Articles of Association of WP Holding SA at: http://inwestor.wp.pl/en/corporate-governance/statute/.

Values, priorities and ethics at WP

[102-16]

The values that we follow every day at Wirtualna Polska affect the development and success of the WP Group, but also help us maintain a unique working atmosphere and are important elements of the employee appraisal process.

Our values and the way the WP Group perceives its employees and the work they perform are presented in Wirtualna Polska's Compass of Ethics (Code of Ethics). The values and the information on the importance of ethical work performance at WP are communicated at an onboarding meeting that is organised for all new hires. For many years, the Group has also been analysing employee satisfaction and the compliance with ethics policies through an anonymous survey completed annually. Its results serve as the basis for improvements in working conditions and introduction of new solutions.

In our business, we focus on education, safety, environmental protection and health.

Education

We are a source of information, knowledge and inspiration in respect of lifelong learning.

We shape attitudes and skills related to acquiring information as well as its selection and verification.

Health

We provide access to reliable and ethical knowledge.

We build awareness in respect of health and health care. We encourage preventive care.

OUR PRIORITIES

Environment protection

We are a source of reliable information about risks.

We support the shaping of civic rights and obligations in this respect.

Safety

We focus on the safety of children on the Internet.

We actively participate in initiatives building awareness, knowledge and skills of children, parents and guardians.

In our everyday operation, we follow the principle of respecting dignity of every human being. We build relationships based on respect, honesty and social dialogue. We respect fundamental human rights (we counteract and prevent mobbing; psychological, physical and sexual harassment; and all forms of abuse) as well as diversity and dignity (we avoid discrimination based on religion, political opinions, background, social status, sexual orientation, age, gender, marital status or disability).

In external relations, we strive for providing top-quality services to users. We build relationships with them based on trust and transparent communication, and we abide by signed agreements. As part of our editorial activity, we provide reliable information. We are apolitical and guided by the Group's Publishing Policy. We comply with consumer protection laws, and do not engage in unfair market practices. We respect rules of fair competition and signed agreements in cooperating with customers, business partners and suppliers.

As a company listed on the Warsaw Stock Exchange, we comply with the rules included in the Code of Best Practice for WSE-listed companies, and notify the public how we implement these rules. We maintain active relations with capital market participants and institutions based on applicable legal provisions and best practices: the principle of openness and equal treatment of all investors through equal access to information. We are responsible for timely publication and delivery of reliable, credible and up-to-date financial statements and reports that reflect the accurate economic and financial position of the WP Group. Compliance with all accounting and financial reporting standards and legal provisions is of the utmost importance to us; we always ensure timely and appropriate responses to requests received from government authorities.

Corporate social responsibility is an important part of WP Group's operations, helping it achieve its business objectives, build its image and shape its values. For us, this means investing in human resources, supporting educational and cultural projects, and protecting the environment.

Trust

We have implemented the Leadership Trust Index (LTI) in the WP Group, which shows the level of trust to line managers. The Leadership Trust Index may take values from -100 to +100. In each of our holding companies, LTI has positive values. Thanks to LTI, each manager may decide how they will work on their result. This is a form of feedback that is to be used for individual work on strengthening managerial competencies and team dialogue. As we are aware of the fact that LTI analyses perceptions in a particularly sensitive area, we have introduced ethical standards to work on this index.

The Stakeholders of Wirtualna Polska

[102-40; 102-42; 102-43; 102-44]

More than 21 million stakeholders

	Manner of engagement	Frequency of engagement	Key issues and matters ✓ completed | pending/ongoing
EXTERNAL STAKEHOLDER GROUPS			
Shareholders and investors	• direct contacts and one-on-one meetings • group-dedicated website • organisation of meetings and conferences • provision of detailed information on results (communication, reports)	regular quarterly and annual publication of results, continued direct contact	✓ transparency of published information and provision of translation into English
Business partners and suppliers*	• business meetings • entering into agreements • participation in conferences, and media partnerships with organisations	continued contact	✓ transparent rules of cooperation
* We operate mainly on the internet and do not demonstrate a separate group of suppliers, typical for production companies. Our suppliers include, among others, computer and IT companies that supply hardware and licensed software. The same rules of cooperation apply to business partners and suppliers.			
Society • portal users • readers • listeners • viewers	possibility of commenting on information available on the portals	continued contact	✓ ensuring the exchange of opinions and views | counteracting hatred, hate and preventing incitement to aggression
	Customer Service Office		| functionality of portals, questions on possibility of adding new solutions; according to the procedure, each issue is passed on to technical and business operatives dealing with a relevant service
	Wirtualna Polska image survey	annual survey	| further focus on local topics; we have introduced, among others, the new WP Wrocław service ✓ easy availability of the weather forecast; we have improved the visibility of the weather widget on WP homepage, we have also introduced a completely new version of the weather page, WP Pogoda ✓ building trust in WP's actions and brands; we conducted the #StopMowieNienawiści campaign, in which children read aloud the controversial and unethical statements of public figures. The campaign was aimed at changing the language in the public space, making the audience reflect, and making the quoted public figures aware that their words are heard by everyone, including the youngest; | building trust in WP's actions and brands; we are improving the mechanisms of moderating comments on the websites
	survey for WP Poczta and Poczta o2 users		| according to the procedure, each issue is transferred to technical and business operatives dealing with a relevant service ✓ introduction, together with Migam, of the free "mail without frontiers" service, "Poczta bez granic", which allows mail users with hearing impairment to contact the Customer Service Department without any restrictions ✓ implementation of free e-prescription sorting functionality in a dedicated part of the email box
	satisfaction surveys involving offered services and new functionalities available on the portals	several times a year	| according to the procedure, each issue is transferred to technical and business operatives dealing with a relevant service
Customers • business customers • e-commerce	customer satisfaction survey of WP Advertising Agency (quantitative survey, individual interviews)	annual surveys surveys carried out on an ongoing basis throughout the year	✓ evaluation of the advertising offer and customer service ✓ deeper knowledge of the phenomena on the online advertising market and understanding them from the perspective of media houses and direct customers
	satisfaction survey regarding the level of e-commerce services, e.g. NPS	continued contact	✓ evaluation of the e-commerce offer, e.g. satisfaction with a trip made
State authorities, regulators and legislators	compliance with information obligations participation in industry conferences and consultations	continued contact	✓ compliance with requirements ✓ availability of services
INTERNAL STAKEHOLDER GROUPS			
Employees and co-workers	employee surveys support of HR Business Partners	annual surveys weekly HRBP statuses permanent direct contact	| evaluation of employee satisfaction and engagement levels | survey of employee needs ✓ introduction of programmes engaging employees and building trust among them

Key aspects, implemented policies and impact indexes: how and to what extent we influence our stakeholders, society and the environment

[102-15; 102-46; 102-47; 103-1]

The process of identification of key non-financial aspects has been carried out on the basis of GRI Standards guidelines applicable to the preparation of sustainable development reports. The impact of Wirtualna Polska on the society and the environment as well as on stakeholders has been determined and evaluated with the participation of our employees, based on surveys and questionnaires addressed to our users and partners. Based on the checklist, the team has made subjective assessments of each aspect included in the GRI Standards guidelines. The next step has been to summarise the results and, in the case of extreme assessments, discuss each aspect with a view to reaching consensus and final assessment. Priorities have been introduced according to mean assessments in order to identify those that are relevant to the Group.

Important non-financial aspects of Wirtualna Polska

ECONOMIC

- economic results
- market presence

SOCIAL

- employment and decent work practices
  - employment
  - training and education
  - diversity and equal opportunities
  - equal pay for women and men
- human rights
  - non-discrimination
- society
  - prevention of corruption
  - compliance with regulations on social responsibility
  - complaint mechanisms related to social impact
- responsibility for products and services
  - compliance with regulations, e.g. the right to information, GDPR
  - building trust: reliable content and services

ENVIRONMENTAL

- care for the environment
- education on climate change

Economic aspect

The economic aspect of sustainable development concerns the impact on our stakeholders' economic conditions. Do we contribute to the creation of shared value and how? Are we involved in socio-economic changes towards a better quality of life and to what extent? We have been facilitating communication for

many years. We inform about events. We provide a number of free-of-charge services, enabling access to them for everyone, regardless of their financial status. We enable people to pursue their careers, regardless of gender, sexual orientation, skin colour or beliefs. We invest in our employees. Key aspects identified in this category include economic results and market presence.

Economic results

[102-7; 201-1]

This aspect concerns the economic value that we have generated and its distribution. This is a key indicator reflecting how we create value for our stakeholders and the local economy.

(in PLN thousands)	Twelve months ending on 31 December 2019	Twelve months ending on 31 December 2018	Change in %
Sales	**708 700**	**567 316**	**25%**
Operating costs	(578 755)	(460 045)	26%
Depreciation of fixed assets and intangible assets	(79 282)	(55 622)	43%
EBITDA	**209 227**	**162 893**	**28%**
EBIT	129 945	107 271	21%
Financial income and cost	(16 850)	(15 604)	8%
Revaluation of liabilities to redeem non-controlling shares and other liabilities resulting from the merger of undertakings	(12 221)	1 771	(790%)
Dividends received	56	-	n/a
Share in profits from investments valued with the equity method	(2 077)	-	n/a
Profit before tax	98 853	93 438	6%
Net profit	**71 132**	**75 997**	**(6%)**

Market presence

[102-6; 102-7; 202-1]

We continue to increase the number of offered services and products. We manage news portals, as well as provide advice and education. We offer advertising services in our media and on our e-commerce portals. As part of our Internet sales, we broker in e.g. services involving accommodation and trips, interior and house designs, financial services and comparison engines, automotive offers and fashion offers of the best brands.

Based on data from the entire 2019:

- 79% of WP Group's revenue originates from the domestic market
- 19% from EU countries
- 2% from non-EU countries

Our principal business locations are the places where the WP Group employs more than 100 people. These include: Warsaw, Gdańsk, Wrocław and Lublin.

We offer a competitive, attractive and rewarding pay that meets the non-discrimination principle. We would like to build a culture of trust and loyalty among employees. We apply the minimum salary binding

throughout Poland and uniform throughout the country. In 2019, it amounted to PLN 2,250 gross. The vast majority of our employees (98%) are paid more than the minimum salary.

Principal risks identified in the economic aspect:

- **Risk of loss of popularity and strength of brands of individual portals and Internet websites**
  The potential reason for this risk is a mismatch between the services offered and users' needs, or the presentation of unattractive or untrue content on WP Group's portals. A potential consequence of this risk includes the outflow of users, which would lead to financial losses. The Group prevents this risk by means of an effective system of analysing users' needs and opinions, and the proper policies and procedures applicable within the WP Group in respect of the quality of presented editorial materials. These involve, among others, multi-level content checking, publication rules or testing new IT solutions.

- **Risk of dissemination of advertising that may be considered prohibited or unlawful**
  This risk could occur in the absence of knowledge and awareness of employees regarding legal provisions and policies of the WP Group applicable in this respect. Potential consequences of this risk include outflow of users, administrative penalties and, as a result, financial losses. The Group prevents this risk through effective procedures of verification of advertising materials by advertising law specialists, and an appropriate system of creation training for people publishing such materials.

Social aspect

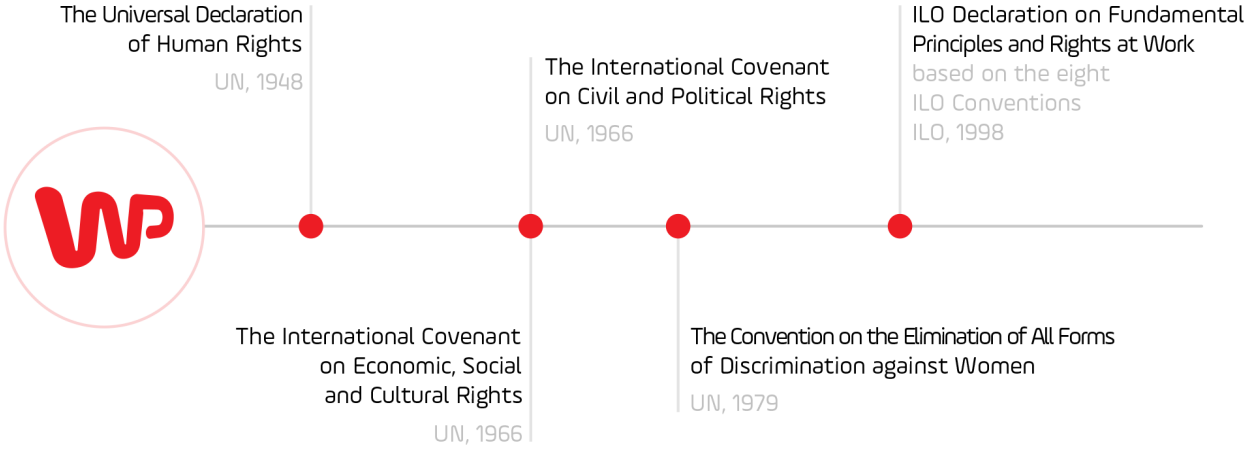
The social aspect of sustainable development concerns our impact on the social environment in which we operate. The social aspect includes:

- Employment and decent work practices
- Human rights
- Society
- Responsibility for products and services

Employment and decent work practices

[102-8; 102-12; 401-1; 404-2; 405-1]

We operate in accordance with such international standards as:



Employment

Our responsibility in terms of employment refers to standards of the recruitment process and working conditions, including pay, working time, breaks, holidays, dismissal practices, protection of women on maternity leaves, workplace environment, and occupational health and safety.

We strive for the highest employment standards. To this end, we have implemented policies that define our approach and applicable principles.

Employment and remuneration policies

- We observe principles of equal treatment, including in respect of employment and remuneration policies.
- We shape employment and cooperation conditions independently, taking into account the type and quality of work or services performed, our needs and opportunities, and the market environment.
- The amounts of salaries, rises, bonuses and commissions depends on competencies and results obtained, regardless of gender, religious beliefs, political views, background, social status, sexual orientation, age, marital status or disability.
- Employee's closest family and life partners may be employed at the Group and collaborate with WP provided that they are not in a professional dependency relationship with such an employee and do not affect this employee's competences, promotion, working conditions or salaries.

- We build an internal labour market by promoting policies of development and promotion within the Capital Group, enabling all employees to participate in the completed recruitment processes.
- We encourage employees to become ambassadors of our company, receiving recommendations from them in respect of the people they know for their good quality work and high commitment.

Safety and quality of working conditions

- Health and safety are the fundamental rights for all of us; therefore, we ensure the best possible working conditions and abide by health and safety rules and practices.
- We provide regular health and safety training, preventive occupational medical care, initial and periodic examinations, specialist driver examinations; and we take all the measures aiming to reduce the number of accidents at work.
- We ensure the highest quality and standard of the environment by arranging modern, aesthetic and functional office spaces to provide employees with comfort and a friendly atmosphere in the workplace.

Respect for privacy

- We respect the privacy of our employees, but expect them to comply with the Compass of Ethics if private activities affect WP Group's operation or performance of official duties.
- Everyone has the right to their political views, religious beliefs and opinions on social, philosophical or other matters. We do not want them to have a negative impact on team relations or relationships with customers, partners or suppliers.
- We apply transparent rules for access to business email, business computers and phones. In justified situations, the Management Board may decide to access data collected on these devices, without prior consent, only if there is suspicion of abuse, if the access to data is necessary in the absence of an employee, or if authorised entities request such access under applicable legal provisions.

Fraud prevention

- We prevent fraud that may be detrimental to the WP Group and Group companies, as well as to our employees and collaborators. We have put in place appropriate control procedures to prevent fraud.

Employment structure at Wirtualna Polska

In 2019, WP Holding companies featured the following employment structure (under fixed-term and permanent employment contracts):

	EMPLOYEES			NEW HIRES		
Location	2017	2018	2019	2017	2018	2019
Warszawa	349	315	312	82	112	74
Lublin	97	131	130	43	74	46
Wrocław	128	164	236	45	64	71
Gdańsk	359	409	434	47	318	119
others	26	27	94	0	11	37
TOTAL	959	1046	1206	217	579	347

The great majority of WP Holding staff are full-time employees. The number of part-time employees at WP Holding decreased slightly in comparison to 2018:

Staff turnover rate at WP Holding by region:	STAFF TURNOVER RATE		
Location	2017	2018	2019
Warszawa	21%	33%	33%
Lublin	19%	29%	31%
Wrocław	15%	21%	19%
Gdańsk	14%	19%	19%
others	8%	22%	39%

In the main operating locations, the turnover rate remained at a similar level compared to 2018. The high turnover rate at other locations (e.g. Chorzów and Częstochowa) results from the fact that outside of the main centres where capital group companies operate, there are call center-based sales teams. At the same time, these teams are not very large, and thus every termination has a significant impact on the turnover rate.

Turnover rate at WP Holding by gender:	STAFF TURNOVER RATE		
Gender	2017	2018	2019
Women	20%	22%	22%
Men	14%	29%	31%

Turnover rate by age group:	STAFF TURNOVER RATE		
Age group	2017	2018	2019
under 30	17%	45%	30%
30 to 50	17%	11%	26%
over 50	22%	0%	38%

The increase of the turnover rate in the over 50 group results from the termination of employment of individual employees. 1.4% of all employees belong to this age group.

Age of Wirtualna Polska's employees

Senior management is comprised of members of management boards of WP Holding S.A. Capital Group companies. 85% of them are males aged 30-50 and 15% of them are women aged above 50.

In terms of age, most of our employees are between 30 and 50 years old. The total number of people employed in the structures of WP Holding companies, broken down by age groups, is as follows:

Equal pay for women and men

[405-2]

We make sure that work performed by all employees is adequately remunerated, regardless of their gender. Due to different gender distribution in individual job groups, the ratio of women's salaries to men's salaries in the structures of WP Holding companies is not evenly distributed. We do not differentiate remuneration based on gender. The amount of pay at WP Group is affected by, among others, seniority, performance results and the complexity of duties in various areas.

In 2019 we commenced a valuation project covering all posts in the organization, which is scheduled for completion in 2020. This will allow us to analyse remuneration in respect of the market standards, as well as a more effective allocation of pay rises during the budgeting process.

In individual hierarchy groups, the ratio of women's salaries to men's salaries is as follows:

Hierarchy of posts	Remuneration ratio
Directors and managers	95%
Specialists and administrators	80%

As far as individual locations of our companies are concerned, the ratio of women's salaries to men's salaries is as follows:

Location	Remuneration ratio
Warszawa	100%
Gdańsk	67%
Wrocław	73%
Lublin	67%
others	115%

Training and education

We are deeply aware that employees are the most valuable asset of Wirtualna Polska. The development of the entire organisation, the quality of our products and services, and the form and content of the information provided all depend on them to a great extent. Therefore, investing in our employees is a priority to us. We invest primarily in increasing the knowledge and skills of our employees, but we do not forget about the comfort of work in our offices, work tools and the principle of mutual respect as outlined in the WP Group Values.

We ensure the commitment of our employees by increasing their motivation and satisfaction. We believe that this attitude has a direct impact on customer satisfaction. Each year we hand out an anonymous survey to our employees, asking them what they think of our strategy, services, work atmosphere and superiors. We also ask about the changes we introduced in the preceding year to see if employees appreciate them; if they are being implemented in the right way; and if they address the areas that affect the commitment of our team. The survey also covers the ethical approach to the tasks performed.

Programs for the development of managerial skills and lifelong learning to support the continuity of employees' employment and facilitate the end-of-career management

[404-2]

Our development policy is based on the 70/20/10 model:

of the knowledge acquired comes from the experience we gain while performing work and the challenges outside our comfort zone that we take up (Learn by doing)

self-development and seeking inspiration

of the competencies we acquire originate from relations and cooperation with other people

learning through exchange of experience, feedback, contact with line manager and co-workers

of the knowledge acquired comes from conventional training and workshops

learning through the application of acquired knowledge in practice

In 2019, we completed numerous development initiatives for our employees. Details are presented below.

Engaging Leader managerial programme

With managerial staff in mind, we offer a special development programme based on the three paths of advancement: Novice, Practitioner and Master. Its goal is to improve managerial competences. It is based on the five characteristics of an "Engaging Leader" and on our values. The workshops discuss the importance of the role of a manager, and feature the training in effective team management skills. In 2019, 120 managers were trained as part of the programme; they spent a total of 2,880 hours in the training room.

External training

WP Group's employees have the opportunity to participate in many training events provided by the best suppliers on the market, as well as in conferences that develop their competencies. We pay a lot of attention to the areas of IT, project management and sales process management. All these components have a direct impact on our competitiveness on the market and on the quality of our offer for our

customers. The possibility of meeting inspiring people, artists and authority figures at corporate meetings is another feature of the development portfolio.

Internal training

The WP Academy is a catalogue of internal training courses that allow us to share our knowledge in the areas of sales, products, media, e-commerce and business presentations. As a result, in 2019 we trained 975 employees, who spent a total of 2,158 hours in the classroom. Most of the trainers providing the training as part of the project are our employees. In addition to the training courses included in the WP Academy's portfolio, we also conduct separate, cyclical training courses dedicated to our new hires to help them understand the WP Group's operations, its culture and values.

Industry conferences

Employees are encouraged to participate in various conferences concerning the main areas of the Group's operations and in industry meetings related to their professional skills and competences. The events provide an opportunity to learn about trends on the market, and establish business relations.

Internal labour market

The "Internal Labour Market" lays down consistent rules for the transition of our employees between companies or between areas within a given company. This is possible thanks to a transparent recruitment policy. Each of our employees receives a newsletter in which we announce the current recruitment needs of the teams. Everyone has the right to join the process and develop their passions and skills within the Group. In 2019, thanks to the internal recruitment processes, we finalised 8% of all recruitment processes at WP Media.

Onboarding

One of the elements of introducing new hires to the Wirtualna Polska culture is the onboarding meeting. On the very first day, new hires learn about the structure, values, products and the most important facts of our company's life. They receive information about the benefits they are entitled to, as well as a handful of practical tips to help them get started. They also learn about the WP Compass of Ethics. The onboarding process involves HR teams, direct supervisors as well as colleagues with whom our new employees will be working from that day onwards.

Employer Branding activities

As part of building our employer's brand, we are active within the area of Employer Branding: we are present on LinkedIn and on Facebook. We collaborate with technical universities, participate in IT events, job fairs, cooperate with schools offering IT courses and with student organizations.

Wirtualna Polska has assumed the patronage of the international student organisation Enactus. We are committed to the development of the local community by supporting initiatives of young, active people who implement innovative educational, technological and social projects.

Internal Employer Branding is also important to us. We undertake various initiatives addressed to our employees with a view of strengthening the friendly working atmosphere and building commitment and trust, such as Valentine's Day, Children's Day and WP Health Week.

Recommendation Programme

In order to involve our employees in the process of building the organisation, in line with the principles we have set out in the Recommendation Programme "Recommend a new colleague," our employees are able to recommend candidates for selected recruitment processes.

We build organization commitment based on a coherent Managerial Competences Model

A well-chosen competence model makes it possible not only to improve HR processes and efficiency of our employees, but also affects the business results. Taking into account that the achievement of business objectives and leader's effectiveness are strongly correlated with the engaging leadership abilities, we have based our competencies model on the idea of Engaging Leader.

We build organization commitment based on a coherent IT Competences Model

As a leader of IT solutions, we are committed to the development of our technology teams. Thanks to the IT Competencies Model that we have created, we are able to better plan the development of key competencies within IT teams, career paths and employee commitment in our organisation. This model introduces transparency in terms of promotions, which directly supports our values.

Remuneration policies

Our company has appointed Remuneration and Benefits Manager whose tasks are to ensure that WP has remuneration policies consistent with its strategy and market conditions. We also keep track of market trends in terms of benefits, on an ongoing basis. We do our best to make our offer competitive to our employees, and to tailor it to their needs to the maximum extent.

Benefit programme

We are constantly developing our employee benefit programme. We trust our employees to choose, within the allocated budget, whatever truly reflects their current needs and lifestyle. At the same time, the programme is to promote involvement in social activities and in charity.

Human rights

[102-12; 406-1]

The WP Group's activities are guided by the principle of respect for and dignity of every human being, with commitment to respect for fundamental rights, including, among others, the non-employment of minors (unless permitted by applicable labour laws), the countering and prevention of all irregularities in labour relations, in particular mobbing, psychological, physical, sexual and other forms of abuse.

WP respects human rights and recognises them as the core values in the development of editorial policy, ethical principles addressed to employees and chief requirements of business operations. In our operations, we comply with regulations regarding fundamental human rights included in the International Bill of Human Rights and the United Nations Universal Declaration of Human Rights.

Non-discrimination

Our points of reference for implementing the principle of non-discrimination are international conventions

The Convention concerning Discrimination in Respect of Employment and Occupation

The Convention concerning Equal Remuneration of Men and Women Workers for Work of Equal Value

Wirtualna Polska has Work Regulations and the Compass of Ethics in place. As an employer, WP undertakes to counteract discrimination in employment, in particular based on gender, age, disability, race, religion, nationality, political beliefs, trade union membership, ethnic origin, denomination, sexual orientation, as well as on the grounds of either fixed-term or permanent, or full-time or part-time employment.

As an employer, the WP Group treats employees equally in respect of establishing and terminating employment relationships, employment terms and conditions, promotion and access to training to improve professional qualifications. Equal treatment in employment means non-discrimination in any way, directly or indirectly, for reasons specified by the Company in its work regulations. Furthermore, the company has committed itself to and undertakes all the measures to ensure the elimination of direct and indirect discrimination, which could lead to a differentiation in the situation of employees based on any of the characteristics listed above.

Wirtualna Polska does not permit any discrimination based on gender the purpose or effect of which is violation of employee's dignity, or humiliation or demeaning (sexual harassment) of any employee.

The Company also prohibits all forms of mobbing, defined as any act or conduct involving or directed against an employee, consisting of persistent and prolonged harassment or intimidation of an employee, resulting in his or her underestimation of professional suitability, causing or aimed at humiliating or ridiculing the employee, isolating or eliminating him or her from the team.

Rules for reporting violations and irregularities

- Employees must respond as quickly as possible to any practice or activity that is inconsistent with the Compass of Ethics, the internal regulations of the Group or applicable law.
- All notifications may be submitted by email, phone or in person to line manager and/or persons appointed for this purpose by Management Boards of individual Group companies.
- All the notifications are investigated. The form of proceedings and who participates in them are selected by the Presidents of the Management Boards of the Group Companies together with the persons appointed by them for this purpose (or the Supervisory Boards of the Group Companies if the notification concerns Members of the Management Boards).

- If a notification has been made in good faith, the Group undertakes to guarantee the safety and anonymity of the notifying party, so that he or she does not suffer any negative consequences. At the same time, the Group is also committed to protecting the good name of the person against whom any allegations are made until the matter is clearly resolved.
- We examine Group's compliance with principles of ethics as part of our annual survey.

In order to implement the policies preventing discrimination, sexual harassment and mobbing, the company has appointed HR Business Partner within the Human Resources area. Employees in this position are responsible for contacting Company employees in all areas of company's operations and collecting information from them. The Group enables a rapid escalation of any discrimination based on race, skin colour, gender, religion, political beliefs, ethnic or social origin by determining the persons appointed for this purpose by Management Boards of individual WP Group companies.

The company has not had any discrimination cases, including discrimination based on race, skin colour, gender, religion, political beliefs, ethnic or social origin during the reporting period.

Society

[103-2; 205-3; 419-1]

Wirtualna Polska's role in society

As a Group operating in the areas of media and Internet, we feel greatly responsible for fostering, promoting and supporting education, health, environmental protection and the safety of children, among others. We are a trustworthy company for our employees, co-workers and users. Primary principles of influencing the society and local communities that we follow in our daily work are set out in our policies.

Policies on the provision of services to users

- We strive for providing top-quality services to users.
- We build relationships with users based on trust and transparent communication, and we abide by terms and conditions of signed agreements.
- We comply with consumer protection laws, and do not engage in unfair market practices.

Cooperation with customers, partners, suppliers and relations with competitors

- We abide by fair competition principles, and terms and conditions of signed agreements.
- We do not cooperate with clients, partners and suppliers who engage in unfair or unethical practices. We react to all cases of unfair and unethical conduct of clients, partners and suppliers that relate to our procurement.

- We do not tolerate any corruption, regardless of its form or purpose.
- We do not enter into restrictive agreements or abuse a dominant position.

Relations with local communities

- We feel part of the community in which we operate; we take on commitments to support local communities. We are aware of how the media affect social attitudes and behaviours; we take part in charity campaigns, sponsor events promoting charity and work with institutions supporting people in difficult life situations.
- We foster and stimulate civic and charity involvement among employees by encouraging them to engage in employee volunteering.

We do not forget about socially important topics, we talk about them to users and promote them among employees

Everyday information, creation of knowledge and inspiration for lifelong learning play a particular role in promoting the best possible attitudes. Our strength is also our ability to make a positive impact on socially relevant issues. WP's portals are sources of reliable information on environment protection, health and safety on the Internet. This way, Wirtualna Polska would like to build awareness and contribute to a better future for Poland. We promote pro-ecological attitudes, active lifestyle, health protection and preventive care.

Activities for the benefit of the society

- All WP Group portals and services involve publishing materials on the awareness of risks related to air pollution, smog, its impact on health, and possible countermeasures. We encourage the use of public transport, and inform about more environmentally friendly means of transport, including the advantages of cycling. In 2019 we continued, among others, the #SmogAlert action to inform the public about the air quality and its effects on our health.
- We are committed to charity and community-relevant activities. In 2019 we once again participated in Szlachetna Paczka and blood donation, among others. Wakacje.pl became the title sponsor of the Spring Swimming Competition for children and youth. A total of 560 participants joined the competition. A part of revenues from this event went to the Orphanage in Bydgoszcz. The children who live there received a year-long swimming training course with a qualified coach and two swimming lanes for their use over the entire year.
- In 2019 we also joined the initiative of the Polish Center for International Aid, which collects money for lifesaving food and health care for undernourished children. Our services featured the living conditions in South Sudan and encouraged the users to make donations. WP users financed 26.5 thousand meals.
- We also organise charity campaigns internally. We are sensitive to the needs of our colleagues.
- Our employees are involved in helping animals by supporting shelters all over the country. In 2019, Wakacje.pl adopted a senior female African elephant from the Gdańsk Zoo. It supports her financially and organises food drives.

Activities for the benefit of employees

- The WP Health Week is an event promoting health through educational workshops. They cover, e.g., the impact of sleep, nutrition, exercises, stress and work organisation on the level of satisfaction and effectiveness of actions. As part of this event, our employees could also try exercises promoting back health and training on prevention of diseases and first aid.
- Helping through sports – each year we do our best to support the initiatives and ideas of our employees, especially if through sports we can help others. In 2019, we supported Kręć Kilometry dla Gdańska and Runmageddon, among others.

Media aspects of Wirtualna Polska's operations

FREEDOM OF EXPRESSION

Wirtualna Polska is a medium where journalists and reporters, regardless of their political, economic or religious beliefs, can speak without fear. The freedom of expression ends where we encroach another persons' freedom. Expressed views must not discriminate or harm anybody, or incite hatred against anyone. This is one of the most important principles of our Stylebook, defining the principles of work of WP's journalists and reporters.

HUMAN RIGHTS AND CULTURAL RIGHTS

We take care of them every day in our journalists' and reporters' work. Our journalists and reporters work in accordance with principles of WP Stylebook and Guidebook that also feature provisions concerning human rights. In 2019, we supported human rights by dedicated actions in our services.

INTELLECTUAL PROPERTY

Respect for intellectual property is crucial for the operation of any medium. At Wirtualna Polska, a dedicated content management team makes sure that our contractors feel safe thanks to appropriate contractual provisions. We always pay for the content we order, and act in accordance with the legal standards that apply to us. In accordance with provisions of WP Stylebook and Guidebook, our journalists and reporters exercise due diligence in marking quotations and sources of information.

PRIVACY PROTECTION

The first and foremost principle of every WP journalist is "first, do no harm." In our privacy protection policies, we clearly and prominently define a public person and the rules of privacy protection.

CONTENT CREATION

As part of our work on quality online journalism, we always verify the sources of information and avoid fake news. The credibility of our content and the source of the materials, as well as their diversity and the presentation of the world from various perspectives is of crucial importance to us.

CONTENT DISSEMINATION

In the case of WP, it takes place mainly on the homepage of the portal that, in December **2019** according to the Gemius/PBI study, was visited by **12.9** million real users. Social media and search engines are also important distribution channels for us. WP also includes terrestrial television (Telewizja WP) and Internet radio (Open FM) thanks to which the distribution of our information permeates between channels. The synergy is beneficial to recipients of our content.

INTERACTION WITH CONTENT RECIPIENTS

At WP, we make sure we are wherever important things happen. Through the WP #dziejesie contact platform the users can report topics, interesting stories, outrageous problems or simply let us know about a local event. Interactions in social media and comments on WP portals are also a natural way of contact with the editorial team.

Journalists' and reporters' campaigns

Our editorial teams have taken many socially relevant actions. Below, we are presenting selected journalists' and reporters' campaigns from 2019.

#TrashChallenge

The editorial office of Wirtualna Polska joined the popular social media campaign and changed the rules of the game. Not only did we clean up a forest and collect 30 huge bags of trash, but we also invited other editorial offices. We believe that the role of the media is not only to describe reality, but also to inspire. At the invitation of WP, the campaign was joined by the daily Dziennik Bałtycki and Noizz.

#GdybyNieNauczyciel

When the teachers' strikes began in Poland, we decided to remind the society of the role that teachers play in our lives. Several celebrities joined the WP campaign, including Marcin Prokop, Katarzyna Bujakiewicz, Dawid Kwiatkowski, Maja Sablewska, Michał Mikołajczak, Barbara Sołtysińska, Kamil Nożyński and Rafał Sonik. The campaign was also joined by numerous Wirtualna Polska users who shared with us their memories of teachers and how they influenced their life choices.

#15latRazem

To celebrate the 15th anniversary of Poland's accession to the European Union, we set off in a foodtruck full of Polish dumplings to talk to Europeans about how they see Poland and Poles. The event was very positively received in all the European cities we visited, and we managed to prove that myths about Poles are long gone.

#OczekujęReakcji

The documentary by Tomasz and Marek Sekielski shocked the public opinion. As part of the #OczekujęReakcji campaign, Wirtualna Polska sent a letter to the Apostolic Nuncio in Poland, Archbishop Salvatore Pennacchio, asking him to address the issues raised in the film. In this way, a campaign was launched which was widely echoed in social media.

#StopHejt

Hate, aggression in the public space, hostility: all this does not escape the attention of the little ones. It gives negative patterns of behaviour in conflict situations and teaches how to be hostile. The youngest will take the patterns from today's world to create their own as adults. We want the younger generations to live in a better reality than ours. Therefore, we asked primary school pupils how to fight hate. The question was obviously quite embarrassing for the youngest. What do you mean by how? The answer is obvious – only with the participation of superheroes! That is why there is an army of superheroes on the school wall who are going to defend the kids from hate, harassment, lack of empathy, nonsensical stupidity. We created an educational mural with which we covered vulgarisms on the wall of the Gdańsk primary school.

#SpełnijmyMarzeniePowstańca

The insurgent Stanisław Jan Majewski confessed in 2018 to the WP journalist, Magda Mieśnik, that he dreamt of one thing: that his companions from the AK (Home Army) Zaremba-Piorun Battalion would be remembered on the anniversary of the outbreak of the Warsaw Uprising. Wirtualna Polska and its readers made sure that the Battalion square was full of people. We decided to repeat this event also this year, to see a grateful smile on Mr Stanisław Jan Majewski's face. The readers of Wirtualna Polska did not let him down by any means. They turned up in great numbers. Many of them came especially for this event from different places in Poland.

#ZbrodniaBezKary

Wirtualna Polska, Deutsche Welle and Interia created a joint project entitled "Crime without punishment". It is a series of reports and articles devoted mainly to the perpetrators of war crimes who escaped responsibility and after the war often held high positions in the institutions of the Federal Republic of Germany or made a career in science, business and law. Journalists from the three editorial offices joined forces to show a broader view of the war in their reports and to get closer to both those who participated in the crimes and later escaped punishment, and to their victims. The readers had the opportunity to familiarize themselves with a series concerning meetings with witnesses, investigations and searches in the archives in Poland and Germany, carried out for several months.

#StopMowieNienawiści

Wirtualna Polska prepared the social campaign #StopMowieNienawiści. Children, a few years of age, read aloud the controversial and unethical statements made by public figures, including those from the political scene, that were made in recent years. In this way, WP intends to influence the change of the language in the public space, to make the audience reflect, and to make the quoted public figures aware that their words are heard by everyone, including the youngest. That is why the spot ends with the password: "Children can see and hear. #StopMowieNienawiści". During the recording, all children were under the care of a psychologist.

#GdybyNieKsiążka

When Olga Tokarczuk became the Nobel Prize winner, we decided to thank her. We thought we could not do it in any other way than remind people how books affect our lives. Therefore, we invited public figures to take part in the campaign: actors, writers, journalists, but also our users. Olga Tokarczuk appreciated our efforts, and we are happy to have expressed our respect in this way.

#ZielonyListopad

Throughout November, we kept reminding our readers that great changes begin with small steps. On WP Kobieta website we prepared 30 articles as part of the campaign #ZielonyListopad. We showed our female and male readers that living in the spirit of ecology does not have to be either difficult or expensive. It is enough to make a few small changes to help us take care of our planet.

Important aspects defined in the area of social impact of our operations include prevention of corruption, compliance with regulations on social impact, and complaint mechanisms related to social impact.

Preventing corruption

In order to prevent corruption, we pursue consistent employment and remuneration policies. The company has implemented a code identifying priority areas of ethics.

Principles applicable to sales and supply chain relations aim at defining uniform and transparent standards in order to prevent corruption. The company has introduced procedures for recording everything that happens in the supply chain and the sales process, following the principle of approval of business activities at every level of the organisation.

In the WP Group, we ensure that our employees and co-workers refrain from taking any actions that could give rise to a conflict of interest. We have a zero-tolerance policy in respect of corruption in all aspects of our operations. A conflict of interest exists if a decision-making process may be influenced by personal interest and where this is contrary to the interests of the WP Group.

In particular, the following are not permitted

- Corrupted use of business opportunities gained through employment at or collaboration with WP Group.
- Decision-making or influencing the decision-making process related to the WP Group starting cooperation based on corruption criteria.
- Obtaining any personal benefits from transactions conducted by the WP Group.
- Acceptance and offer by employees and co-workers of gifts, gratuities, financial gifts from or to customers, partners or suppliers, in connection with work or cooperation with WP Group (not applicable to various types of small occasional or Christmas presents).

Exceptions to the above rules are occasional small gifts (other than cash) of low value that, in general practice, do not go beyond the framework of business integrity. Meetings in the form of business meals or conferences and external meetings are also permitted.

Any observed irregularities or concerns about activities that may run against the Code of Ethics and lead to corrupt practices should be reported to supervisors.

The Group makes it clear to its employees that, in the event of any doubt as to whether relevant behaviour could be deemed as corruption, they must refuse to accept a gift, souvenir or other form of gratuity; furthermore, they may always seek advice and opinion in this respect.

No court cases are pending against the WP Group or its employees, and no corruption-related court judgment was passed during the reporting period.

Compliance with regulations on social impact and complaint mechanisms

Group's compliance with regulations confirms our ability to manage its business in such a way as to minimise non-conformities, infringements and risk of potential penalties or, indirectly, being detrimental to our reputation.

There have been no cases of non-compliance with laws or regulations at the WP Group concerning the provision and use of products and services, resulting in any non-financial sanctions on any of the WP Group companies.

Issues of the organisation's impact on the society as a result of the actions taken by the organisation, and in its relations with other entities may give rise to disputes. Effective complaint mechanisms play an important role in remedying negative social impacts.

Nature of impact

The nature of WP Group's social commitment and impact on the society, in particular the essence of the services provided by the WP Group companies, such as IT society services, information services, e-commerce services and other electronic services, sometimes lead to criticism, offensive comments or hate on the Internet, which is typical of this channel of communication. The WP Group receives complaints about the impact on the society through direct channels of communication, such as electronic forms available on websites, including at pomoc.wp.pl/formularz.html, and by email and phone via the Customer Service Office. With regard to aspects of violation of customer privacy and loss of customer data, complaints are accepted by appointed Data Protection Officer via dedicated email and notification form at: http://onas.wp.pl/formularz_rodo.html. Key issues and reports raised in 2019 are listed in the section: "Stakeholders of Wirtualna Polska."

The company pursues a programme policy with the principal objective of shaping the Internet users' opinions through reliable reporting of events, explaining their importance and significance, and advising on everyday choices, both in respect of life and consumer affairs. In order to implement a socially responsible editorial policy, the topics tackled on WP portal cannot hurt religious feelings, propagate violence, the use of drugs and alcohol, and must not foment any form of hate or intolerance. The company undertakes actions aimed at eliminating the socially unacceptable behaviour of users through the introduction of appropriate rules and regulations, policies and mechanisms making it possible to report on socially unacceptable behaviour.

Obligations of users

Users of the services provided by Group companies are obliged to observe rules and regulations, generally applicable legal provisions, rules of social coexistence, good manners and netiquette. We actively prevent hate speech by responding to all forms of expression that spread, promote or justify racial hatred, xenophobia, anti-Semitism and other forms of hatred based on intolerance, such as intolerance expressed in aggressive nationalism and ethnocentrism, discrimination and hostility towards minorities, immigrants and people with immigrant background. It is not permitted to send any messages infringing third-party rights ("intrusive messages") through websites of Group companies.

Available tools

We provide tools that enable the reporting of any comments, opinions, content and communications contrary to provisions of rules and regulations, generally applicable legal provisions, principles of social coexistence and good manners. The company has the right to immediately remove any such content as well as user profile, thus preventing the use of WP Group's services. Wirtualna Polska also reserves more far-reaching rights, including the right to notify state authorities competent in respect of crime prevention and prosecution.

Responsibility for products and services

We provide our users with intuitive and modern portals in which we use the best product solutions. We continue to invest in improving algorithms to match content, including advertising content, to the needs of our users. In order to ensure compliance of such activities with the legal environment in which we operate, we provide CMP (Consent Management Platform) in the standard prepared by IAB Europe. Therefore, we operate based on trust of both our users and advertising partners, as part of the Transparency & Consent Framework. The JavaScript-based solution enables users of our portals to give their consent and to fully understand rules of data processing in order to optimise the operation of our portals. In the information layer, we provide verified information and materials prepared in such a way as to give our readers the widest possible view of the situation. We do not limit ourselves to telling "what happened", but rather we explain how a given event affects the life of our users and their decisions in social and political aspects, as well as the consumer decision-making process. The dynamics of our industry and the desire to better respond to the needs of our users require technological support.

- We know how important it is to protect children on the Internet. Administration solutions used on our portals enable us to protect children from accessing inappropriate content. Verification of content before publication ensures that the youngest WP users and their parents feel safe.
- We strongly oppose hatred on the Internet. Our team of moderators works particularly intensively when what happens causes a wave of hatred in the comments.
- Health and safety protection is an important objective of many national and international regulations. Non-compliance with legal requirements demonstrates inadequate internal management systems and procedures or their ineffective implementation. In addition to direct financial consequences in the form of penalties, non-compliance with regulations poses a greater risk of losing the organisation's reputation.

There have been no cases of non-compliance with laws or regulations at the WP Group concerning the provision and use of products and services, resulting in any financial penalties being imposed on any of the WP Group companies.

Compliance with regulations on product and service liability

[419-1]

WP Group's compliance with regulations confirms our ability to manage its business in such a way as to minimise non-conformities, infringements and risk of potential penalties or, indirectly, being detrimental to our reputation.

There have been no cases of non-compliance with laws or regulations at the Group concerning the provision and use of products and services, resulting in any non-financial sanctions against any of the WP Group companies. In 2019, the President of the Energy Regulatory Office imposed a fine of PLN 1000.00 on WP Media S.A. for breach of restrictions on the supply and consumption of electricity between 10 and 31 August 2015, resulting from Art. 11 and Art. 11D par. 3 of the Energy Law Act. No other significant financial penalties were imposed on the WP Group.

Principal risks identified in the social aspect

Risk of loss of qualified employees or their commitment due to inappropriate working conditions and other people's behaviour

These risks may materialise through inadequate working conditions not suited to employees' needs, including salaries, working time, holidays, dismissal practices, protection of women on maternity leaves, workplace environment, occupational health and safety.

Potential consequences include the lack of employee commitment, outflow of qualified staff, losses resulting from employee cooperation with competitors, loss of reputation, and financial losses.

The Group prevents these risks by checks of employees' satisfaction and needs, effective policies and procedures regarding working conditions, implementation of friendly solutions for employees, appropriate remuneration policies adapted to the market situation, and building lasting relations, trust and commitment of employees.

Risk of discrimination of socially vulnerable groups in media coverage, access to services, and in employment

Potential reasons for this risk include the lack of an effective system to respect human rights or monitor violations, and the lack of knowledge and awareness of WP Group's policies in this respect. The potential consequences are the loss of reputation and customers and, ultimately, possible financial losses as well.

The Group prevents the risks by introduction of appropriate human rights and non-discrimination policies, including through appropriate internal regulations, recruitment procedures, and remuneration rules and regulations. It is also necessary to have an effective employee training system and a monitoring system related to this aspect of published materials.

Risk of accepting financial benefits by employees for public communication of certain information and opinions

This risk may materialise in the absence of appropriate internal systems and procedures to prevent corruption and conflicts of interest or in the event of ineffective implementation of such systems and procedures, and in the absence of knowledge and awareness among employees and external stakeholders regarding WP Group's policies in this respect and the consequences of non-compliance with them.

The potential consequences of this risk include loss of reputation and indirect financial loss. The Group prevents the risks by an effective system to identify conflicts of interest that may occur in the case of employees or persons related to its operations; corruption and conflict of interest prevention procedures, effective training system, and by determination of a clear external message regarding the policies applicable to the prevention of corruption and conflicts of interest.

- **Risk of breach of regulations and the resultant risk of penalties and non-financial sanctions imposed on the organisation**

  In the absence or inadequate implementation of internal management systems and procedures related to the identification of requirements, the Group would be exposed to direct financial loss and loss of reputation. We prevent this risk by implementing an effective system to identify legal requirements in the context of the services offered.

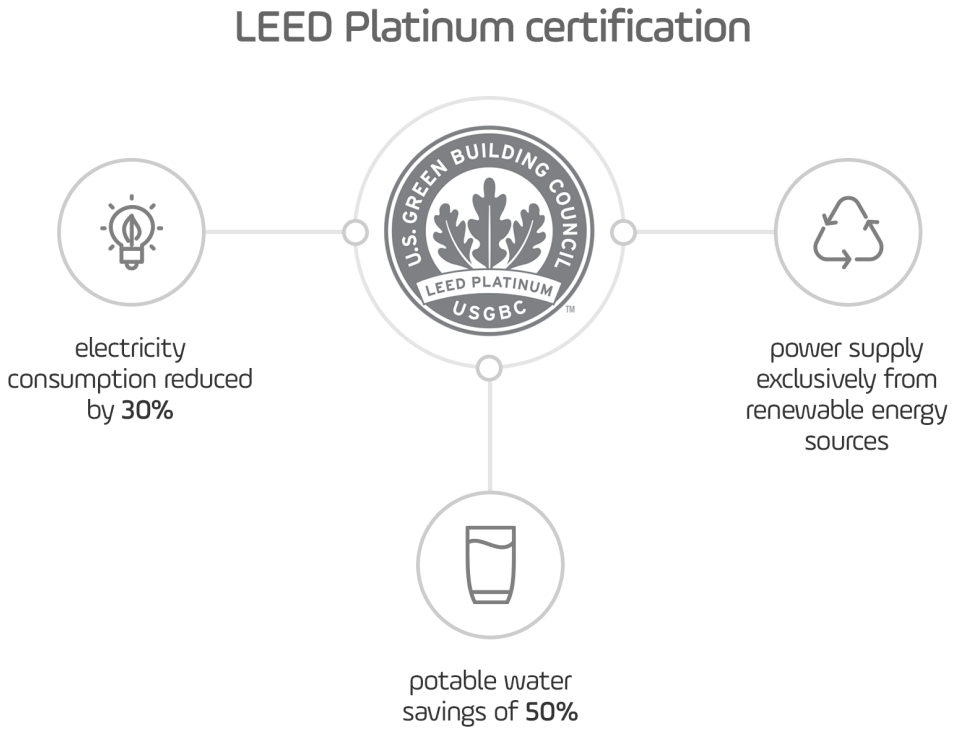
Environmental aspect

[102-11]

Our operations are carried out chiefly on the Internet, and we do not undertake any physical production processes that may have an impact on the environment. Our offices are situated in high-performance buildings that provide extensive solutions to support the natural environment and work comfort, as well as the well-being of our employees. We use sustainable services of trusted partners in the field of protection, waste collection, recycling and utilities supply. In this aspect, we give particular importance to the natural environment and to education concerning climate change.

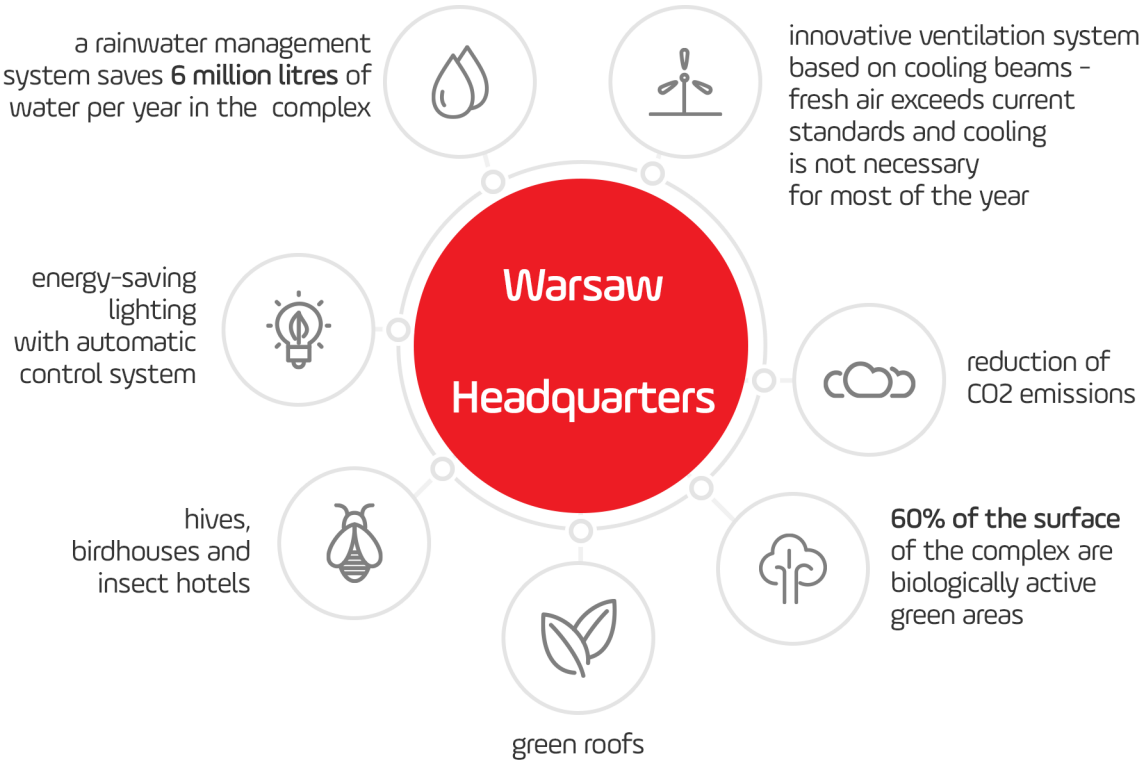
Environmental care

We observe laws regarding the natural environment, we use natural resources efficiently and we prevent pollution. Our office in Gdańsk is located in a LEED (Leadership in Energy and Environmental Design) certified building that has obtained the highest Platinum level. Throughout all of 2019 we were busy organizing the move of our Warsaw headquarters to a building with the exact same certification. Other teams from Gdańsk, Wrocław and Lublin will also move to eco-friendly offices in 2020.



Wirtualna Polska's main headquarters is located in an eco-friendly complex, that is Business Garden at ul. Żwirki i Wigury 16 in Warsaw. It features open spaces, green relax zones, a gym and a club where employees can socialise and spend time together.

The building and its surroundings have been designed by JSK Architekci. This studio has also drawn up the design of the National Stadium, a number of airports and office buildings. The architects have retained the greenery of this spot, creating a veritable park between the buildings. It is freely accessible to both employees and the general public.



Business Garden is one of the best examples of green architecture in the city. 60% of the complex area is biologically active. Wherever possible, green roofs have been set up. The buildings are equipped with a rainwater management system, which saves 6 million litres of water per year in the complex.

The new WP office is also equipped with an innovative ventilation system based on cooling beams, thanks to which fresh air exceeds current standards and cooling is not necessary for most of the year. Energy-saving lighting with automatic control system has been installed in all the premises. There are also hives, birdhouses and insect hotels in the complex. All of these initiatives reduce the CO_2 emissions.

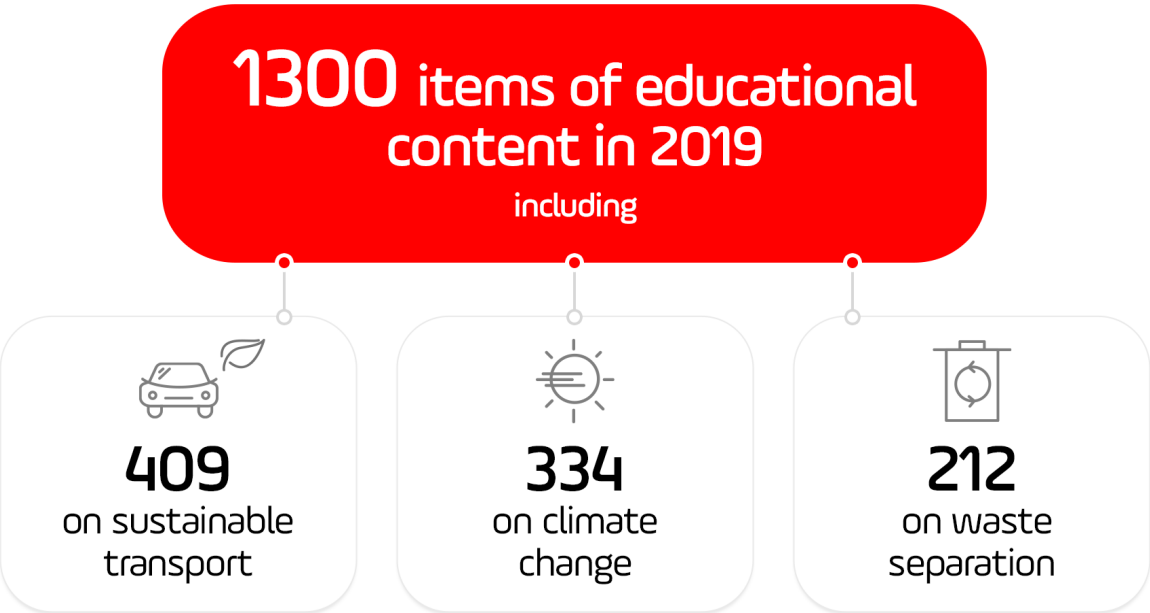
In 2019, we commenced a number of investments aimed at optimising the Group's electricity consumption:

- Following the successful implementation of an innovative cooling system in the server room, which uses, among others, cold ambient air, we decided to introduce more free cooling installations. Toward the end of 2019 we began to work on their designs.
- We also developed the project of a mail server which will reduce the amount of necessary equipment by up to 40% and as a result ensure savings in electricity consumption. In 2019, we performed efficiency tests, and their results were positive.

Climate change education

Although our operations have a negligible direct impact on the environment, we are aware of our impact related to shaping environmental awareness and attitudes as well as to sustainability among our key stakeholders. We realise that we have an enormous educational potential.

We participate in projects promoting eco-friendly lifestyle; we encourage, among others, conscious energy consumption, moderate water consumption, selective waste collection, sustainable transport and many other initiatives. One of them was #ZielonyListopad (for more information see page 43). In 2019, we published nearly 1,300 educational materials.



- In 2019, we also started an electromobility service: e-autokult.pl. It features tests of electric cars, news and information about car sharing and infrastructure. The central part of the website is a map of Poland with places where vehicles can be charged, divided into types of plugs, charging power and station availability. We were a media patron of the Zero Race, an electric car race from Warsaw to Lyon, and we took part in it, as the only editorial team from our market. Our journalists are frequent speakers at industry conferences devoted to electromobility, and in less than a year, they gained the status of experts in this field. The service was visited by 3 million unique users in 2020.

- The nocowanie.pl team created a filter for their customers to search for eco-friendly accommodation, which makes it easier to find places with environmentally friendly solutions. These are, among others, energy-saving lighting and devices, alternative energy sources, systems to reduce water consumption, using natural and eco-friendly products and biodegradable single-use items. Another feature is a map of charging stations for electric cars.

The Group does not apply the precautionary principle in the context of potential environmental impact.

Approach to defining content

[102-49; 102-50; 102-51; 102-52; 102-53; 102-54; 102-56]

This document has been based on the Global Reporting Initiative (GRI Standard), an international standard for non-financial disclosures. The non-financial disclosure has been drawn up in accordance with legal requirements for disclosure of non-financial information set out in Article 49b(2) of the Accounting Act.

In the non-financial disclosure, "we," "our," "ours," "company," "WP Group," "Wirtualna Polska" and "Group" refer, depending on the context, to Wirtualna Polska Holding SA and its consolidated subsidiaries.

The non-financial disclosure describes the Group's operations in the period between 1 January and 31 December 2019 unless stated otherwise. In the reporting period there were no significant changes in respect of the size, structure, ownership structure or chain of deliveries.

In determining the content of the disclosure, we analysed internal and external factors, including press releases in the reporting period, topics discussed in internal communications, the current business strategy of WP Group, and topics important in non-financial disclosures for the media industry.

In the disclosure, we described in detail all the key topics, presenting both the approach to managing them and the corresponding indicators. The materiality assessment will be reviewed annually as part of the internal verification process.

The figures used in the disclosure come from internal reporting systems. All of them have been internally checked before publication. We did not use the support of an external auditor.

If you have any questions regarding this non-financial disclosure, contact us:

CSR Team
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