Consolidated Annual Report

for the financial year ending 31 December 2015

WP Holding SA

LETTER OF THE PRESIDENT OF THE MANAGEMENT BOARD

Dear Shareholders,

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

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

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

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

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

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

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

2016 will be a year of extensive change in the media where we perceive an opportunity for Wirtualna Polska to stand out on this market. We will endeavor to take advantage of this opportunity while adhering to high standards of news journalism. We want for Wirtualna Polska to be a trusted brand and an authority in the media for all Poles.

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

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

Respectfully,

Jacek Świderski

CEO of Wirtualna Polska Holding S.A.

Report of the management board on the activities of Wirtualna Polska Holding SA Capital Group

for the periods of

3 and 12 months ending 31 December 2015

1. SELECTED FINANCIAL DATA

The following tables set out selected consolidated financial data for the 3 and 12-month periods ending 31 December 2015 and 31 December 2014. The selected financial data presented in the tables below is expressed in thousands of PLN, unless otherwise stated. This information should be read in conjunction with consolidated financial statements for the financial year ending 31 December 2015 and the interim condensed consolidated financial statements for 3 and 12 month periods ending 31 December 2015 attached to this report, as well as the information included in item 3 of this report.

	For the year ended 31 December 2015	For the year ended 31 December 2014	For the year ended 31 December 2015	For the year ended 31 December 2014
	in PLN'000		in EUR'000	
Sales	325 583	200 570	77 801	47 877
Cash sales	285 998	172 944	68 342	41 282
Operating profit	63 951	23 854	15 282	5 694
Profit before tax	15 400	6 655	3 680	1 589
Net profit	5 686	4 149	1 359	990
EBITDA	94 393	44 629	22 556	10 653
Adjusted EBITDA	107 825	77 590	25 766	18 521

	Three months ended 31 December 2015	Three months ended 31 December 2014	Three months ended 31 December 2015	Three months ended 31 December 2014
	in PLN'000		in EUR'000	
Sales	102 063	68 965	23 939	16 358
Cash sales	89 381	58 318	20 964	13 833
Operating profit	22 942	10 294	5 381	2 442
Profit before tax	2 874	5 441	674	1 291
Net profit	(649)	3 318	(152)	787
EBITDA	31 374	16 467	7 359	3 906
Adjusted EBITDA	33 391	24 715	7 832	5 862

	As at 31 December 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
	in PLN'000		in EUR'000	
Total assets	749 879	569 820	175 966	133 688
Non-current assets	638 195	484 962	149 758	113 779
Current assets	111 684	84 858	26 208	19 909
Long-term liabilities	293 426	247 211	68 855	57 999
Short-term liabilities	98 874	77 014	23 202	18 069
Equity	357 579	245 595	83 909	57 620
Share capital	1 413	1 231	332	289
Non-controlling interests	15 676	11 544	3 679	2 708

	For the year ended 31 December 2015	For the year ended 31 December 2014	For the year ended 31 December 2015	For the year ended 31 December 2014
	in PLN'000		in EUR'000	
Net cash flows from operating activities	88 000	37 956	21 028	9 060
Net cash flows from investing activities	(160 755)	(407 719)	(38 414)	(97 324)
Net cash flows from financing activities	90 568	397 241	21 642	94 823
Total net cash flows	**17 813**	**27 478**	**4 257**	**6 559**

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

- amounts presented in zloty as at 31 December 2015 were converted into euro at the exchange rate of 4,2615 (the NBP exchange rate as at 31 December 2015)
- amounts presented in zloty as at 31 December 2014 were converted into euro at the exchange rate of 4,2623 (the NBP exchange rate as at 31 December 2014)
- amounts presented in zloty for the period of the financial year ending 31 December 2015 were converted at the exchange rate of 4,1848 (the arithmetic mean of the NBP exchange rates as at the last day of each month of 2015)
- amounts presented in zloty for the period of the financial year ending 31 December 2014 were converted at the exchange rate of 4,1893 (the arithmetic mean of the NBP exchange rates as of the last day of each month of 2014)
- amounts presented in zloty for the period of 3 months ending 31 December 2015 were converted at the exchange rate of 4,2635 (the arithmetic mean of the NBP exchange rates as of the last day of each month of the last quarter of 2015)
- amounts presented in zloty for the period of 3 months ending 31 December 2015 were converted at the exchange rate of 4,2160 (the arithmetic mean of the NBP exchange rates as of the last day of each month of the last quarter of 2014)

Due to significant changes in the Group's structure in 2014, the amounts of revenues and costs recognised in the financial statement for the period from 1 January to 31 December 2014 are not fully comparable with the amounts of the current year. This is partially due to acquisitions made by the Group in 2014, consisting of the acquisition of the company Wirtualna Polska SA (currently WP Shopping Sp. z o.o), the enterprise Sportowe Fakty, shares in Domodi Spółka z o.o. and the Money.pl Group.

The acquisitions make it significantly more difficult to compare the periods and analyse the Group's results. Therefore, in order to improve the presentation of the changes that took place during the year and in the fourth quarter of 2015, the Management Board decided to additionally present in this report also the pro forma financial results for year 2014. These data are consistent and have been prepared in the same manner as the pro forma unaudited consolidated financial information for the whole year 2014 published in the prospectus approved by the Polish Financial Supervision Authority.

2. CHARACTERISTICS OF THE WIRTUALNA POLSKA HOLDING CAPITAL GROUP

2.1. THE SCOPE OF THE GROUP'S OPERATIONS

The Group's mission is to be partner of first choice for the Polish people, providing opinion-forming information, entertainment and services, and inspiration in daily decisions. The Group accomplishes its mission by providing attractive content and services to the portal users, tailored to their needs and profile. The Group owns one of the two most popular horizontal internet portals in Poland, Wirtualna Polska. The Group also operates the o2 horizontal portal and numerous specialist vertical portals: including, in particular, business portals: Money.pl and Biztok; new technology portals – e.g. Dobreprogramy; sports portals, e.g. Sportowe Fakty, entertainment portals, e.g. Pudelek, health and parenting portals – abcZdrowie and Parenting.pl, as well as Internet radio stations – OpenFM and PolskaStacja. Moreover, the Group conducts advertising activities comprising lead generation for internet shops, mainly within portals aggregating internet shop products and services (marketplace): Domodi and Allani for fashion; Homebook in the home and interior category; Money.pl and Finansowysupermarket.pl for financial services. The Group's lead generation activity on the e-commerce market enables the Group to take advantage of the fast growth of e-commerce in Poland. Moreover, Grupa Money acquired in December 2014 has developed website services and has tools in place, enabling the buying and selling of financial products and services online, and saving, or managing private budgets.

In accordance with the data from Megapanel PBI/Gemius as of December 2015, the Group was the leader among Internet portals in terms of all the basic indicators: in terms of reach (74%), in terms of the number of real users (18,1 million users), in terms of hits (3.6 billion hits) and the average time spent on the portal per user (5 hours and 40 minutes per month*).

In accordance with the Group's internal data, in the period from 1 to 31 December 2015, the average daily number of unique users visiting the portals owned by the Group was 8.5 million (source: WP Group's internal information for December 2015).

Additionally, also according to the data from Megapanel PBI/Gemius from December 2015, the Group is ranked first in Poland in the thematic categories of "Business, Finance and Law", "Communication", "New Technologies" and "Lifestyle".

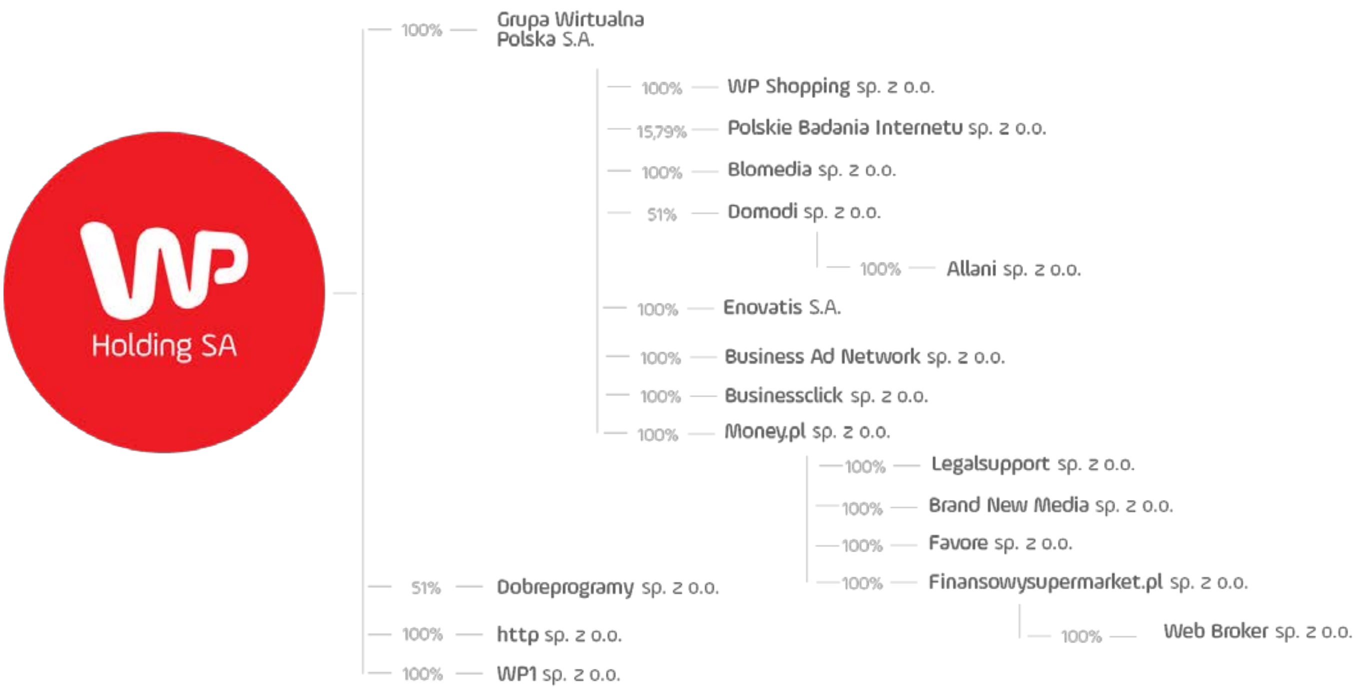
The Group offers free electronic mail to its users. The Group has the largest base of electronic mail users in Poland, which according to the Megapanel PBI/Gemius research amounted to 8.8 million real users as of December 2015 (however, it should be noted that the Megapanel PBI/Gemius data relate only to access via the website; according to the Group's internal data as of December 2015, the Group had 11 million active e-mail accounts, including 7,3 million active WP e-mail accounts and 3.7 million active o2 e-mail accounts), whereas Google had 6.4 million real users and the Onet-RASP Group had 4.5 million real users.

The Group conducts operations on the Polish market in terms of online advertising, offering a wide range of advertising products to its clients – modern display ads, including online video ads, ads sent by e-mail, ads for mobile devices and ads based on the effectiveness model (i.e. based on the number of people accessing a website, filling in a form, registering, purchasing goods or services) (lead generation, performance marketing). Thanks to the high popularity of the Group's websites and services, the Group is able to reach a wide range of users with its advertising message.

* WP Group results do not include unaudited services (abczdrowie.pl, domodi.pl, testwiedzy.pl, finansowysupermarket.pl)

2.2. STRUCTURE OF THE WIRTUALNA POLSKA HOLDING SA GROUP

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



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

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

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

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

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

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

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

2.3. DEVELOPMENT POLICY AND PROSPECTS OF WIRTUALNA POLSKA HOLDING CAPITAL GROUP

In the Management Board's opinion, the following tendencies will continue to affect the Group's operations:

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

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

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

- Acquisitions – Reinforcement of the Group's organic growth through the acquisition of other entities.

3. DISCUSSION ON OPERATING RESULTS AND THE FINANCIAL SITUATION

The financial data for the twelve months ending 31 December 2015 and 31 December 2014 was audited by an independent auditor, whereas the financial information for the fourth quarter of 2015 and 2014 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

3.1. SELECTED FINANCIAL DATA FROM CONSOLIDATED INCOME STATEMENT

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

in PLN'000	For the year ended 31 December 2015	For the year ended 31 December 2014	Change	Change %
Sales	325 583	200 570	125 013	62.3%
Cash sales	285 998	172 944	113 054	65.4%
Operating profit	63 951	23 854	40 097	168.1%
Profit before tax	15 400	6 655	8 745	131.4%
Net profit	5 686	4 149	1 537	37.0%
EBITDA	94 393	44 629	49 764	111.5%
Adjusted EBITDA	107 825	77 590	30 235	39.0%

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

in PLN'000	Three months ended 31 December 2015	Three months ended 31 December 2014	Change	Change %
Sales	102 063	68 965	33 098	48.0%
Cash sales	89 381	58 318	31 063	53.3%
Operating profit	22 942	10 294	12 648	122.9%
Profit before tax	2 874	5 440	-2 566	-
Net profit	(649)	3 317	-3 966	-
EBITDA	31 374	16 466	14 908	90.5%
Adjusted EBITDA	33 391	24 715	8 676	35.1%
EBITDA for the last 12 months	94 393	-	-	-
Adjusted EBITDA for the last 12 months	107 825	-	-	-

The consolidated results of the Group for the years 2015 and 2014 year include the results of the following subsidiaries:

No.	Name of subsidiary	Date of taking control	% of shares held	Period covered by consolidation	
				31 December 2015	31 December 2014
1	Grupa Wirtualna Polska Sp. z o.o. (currently SA)	22 December 2010	100%	full period	full period
2	WP Shopping Sp. z o.o. (formerly Wirtualna Polska S.A.)	13 February 2014	100%	full period	from 13 February 2014
3	http Sp. z o.o.	23 March 2009	100%	full period	full period
4	Free4Fresh Sp. z o.o.	27 April 2009	100%	January- September 2015	full period
5	Money.pl Sp. z o.o.	1 December 2014	100%	full period	from 1 December 2014
6	Business Ad Network sp. z o.o.	1 December 2014	100%	full period	from 1 December 2014
7	Businessclick Sp. z o.o.	1 December 2014	100%	full period	from 1 December 2014
8	Favore Sp. z o.o.	1 December 2014	100%	full period	from 1 December 2014
9	Legalsupport Sp. z o.o.	1 December 2014	100%	full period	from 1 December 2014
10	Interaktywnie Sp. z o.o.	1 December 2014	100%	to June 2015	from 1 December 2014
11	Brand New Media Sp. z o.o.	1 December 2014	100%	full period	from 1 December 2014
12	dobreprogramy Sp. z o.o.	14 November 2013	51%	full period	full period
13	Domodi Sp. z o.o.	12 September 2014	51%	full period	from 12 September 2014
14	NextWeb Media Sp. z o.o.	3 June 2015	100%	June-August 2015	not consolidated
15	Blomedia.pl Sp. z o.o.	3 June 2015	100%	to June 2015	not consolidated
16	WP1 Sp. z o.o.	21 August 2015	100%	from August 2015	not consolidated
17	Finansowysupermarket Sp. z o.o.	16 September 2015	100%	from September 2015	not consolidated
18	Web Broker Sp. z o.o.	16 September 2015	100%	from September 2015	not consolidated
19	Allani Sp. z o.o.	6 October 2015	100%	from October 2015	not consolidated
19	Enovatis S.A.	23 December2015	100%	not consolidated	not consolidated

* Due to the acquisition of Enovatis SA in the last days of December 2015 the consolidated financial statements include only the assets and liabilities of this subsidiary. No revenue or expenses of the subsidiary were consolidated in 2015.

Due to significant changes in the Group's structure in 2014, the amounts of revenues and costs recognised in the financial statement for the period from 1 January to 31 December 2014 are not fully comparable with the amounts of the current year. This is due to the acquisitions made by the Group in 2014, consisting of the acquisition of the company Wirtualna Polska SA (currently WP Shopping Sp. z o.o), the enterprise Sportowe Fakty, shares in Domodi Spółka z o.o. and the Money.pl Group.

The acquisitions make it significantly more difficult to compare the periods and analyse the Group's results. In order to improve the presentation of the changes that took place during the year and in the fourth quarter of 2015, the Management Board decided to additionally present in this report the pro forma financial results for the year of 2014. These data are consistent with the pro forma unaudited consolidated financial information for the whole year 2014 published in the prospectus approved by the Polish Financial Supervision Authority.

in PLN'000	For the year ended 31 December 2015	For the year ended 31 December 2014 Proforma*	Change	Change %
Sales	325 583	248 304	77 279	31.1%
Cash sales	285 998	216 449	69 549	32.1%
Cash sales excluding acquisitions 2015 (for comparative purposes)**	278 013	216 449	61 564	28.4%
Operating profit	63 951	22 691	41 260	181.8%
Profit before tax	15 400	(283)	15 683	-
Net profit	5 686	(2 031)	7 717	-
EBITDA	94 393	51 014	43 379	85.0%
Adjusted EBITDA	107 825	84 088	23 737	28.2%

in PLN'000	Three months ended 31 December 2015	Three months ended 31 December 2014 Proforma*	Change	Change %
Sales	102 063	75 543	26 520	35.1%
Cash sales	89 381	64 072	25 309	39.5%
Cash sales excluding acquisitions 2015 (for comparative purposes)**	84 053	64 072	19 981	31.2%
Operating profit	22 942	10 224	12 718	124.4%
Profit before tax	2 874	4 611	(1 737)	-
Net profit	(649)	2 627	(3 276)	-
EBITDA	31 374	16 972	14 402	84.9%
Adjusted EBITDA	33 391	25 248	8 143	32.3%
EBITDA proforma for the last 12 months	94 393			
Adjusted EBITDA proforma for the last 12 months	107 825			

* Details on the calculation of pro forma financial data are described in point 3.2. of the report

** Revenues of 2015 adjusted by the impact of acquisitions made the during the year(NextWeb Media Sp. z o.o., Blomedia Sp. z o.o., Finansowysupermarket.pl Sp. z o.o. and Web Broker Sp. z o.o. and Allani Sp. z o.o.), not included in pro forma financial data for 2014

The sales of services increased in the twelve months of 2015 by 31,1% compared to the pro forma sales for the same period of the previous year, whereas the cash sales increased by 32,1%. In the fourth quarter of 2015, the total sales increased by 35,1% (compared to the pro forma sales for the same period of the previous year), whereas the cash sales increased by 39,5%.

Excluding the impact of acquisitions made during the year (whose results are not included in the comparative pro forma data) the increase in cash sales amounted to 28,4% over the whole period and 31,2% in the fourth quarter. Detailed information on the results achieved by entities included in the Group's consolidated financial statements is presented in point 3.3. of the report.

In all the periods analysed, transactions settled in cash represented the majority of the Group's sales and amounted to 87,84% of the Group's sales in the twelve months of 2015 and 87,17% in the same period of 2014.

The main ratios analysed by the Management Board for the purposes of evaluation of the Group's financial results are EBITDA and adjusted EBITDA. The Group's EBITDA is calculated as operating profit plus amortisation and depreciation, and adjusted EBITDA is calculated as EBITDA adjusted for one-off events such as: costs of transaction advice and initial public offering, restructuring costs, costs of the management option scheme, results of the disposal of other financial assets, net result of settlement of barter transactions and revaluation and scrapping of non-current assets.

The Group's business model is characterised by its high operating profitability of business activities. In the twelve months of 2015, the adjusted EBITDA amounted to PLN 107,825 thousand which was PLN 23,737 thousand higher when compared to the pro forma value of this ratio in the twelve months of the previous year.

In the period analysed, the total costs normalising EBITDA amounted to PLN 13,4 million and were PLN 19,5 million lower than in the comparable period of the prior year. During the year 2015, the costs included in the normalisation resulted mainly from IPO (PLN 3.2 million), advisory services relating to acquisitions as well as restructuring and integration mainly with Money.pl Group, NextWeb Media Sp. z o.o. , Finansowysupermarket.pl Sp. z o.o., Allani Sp. z o.o. and Enovatis SA (total of PLN 6,7 million), from the costs of legal advice in the process of refinancing (PLN 0.9 million) and from the revaluation of contingent earn-out liabilities relating to acquisitions (PLN 0.9 million). Other costs normalising the EBITDA resulted from civil law tax and brokerage fee paid for the purchase of shares in NextWeb Media Sp. z o.o., Finansowysupermarket.pl Sp. z o.o., Allani Sp. z o.o and Enovatis SA (total of PLN 0.52 million), non-cash costs of the employee option scheme (PLN 1.39 million) as well as a costs of revaluation, liquidation and sale of financial and non-financial assets with a total impact on the result of PLN 0.7 million.

Moreover, a PLN 0,9 million reduction represented the adjustment for the profit on barter transactions concluded in the analysed 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 recorded.
The Group settles part of the sales of advertising services via barter. The Group recognises revenues from barter transactions consisting of the exchange of advertising services only if such services are different in nature, i.e. they are provided with the use of different carriers or broadcast in different media, and the amount of the revenue can be determined reliably. Revenues from barter transactions are recognised at a fair value of the service received or receivable in the month in which the advertisement is broadcast. If the fair value of the services received cannot be determined reliably, revenues are recognised at the fair value of the services provided, adjusted for cash flow (if any).

During the year 2015, a significant cost recorded in the financial activities was the cost related to the increase in the Group's liabilities with respect to the put option for non-controlling interests in Domodi Sp. z o.o. As of the reporting date, the Group owns 51% of the Domodi shares. After the end of 2017, the Group will be entitled to purchase, and the former shareholder to sell a further 24.5% of shares in Domodi Sp. z o.o. at a price determined based on the Company's results for the year 2017. After the end of 2019, the Group will be entitled to purchase, and the former shareholder to sell the remaining 24.5% of shares in Domodi at a price determined based on Domodi's results for the year 2019 or the market value of the Company's shares.

Starting from the date of purchase of the controlling package in Domodi, its operating and financial results, especially revenue and EBITDA, have grown dynamically. The financial results of Domodi sp. z o.o. significantly exceeded the originally expected values, which were used for the purpose of an initial recognition of the put option liability. Since the actual results proved to be much better than the original projections, the value of the enterprise has grown significantly as well. Consequently, the value of shares owned by the minority shareholders and the put option liability of the Group has increased as well.
Compliant to MSR 39 the Group recgnises the changes in the valuation of the option liability as a financial cost.

The liability increased in total by PLN 30,4 m in 2015. Except for the standard unwinding of, there were 3 reasons for the revaluations of the liability in 2015:

(i) Firstly, due to the fact that the operating results of Domodi sp. z o.o. significantly exceeded the values in the original budget used for the initial valuation of the liability, the Management considered it necessary to revise in the third quarter of 2015 a long-term forecast for this company and consequently updated the valuation of the liability in the Group's consolidated balance sheet by PLN 11.5 million.

(ii) Furthermore, in the fourth quarter of 2015, Domodi sp. z o.o. acquired 100% of shares in Allani sp. z o.o. Due to this acquisition, the shareholders' agreement ("SHA") between the Group and minority shareholders of Domodi sp. was amended in respect of the calculation of the put option for non-controlling interests.

The character of the transaction assumes that the purchase of the subsidiary was financed both by the Group and by the minority shareholders of Domodi in proportion to their shareholding i.e. 51% and 49% respectively. Pursuant to this assumption, all the benefits resulting from the growing value of the joint enterprise of Domodi and Allani are to be distributed between the Group and the minority shareholders in proportion to their shareholding.

As a consequence, the parties signed an amendment to the SHA stating that in respect of the finalised acquisition, the basis for the calculation of the option liability should be the joint value of Domodi's and Allani's financial results. At the same time, the amendment predicted a reduction in liability to Domodi's minority shareholders in respect of both options by the value attributable to them of additional consideration paid to previous shareholders of Allani Sp. z o.o. The Management Board of the Group estimates, that the value of this contingent consideration will amount to PLN 9.6 million and 49% of this amount reduces the valuation of the option liability. The total impact of the factors mentioned above on the valuation of liability and the financial cost amounted to PLN 13,5 m.

(iii) In addition, due to the fact that the amendment to the agreement between the shareholders meets the criteria set out in IAS 39.AG.62 the Group recalculated the liability using an updated discount rate (current interest rate as at the modification date) which resulted in a further increase in the value of the liability by PLN 3,1 m. The total impact of the revaluation amounted to PLN 28,1 m.

3.2. NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE YEAR 2014

The pro forma financial information for the year 2014 includes:

- **The financial results of the Capital Group as published in the consolidated financial statement for the year 2014;**
- **The financial results of WP Shopping sp. z o.o. (former Wirtualna Polska SA) for the period between 1 January and 13 February 2014;**
- **The financial results of Domodi for the period between 1 January and 12 September 2014;**
- **The financial results of Money Group for the period between 1 January and 31 December 2014;**
- **Adjustments to amortisation, financial cost and income tax.**

The unaudited pro forma consolidated financial information presents the hypothetical financial results of the Group as if the acquisitions of Wirtualna Polska SA, shares in Domodi Sp. z o.o. and the Money.pl Group were concluded as at the beginning of the period presented, i.e. on 1 January 2014.

The unaudited pro forma financial information has been prepared for illustrative purposes only. By nature, this information presents a hypothetical situation, and therefore it does not reflect the actual results and financial position of the Group for the period presented

The following table presents the estimated pro forma financial results of the Group for the year 2014, which are presented in the discussion of the Group's operational results:

Proforma consolidated data for 2014	The Group (1) 1 January - 31 December 2014	Wirtualna Polska (2) 1 January - 13 February 2014	Domodi (2) 1 January - 12 September 2014	Grupa Money (2) 1 January - 1 December 2014	Pro forma adjustments (3)	The Group pro forma 1 January - 31 December 2014
Sales	200 570	16 121	5 131	26 482	-	248 304
including barter transactions	27 626	1 715	-	2 514	-	31 855
Amortization and depreciation	(20 775)	(3 093)	(22)	(732)	(3 701)	(28 323)
Materials and energy used	(3 912)	(377)	(64)	(216)	-	(4 569)
Costs related to public offering, acquisitions of subsidiaries and restructuring	(30 252)	-	-	-	-	(30 252)
External services	(19 314)	-	-	-	-	(19 314)
Salary and employee benefit expense	(6 589)	-	-	-	-	(6 589)
Other operating expenses	(4 349)	-		-	-	(4 349)
Costs of the employee option scheme	(1 954)	-	-	-	-	(1 954)
Other external services	(55 096)	(4 104)	(3 928)	(11 720)	-	(74 848)
Other salary and employee benefit expenses	(60 978)	(7 019)	(856)	(10 020)	-	(78 873)
Other operating profit/(loss)	(3 749)	(163)	(191)	(2 690)	-	(6 794)
Operating profit	**23 854**	**1 365**	**70**	**1 104**	**(3 701)**	**22 691**
Net finance income/(costs)	(17 199)	76	6	59	(5 916)	(22 974)
Profit before tax	**6 655**	**1 441**	**76**	**1 163**	**(9 617)**	**(283)**
Income tax	(2 506)	(540)	-	(193)	1 491	(1 748)
Net profit	**4 149**	**901**	**76**	**970**	**(8 126)**	**(2 031)**

The information has been compiled based on the Consolidated Financial Statements of Wirtualna Polska Holding SA

(a) The purpose of the adjustments is to recognise the effect of the acquisition of Wirtualna Polska SA, Domodi Spółka z o.o. and Money.pl Group, as if they occurred at the beginning of the year, i.e. on 1 January 2014. In the case of Money.pl Group the adjustment relates to the operational results of the two most significant companies belonging to the Money.pl Group, i.e. Money.pl Spółka z o.o. and Business Ad Network Spółka z o.o., after the elimination of inter-company transactions for the period from 1 January 2014 until the acquisition date. The Money.pl Group did not prepare consolidated financial statements; therefore, for the purpose of this unaudited pro forma consolidated financial information, the data of the two most significant companies from the Money.pl Group have been prepared based on the unaudited financial information arising from their accountancy records. The effect of the remaining companies belonging to the Money.pl Group on the financial results of the Group has been assessed as immaterial.

(b) The purpose of the adjustment is to recognise the effect on the results of amortisation and depreciation of the following items for the period from 1 January 2014 until the acquisition date: (i) assets taken over as a result of acquisition of Wirtualna Polska SA, Domodi Spółka z o.o and the Money.pl Group identified in the process of allocating the acquisition price; and (ii) additional depreciation and amortisation arising from increasing the valuation of some property, plant and equipment items and intangible assets compared with their valuation recorded in the accountancy records of the acquired entities.

(c) Also the purpose of the adjustment is to recognise the result of external financing costs incurred by the Group as a result of acquisitions described above from 1 January until the acquisition date of each company

The following table presents the calculation of EBITDA and adjusted EBITDA based on the pro forma consolidated financial information of the Group for year 2014

Specification	The Group (1)	Wirtualna Polska (2)	Domodi (2)	Money Group (2)	Pro forma adjustments (3)	The Group pro forma
EBITDA	**44 629**	**4 458**	**92**	**1 835**	**-**	**51 014**
total EBITDA adjustments	**32 961**	**90**	**-**	**23**	**-**	**33 074**
Costs relating to public offering, acquisitions of subsidiaries and restructuring	30 252	-	-	-	-	**30 252**
Costs of the employee option scheme	1 954	-	-	-	-	**1 954**
Gain/loss on disposal of other financial assets	(609)	-	-	-	-	**(609)**
Net result on barter transactions settlement	623	90	-	23	-	**736**
Revaluation and liquidation of non-financial assets	741	-	-	-	-	**741**
Adjusted EBITDA	**77 590**	**4 548**	**92**	**1 858**	**-**	**84 088**

The following table presents the calculation of gross profit and adjusted profit before tax based on the pro forma consolidated financial information of the Group for the year 2014:

Specification	The Group (1)	Wirtualna Polska (2)	Domodi (2)	Money Group (2)	Pro forma adjustments (3)	The Group pro forma
Profit before tax	**6 655**	**1 441**	**76**	**1 162**	**(9 617)**	**(283)**
total PBT adjustments	38 615	90	-	23	-	38 728
Costs relating to public offering, acquisitions of subsidiaries and restructuring	30 252	-	-	-	-	30 252
Costs of the employee option scheme	1 954					1 954
Gain/loss on disposal of other financial assets	(609)	-	-	-	-	(609)
Net result on barter transactions settlement	623	90	-	23	-	736
Valuation of IRS	5 654	-	-	-	-	5 654
Revaluation and liquidation of non-financial assets	741	-	-	-	-	741
Adjusted profit before tax	**45 270**	**1 531**	**76**	**1 185**	**(9 617)**	**38 445**

The following tables present the split of pro forma financial results, adjusted EBITDA and adjusted gross profit into quarters of the financial year of 2014

Specification	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Twelve months ended 31 December 2014
Sales	**52 902**	**58 983**	**60 876**	**75 543**	**248 304**
including barter transactions	5 480	7 232	7 673	11 470	31 855
Amortization and depreciation	(8 386)	(6 303)	(6 886)	(6 748)	(28 323)
Materials and energy used	(1 194)	(1 169)	(980)	(1 226)	(4 569)
Costs related to public offering, acquisitions of subsidiaries and restructuring, including:	(10 851)	(7 071)	(7 913)	(4 417)	(30 252)
External services	(9 863)	(999)	(5 284)	(3 168)	(19 314)
Salary and employee benefit expense	(822)	(3 779)	(2 012)	24	(6 589)
Other operating expenses	(166)	(2 293)	(616)	(1 274)	(4 349)
Costs of the employee option scheme	-	-	-	(1 954)	(1 954)
Other external services	(14 278)	(15 574)	(20 213)	(24 782)	(74 848)
Other salary and employee benefit expenses	(20 632)	(17 865)	(19 432)	(20 944)	(78 873)
Other operating expenses	(1 077)	(2 011)	(423)	(4 690)	(8 201)
Other operating income/gains	72	346	434	(54)	798
Gain/loss on disposal of other financial assets	1 112	-	-	(503)	609
Operating profit	**(2 331)**	**9 336**	**5 462**	**10 224**	**22 691**
Finance income	182	72	43	220	517
Finance costs	(4 286)	(7 379)	(5 993)	(5 833)	(23 491)
Profit before tax	**(6 435)**	**2 029**	**(488)**	**4 611**	**(283)**
Income tax	891	(427)	(228)	(1 984)	(1 748)
Net profit	**(5 544)**	**1 602**	**(716)**	**2 627**	**(2 031)**

Specification	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Twelve months ended 31 December 2014
EBITDA	**6 055**	**15 639**	**12 348**	**16 972**	**51 014**
total EBITDA adjustments	**9 376**	**5 196**	**10 226**	**8 276**	**33 074**
Costs relating to public offering, acquisitions of subsidiaries and restructuring	10 851	7 071	7 913	4 417	30 252
Gain/loss on disposal of other financial ssets	(1 112)	-	-	503	(609)
Net result on barter transactions settlement	(401)	(1 837)	2 298	676	736
Revaluation and liquidation of non-financial assets	38	(38)	15	726	741
Costs of the employee option scheme	-	-	-	1 954	1 954
Adjusted EBITDA	**15 431**	**20 835**	**22 574**	**25 248**	**84 088**

Specification	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Twelve months ended 31 December 2014
Profit before tax	**(6 435)**	**2 029**	**(488)**	**4 611**	**(283)**
total profit before tax adjustments	**9 376**	**8 304**	**11 830**	**9 218**	**38 728**
Costs relating to public offering, acquisitions of subsidiaries and restructuring	10 851	7 071	7 913	4 417	30 252
Gain/loss on disposal of other financial assets	(1 112)	-	0	503	(609)
Net result on barter transactions settlement	(401)	(1 837)	2 298	676	736
Revaluation and liquidation of non-financial assets	38	(38)	15	726	741
Costs of the employee option scheme	-	-	-	1 954	1 954
Valuation of interest rate swap	-	3 108	1 604	942	5 654
Adjusted profit before tax	**2 941**	**10 333**	**11 342**	**13 829**	**38 445**

3.3. COMMENTS ON CONSOLIDATED REVENUES FOR 2015

For the purposes of comparative analysis of the growth in revenues we present below the information on the results of companies purchased in 2015 and not included in the pro forma financial results of 2014.
During the current financial year, the Group's structure has undergone changes. The most important change was the purchase of shares in the companies NextWeb Media Sp. z o.o. and Blomedia Sp. z o.o in June 2015 as well as the purchase of shares in Finansowysupermarket.pl Sp. z o.o and Web Broker Sp. z o.o. in September 2015 and Allani Sp. z o.o. in October 2015. Since the date of taking over the control by the Wirtualna Polska Holding Capital Group until the end of the year 2015 those entities recorded the following financial results:

in PLN'000	Finansowysupermarket.pl Sp. z o.o.	Web Broker Sp. z o.o.	Blomedia Sp. z o.o.	NextWeb Media Sp. z o.o.	Allani	Total
Sales	1 622	348	2 311	1 260	2 577	8 118
Cash sales	1 622	348	2 311	1 216	2 577	8 074
EBITDA	195	(111)	475	158	410	1 127
Adjusted EBITDA	240	(88)	482	201	410	1 245
Net profit	24	(111)	241	(192)	182	144

3.4. PRO FORMA CONSOLIDATED FINANCIAL INFORMATION FOR THE YEAR 2015

The pro forma financial information for the year 2015 includes:

- **The financial results of the Capital Group as published in the consolidated financial statement for the year 2015;**
- **The financial results of the Enovatis SA for the twelve months of the year 2015;**
- **The financial results of NextWeb Media sp. z o.o. and Blomedia Sp. z o.o. for the period between 1 January and 3 June, 2015;**
- **The financial results of Finansowysupermarket.pl Sp. z o.o. and Web Broker Sp. z o.o. for the period between 1 January and 16 September 2015;**
- **The financial results of Allani Sp. z o.o. for the period between 1 January and 6 October 2015;**
- **Adjustments to amortisation, financial cost and income tax.**

The pro forma consolidated financial information for the year 2015 was prepared in order to facilitate the analysis of the Group's dynamics in the future periods.

The following quarterly unaudited pro forma financial information for the year 2015, presents the Group's hypothetical financial results as if the purchase of the shares in Enovatis SA, NextWeb Media Sp. z o.o., Blomedia Sp. z o.o., Finansowysupermarket.pl Sp. z o.o., Web Broker Sp. z o.o., and Allani Sp. z o.o. had been finalised on 1 January 2015.

The financial results of the acquired subsidiaries for the period between 1 January 2015 and the acquisition date were presented in note 18 to the consolidated financial statement. The financial information presented in that not was not subject to independent auditor's review. The pro forma amounts do not include the PLN 588 thousand profit on the sale of financial assets recognised by NextWeb Media Sp. z o.o.

The data below, except for the financial results of the acquired subsidiaries recognised before the acquisition date, also include the adjustment on amortisation in respect to assets recognised in the process of purchase price allocation. Furthermore, the information below includes extra cost of external debt related to financing of Enovatis SA acquisition for the period between 1 January to 23 December 2015.

in PLN'000	Quarterly				2015
	Q1 2015	Q2 2015	Q3 2015	Q4 2015	
Sales	**78 536**	**90 160**	**92 530**	**108 159**	**369 385**
including barter transactions	*7 864*	*9 406*	*9 633*	*12 865*	*39 768*
Amortization and depreciation	(9 169)	(9 253)	(8 834)	(9 276)	(36 532)
Materials and energy used	(1 396)	(1 309)	(1 261)	(1 459)	(5 425)
Costs related to public offering, acquisitions of subsidiaries and restructuring	(1 723)	(5 714)	(1 217)	(5 328)	(13 982)
Costs of the employee option scheme	(348)	(348)	(349)	(348)	(1 393)
Other external services	(28 469)	(29 098)	(36 934)	(37 070)	(131 571)
Other salary and employee benefit expenses	(25 746)	(26 748)	(26 387)	(29 321)	(108 202)
Other operating expenses	(2 044)	(2 272)	(2 424)	(4 419)	(11 159)
Other operating income/gains	953	(32)	388	542	1 851
Gain/loss on disposal of other financial assets	-	(150)	-	-	(150)
Operating profit	**10 594**	**15 236**	**15 512**	**21 480**	**62 822**
Finance income	107	262	332	285	986
Finance costs	(11 262)	(3 756)	(4 146)	(4 273)	(23 437)
Revaluation of commitments to purchase non-controlling interests	-	-	(11 546)	(16 565)	(28 111)
Profit before tax	**(561)**	**11 742**	**152**	**927**	**12 260**
Income tax	(325)	(3 253)	(2 953)	(2 800)	(9 331)
Net profit	**(886)**	**8 489**	**(2 801)**	**(1 873)**	**2 929**
Equity holders of the Parent Company	(1 041)	8 422	(3 340)	(2 267)	1 774
Non-controlling interests	155	67	539	394	1 155

PRO FORMA 2015

in PLN'000	Quarterly Q1 2015	Q2 2015	Q3 2015	Q4 2015	2015
EBITDA	**19 763**	**24 489**	**24 347**	**30 756**	**99 355**
Costs related to public offering, acquisitions of subsidiaries and restructuring	1 723	5 714	1 217	5 328	13 982
Costs of the employee option scheme	348	348	349	348	1 393
Gain/loss on disposal of other financial assets	-	150	-	-	150
Net result on barter transactions settlement	1 637	(2 425)	2 127	(2 216)	(877)
Revaluation and liquidation of non-financial assets	56	212	37	241	546
Total adjustments	**3 764**	**3 999**	**3 730**	**3 701**	**15 194**
Normalized EBITDA	**23 527**	**28 488**	**28 077**	**34 457**	**114 549**

in PLN'000	Quarterly Q1 2015	Q2 2015	Q3 2015	Q4 2015	2015
Profit before tax	**(561)**	**11 742**	**152**	**927**	**12 260**
Costs related to public offering, acquisitions of subsidiaries and restructuring	1 723	5 714	1 217	5 328	13 982
Costs of the employee option scheme	348	348	349	348	1 393
Gain/loss on disposal of other financial assets	-	150	-	-	150
Net result on barter transactions settlement	1 637	(2 425)	2 127	(2 216)	(877)
Revaluation and liquidation of non-financial assets	56	212	37	241	546
Revaluation of commitments to purchase non-controlling interests	-	-	11 546	16 565	28 111
Finance costs in connection with refinancing	6 201	-	-	-	6 201
Valuation of interest rate swap	341	-	-	-	341
Other	36	(36)	-	-	-
Total adjustments	**10 342**	**3 963**	**15 276**	**20 266**	**49 847**
Adjusted profit before tax	**9 781**	**15 705**	**15 428**	**21 193**	**62 107**

3.5. FINANCIAL POSITION OF THE GROUP

The following table presents the consolidated statement of the Group's financial position as of the 31 December 2015 and as at 31 December 2014

in PLN'000	As at 31 December 2015	As at 31 December 2014	Change PLN'000	Change %
Non-current assets	638 195	484 962	153 233	31.6%
Current assets	111 684	84 858	26 826	31.6%
Long-term liabilities	293 426	247 211	46 215	18.7%
Short-term liabilities	98 874	77 014	21 860	28.4%
Equity attributable to Parent Company	341 903	234 051	107 852	46.1%
Share capital	1 413	1 231	182	14.8%
Non-controlling interests	15 676	11 544	4 132	35.8%

When compared to the end of 2014, the main event affecting the Group's balance sheet was the initial public offering in May 2015 and the effects of the Group's acquisition activity - i.e. the purchase of shares in NextWeb Media Sp. z o.o., Finansowysupermarket.pl Sp. z o.o., Allani Sp.z o.o. and Enovatis SA. The impact of these acquisitions on the individual lines of the consolidated statement of the financial position has been discussed in the analysis of these items.

Non-current assets

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

in PLN'000	As at 31 December 2015	Stucture 2015	As at 31 December 2014	Stucture 2014	Change PLN'000	Change %
Property, plant and equipment	51 607	8.1%	49 281	10.2%	2 326	4.7%
Goodwill	217 257	34.0%	124 833	25.7%	92 424	74.0%
Other intangible assets	367 650	57.6%	309 695	63.9%	57 955	18.7%
Deferred tax assets	1 681	0.3%	1 153	0.2%	528	45.8%
Non-current assets	**638 195**	**100.0%**	**484 962**	**100.0%**	**153 233**	**31.6%**

In the analysed period, the slight increase in the value of non-current assets was due to capital expenditure, which exceeded depreciation and amortisation.
Change in the value of goodwill in 2015 resulted from the provisional settlement of the purchase of shares in NextWeb Media Sp. z o.o. (PLN 19,1 m), Finansowysupermarket.pl Sp. z o.o. (PLN 6,1 m), Allani Sp.z o.o. (PLN 9,5 m), Enovatis SA (PLN 58,2 m) and the final settlement od purchase of shares in Money Group which resulted in reducing the recognised goodwill by PLN 0,5 m.

In the analysed period, a significant increase in other intangible assets was recorded by the Group due to the recognition of PLN 15.8 million of intangible assets acquired along with NextWeb Media Sp. z o.o. (mostly customer relations and trademarks: abcZdrowie.pl and parenting.pl), PLN 5.6 million of intangible assets acquired along with Finansowysupermarket.pl Sp. z o.o., PLN 8,1 million of intangible assets acquired along with Allani Sp. z o.o. (including PLN 5.6 million of customer relations of acquired entity). However, the most significant impact on the value of intangible assets resulted from the trademark of wakacje.pl (PLN 30,1 m) which belong to Enovatis SA and was first consolidated in December 2015.
Moreover, in the analysed period, the Group purchased two Internet radio platforms: OpenFm and PolskaStacja for a total of PLN 3.8 million.

Current assets

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

in PLN'000	As at 31 December 2015	Stucture 2015	As at 31 December 2014	Stucture 2014	Change PLN'000	Change %
Trade receivables net	53 782	48.2%	39 131	46.1%	14 651	37.4%
Barter receivables	835	0.7%	2 894	3.4%	(2 059)	-71.1%
State receivables	4 799	4.3%	7 571	8.9%	(2 772)	-36.6%
Capitalized costs of the public offering	-	0,0%	965	1.1%	(965)	-100.0%
Other current assets	3 307	3.0%	3 149	3.7%	158	5.0%
Cash and cash equivalents	48 961	43.8%	31 148	36.7%	17 813	57.2%
Current assets	**111 684**	**100.0%**	**84 858**	**100.0%**	**26 827**	**31.6%**

The increase in current assets was mainly caused by a higher level of cash trade receivables. Such an increase resulted from the PLN 14,7 m receivables of subsidiaries acquired in 2015. If the impact of the acquisitions were eliminated the level of receivables would be on similar level as in 2014.

The decrease in public receivables was mainly due to a refund of PLN 3.9 million of CIT for the previous year received in September 2015 by WP Shopping Sp. z o.o. The impact of this refund on public receivables was partially offset by the increase in VAT to be settled in the following periods.

The costs of the initial public offering capitalised as of 31 December 2014 were offset against supplementary capital in the first half of 2015.

In the analysed period the cash balance increased by PLN 17,8 m. The detailed analysis of the changes in this position is presented in the part of the report describing the cash flow statement.

Long term liabilities

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

in PLN'000	As at 31 December 2015	Stucture 2015	As at 31 December 2014	Stucture 2014	Change PLN'000	Change %
Loans and leases	192 682	65.7%	200 635	81.2%	(7 953)	-4,0%
Contingent liabilities related to business combinations	11 582	3.9%	3 038	1.2%	8 544	281.2%
IRS - cash flow hedges	1 322	0.5%	3 770	1.5%	(2 448)	-64.9%
Liabilities with respect to put option for non-controlling interests	62 762	21.4%	32 358	13.1%	30 404	94,0%
Deferred tax liability	23 884	8.1%	7 410	3.0%	16 474	222.3%
Deferred income	1 194	0.4%	-	0.0%	1 194	-
Long-term liabilities	**293 426**	**100.0%**	**247 211**	**100.0%**	**46 215**	18.7%

The growing value of non-current liabilities resulted mainly from the increase in valuation of liability with respect to the put option for Domodi Sp. z o.o. non-controlling interests. As of the reporting date, the Group owns 51% of the Domodi shares. After the end of 2017, the Group will be entitled to purchase, and the former shareholder to sell a further 24.5% of shares in DOMODI at a price determined based on the Company's results for the year 2017. After the end of 2019, the Group will be entitled to purchase, and the former shareholder to sell the remaining 24.5% of shares in DOMODI at a price determined based on DOMODI's results for the year 2019 or the market value of the Company's shares.

Starting from the date of purchase of the controlling package in Domodi, its operating and financial results, especially revenue and EBITDA, have grown dynamically. The financial results of Domodi sp. z o.o. exceeded significantly the originally expected values, which were used for the purpose of initial recognition of the put option liability. Since the actual results proved to be much better than the original projections, the value of the enterprise has grown significantly as well. Consequently, the value of shares owned by the minority shareholders and the put option liability of the Group has also increased.
Compliant to MSR 39 the Group recognises the changes in the valuation of the option liability as a financial cost. The expense is of non-cash type so it is excluded from the cash flow statement.

The liability increased in total by PLN 30,4 m in 2015. Except for the standard unwinding of discount (PLN 2.3 m), there were 3 reasons for the revaluations of the liability in 2015:

(i) Firstly, due to the fact that the operating results of Domodi sp. z o.o. significantly exceeded the estimates in the original budget used for the initial valuation of the liability, the Management considered it necessary to revise in the third quarter of 2015 the long-term forecast for this company and consequently updated the valuation of the liability in the Group's consolidated balance sheet by PLN 11.5 million.

(ii) Furthermore, in the fourth quarter of 2015, Domodi sp. z o.o. acquired 100% of shares in Allani sp. z o.o. Due to this acquisition, the shareholders' agreement ("SHA") between the Group and minority shareholders of Domodi sp. was amended in respect of the calculation of the put option for non-controlling interests.

The character of the transaction assumes that the purchase of the subsidiary was financed both by the Group and by the minority shareholders of Domodi in proportion to their shareholding i.e. 51% and 49% accordingly. Pursuant to this assumption, all the benefits resulting from the growing value of the joint enterprise of Domodi and Allani are to be distributed between the Group and the minority shareholders in proportion to their shareholding.

As a consequence, the parties signed the amendment to the SHA stating that in respect of the finalised acquisition, the basis for the calculation of the option liability should be the joint value of Domodi and Allani financial results. At the same time, the amendment predicted a reduction in liability towards Domodi's minority shareholders in respect of both options by the value of attributable to them additional consideration paid to previous shareholders of Allani Sp. z o.o. The Management Board of the Group estimates, that the value of this contingent consideration will amount to PLN 9.6 million and 49% of this amount reduces the valuation of the option liability. The total impact of the factors mentioned above on the valuation of liability and the financial cost amounted to PLN 13,5 m.

(iii) In addition, due to the fact that the amendment to the agreement between the shareholders meets the criteria set out in IAS 39.AG.62 the Group recalculated the liability using an updated discount rate (current interest rate as at the modification date) which resulted in the further increase in the value of the liability by PLN 3,1 m. The total impact of revaluation amounted to PLN 28,1 m.

Moreover, in the analysed period, contingent liabilities relating to business combinations increased. This increase was mainly caused by the initial recognition of contingent earn-out liability arising from the purchase of NextWeb Media Sp. z o.o. shares. As of 31 December 2015 the discounted value of this earn-out liability was estimated at an amount of PLN 13.1 m, out of which PLN 9.4 m is treated like a long-term liability. According to the share purchase agreement the previous shareholder is potentially entitled to three rounds of additional remuneration. Details of this contingent liability are described in 6.4 point of this report.

Contingent liabilities also increased due to the purchase of Allani Sp.z o.o. shares. The earn-out amount recognised in this transaction amounted to PLN 2.1 m and is described in 6.6. point of this report.

At the same time, the increase was partially off-set by PLN 4 m earn-out payment made to previous shareholders in Domodi Sp. z o.o. shares. The increase in the long-term liabilities was slightly compensated by reduction of long-term debt due to the repayment of PLN 20 m of debt with proceeds from the initial public offering. At the same time, the new loan agreement signed on 24 March 2015 implied a faster debt repayment schedule. Even taking into consideration the new tranche of the CAPEX (PLN 50 m) drawn to finance the acquisition of Enovatis SA, the long-term loan facility still decreased by PLN 7,9 m.

The long-term liability was also partially reduced by changes in the accounting policy in respect of financial instruments (IRS), which decreased by PLN 2,5 m compared to the previous year.

Short-term liability

The following table presents changes in non-current assets by category:

in PLN'000	As at 31 December 2015	Stucture 2015	As at 31 December 2014	Stucture 2014	Change PLN'000	Change %
Loans and leases	38 399	38.8%	19 777	25.7%	18 622	94.16%
IRS - cash flow hedges	954	1.0%	2 237	2.9%	(1 283)	-57.35%
Trade and other payables	36 959	37.4%	32 991	42.8%	3 968	12.03%
State liabilities	5 346	5.4%	6 441	8.4%	(1 095)	-17.00%
Wages and salaries payables	3 565	3.6%	5 423	7.0%	(1 858)	-34.26%
Liabilities in respect of purchase of property, plant and equipment, and intangible assets	1 593	1.6%	4 215	5.5%	(2 622)	-62.21%
Provisions for employee benefits	2 891	2.9%	2 096	2.7%	795	37.93%
Other provisions	1 661	1.7%	2 115	2.7%	(454)	-21.47%
Contingent liabilities related to business combinations	4 008	4.1%	1 342	1.7%	2 666	198.66%
Liabilities related to business combinations (other than earn-out)	2 243	2.3%	-	0.0%	2 243	-
Current income tax liabilities	1 255	1.3%	377	0.5%	878	232.89%
Short-term liabilities	**98 874**	**100.0%**	**77 014**	**100.0%**	**21 860**	**28.38%**

The increase in current liabilities was mainly due to an increase in the short-term part of the bank loan, which was caused by refinancing and by the fact that the new loan agreement implies a faster debt repayment schedule.
Another significant element is the short-term part of contingent liability related to the acquisition of the shares in NexWeb Media Sp. z o.o. As of 31 December 2015, the short-term contingent liability related to this transaction amounts to PLN 3.7 m.

Furthermore, the Group recognised PLN 2.2. m of liability towards one of the previous shareholders of Allani Sp. z o.o. In accordance with the share purchase agreement the liability was repaid on 11 January 2016.

Significant growth could be observed in trade and other payables, which increased by PLN 4 m The increase was mainly attributable to newly acquired subsidiaries whose payables as of the acquisition date amounted to PLN 9,2 m.

The overall increase in current liabilities was offset by the repayment of the IRS hedging instrument in April 2015 related to previous bank debt as well as by the slight decrease in remuneration payables. Wages and salary payables decreased mainly due to changes in salary payments in Grupa Wirtualna Polska SA – from December 2015 the remuneration is paid on the last working day of the month whereas previously it was paid on the first day of the following month.

Equity

in PLN'000	As at 31 December 2015	Stucture 2015	As at 31 December 2014	Stucture 2014	Change PLN'000	Change %
Equity attributable to equity holders of the Parent Company, including:	341 903	95.6%	234 051	95.3%	107 852	46.08%
Share capital	1 413	0.4%	1 231	0.5%	182	14.78%
Supplementary capital	310 453	86.8%	206 664	84.1%	103 789	50.22%
Revaluation reserve	(1 844)	-0.5%	-	0.0%	(1 844)	-
Other reserves	(28 506)	-8.0%	(29 899)	-12.2%	1 393	-4.66%
Retained earnings	60 387	16.9%	56 055	22.8%	4 332	7.73%
Non-controlling interests	15 676	4.4%	11 544	4.7%	4 132	35.79%
Equity	**357 579**	**100.0%**	**245 595**	**100.0%**	**111 984**	**45.60%**

During the twelve months of 2015, equity attributable to the parent company's shareholders increased by a total amount of PLN 112.1 m and this increase included:

- the increase in the Company's equity of PLN 2 m due to the issue of C series shares, out of which an amount of PLN 15 thousand increased the share capital of Wirtualna Polska Holding SA, and the remaining part was transferred to supplementary capital.
- The increase in the equity of PLN 106,9 m due to the issue of E series shares, out of which the amount of PLN 167 thousand increased the share capital of Wirtualna Polska Holding SA, and the remaining amount was transferred to supplementary capital. The supplementary capital arising from the issue of E series shares was decreased by PLN 4,9 m costs of public offering,
- The decrease of PLN 1.8 m in revaluation reserve resulting from the valuation of the interest rate swap recognised in the financial statements of the Group as cash flow hedge,
- the increase in other reserves of PLN 1.4 m due to the acquisition of the rights to a consecutive tranche of share options under the existing incentive scheme.
- a net profit for the year of PLN 4.3 m.

In the period from 1 January to 31 December 2015, the value of non-controlling interests increased by PLN 4.1 m which resulted mainly from recognising PLN 3.4 m of non-controlling interests on the transaction of the Allani Sp. z o.o. acquisition. This change was also due to the allocation to the non-controlling interests of an appropriate part of the profit earned in the period by Domodi Sp. z o.o., Allani Sp. z o.o. and dobreprogramy Sp. z o.o. to a total amount of PLN 1.35 m, less the approved dividend to minority shareholders for 2014 amounting to PLN 0.7 m.

3.6. CASH FLOW OF THE GROUP IN 2015

in PLN'000	Twelve months ended 31 December 2015	Twelve months ended 31 December 2014
Net cash flows from operating activities	88 000	37 956
Net cash flows from investing activities	(160 755)	(407 719)
Net cash flows from financing activities	90 568	397 241
Total net cash flows	**17 813**	**27 478**

The Group's business model is characterised by the generation of stable cash flow from operating activities due to the high profitability of operations.

In the twelve months of 2015, the EBITDA generated by the Group of PLN 94.4 m contributed to generating positive cash flow from operating activities of PLN 88 m. The high level of conversion of EBITDA into operating cash observed in 2015, would be even higher after the elimination of repayments of the Group's liabilities related to costs incurred during the initial public offering, included in the cash flow from operating activities, which decreased the cash flow by more than PLN 8 million.

Cash flow from investing activities was negative and amounted to PLN - 160.8 m in the analysed period, out of which PLN – 132.7 m was related to Group's acquisition activities and resulted from cash paid (after deducting the cash of the acquired subsidiary as of the transaction date) for the shares in NextWeb Media Sp. z o.o. (PLN 20.7 m), Finansowysupermarket.pl Sp. z o.o (PLN 12.1 m), Allani Sp. z o.o. (PLN 8.6 m), Enovatis SA (PLN 82.3 m) and the return of part of the price paid for Money Group (PLN 0.3 m). Moreover, the Group purchased two Internet radio platforms (Polska Stacja and Open FM) for PLN 3.8 m and the paid PLN 5.3 m due to contingent liability recognised in relation to the purchase of the Sportowefakty and Domodi Sp. z o.o. enterprise. In the analysed period, the Group also settled significant CAPEX payments of total PLN 28 m mainly on the purchase of intangible assets, server hardware and equipment for the television studio.

Cash flow from financing activities during the year 2015 amounted to PLN 90.6 m. Cash flow from the financing activities was positively influenced by funds raised by Wirtualna Polska Holding SA from the initial public offering of PLN 106,9 m as well as cash inflow of PLN 2 m as execution of the option scheme. The Group presented as financial Cash flow of PLN 1 m of bank interest on its own funds derived from the initial public offering.

During the year 2015 the cash inflow related to the additional tranche of the CAPEX loan drawn to partially finance the acquisition of Enovatis SA was by PLN 8 m higher than the repayment of capital amount of loans. The negative impact on cash flow from financing activities was caused by the payment of bank interest and commissions at an amount of PLN 19.8 m. Moreover, due to refinancing, the Group made an early payment of PLN 6 m in order to close its interest rate swap. Negative cash flow from financing activities was additionally influenced by a dividend payment to minority shareholders (PLN 0.7 m) and a financial lease repayment (PLN 0.7 m).

3.7. SELECTED FINANCIAL RATIOS

Financial ratios	Twelve months ended 31 December 2015	Twelve months ended 31 December 2014 [proforma]
Cash sales (PLN'000)	285 998	216 449
Cash sales (YoY increase)	32.1%	-
Cash sales excluding acquisitions 2015 (for comparative purposes)	278 013	216 449
Cash sales excluding acquisitions 2015 (YoY increase)	28.4%	-
Adjusted EBITDA margin (on cash sales)	38%	39%
Adjusted gross margin (on cash sales)	22%	18%
Cash convertion ratio ((EBITDA - CAPEX)/EBITDA)*	70%	71%
Financial leverage ratio (Net debt/ Adjusted LTM EBITDA)	1.69	-

* expenses incurred on the purchase of intangible and tangible assets do not include funds used for acquisitions activities;

The main financial ratios analysed by the Group's Management Board comprise cash proceeds from sales and their growth, adjusted EBITDA margin and adjusted gross margin. The sales for the year 2015 were 32.1% higher than the sales calculated on the basis of the pro forma financial data for the previous year. If the impact of 2015 acquisitions was eliminated, the growth of revenue compared to previous year would equal 28.4%, which was possible due to the synergies achieved in the area of revenues and the improving market position of the Group.

The EBITDA margin ratio for year 2015 remained at the similar level as its value calculated on the basis of the pro forma financial data for the corresponding period of the previous year. However, adjusted gross margin ratio increased to 22% which was mainly connected with the decline in financing costs.

The cash conversion ratio for the year 2015 was at the high level of 70%.

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 preparation of this Report, these ratios were satisfactory and there were no indications of a risk of not satisfying the requirements concerning their value as defined in the loan agreement.

4. FACTORS AND EVENTS, ESPECIALLY EXCEPTIONAL ONES, SIGNIFICANTLY AFFECTING THE RESULTS AND OPERATIONS OF THE GROUP

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;
- increased effectiveness resulting from the use of the Group's data resources and big data tools;
- costs of funding related to the acquisition of Wirtualna Polska SA and further acquisitions.

4.1. MATERIAL ACQUISITIONS MADE BY THE GROUP

Both in the previous year and in the current year the Group acquired other entities operating on the internet advertising and e-commerce markets, including generating leads on the e-commerce market. The Group acquired shares in Wirtualna Polska SA, Domodi Sp. z o.o. and Money.pl Sp. z o.o., as well as the enterprise Sportowe Fakty in 2014. In 2015 the Group purchased shares in NextWeb Media sp. z o.o., Finansowysupermarket.pl Sp. z o.o., Allani Sp. z o.o. and Enovatis SA. The acquisitions referred to above had a significant impact on the increase in revenues and EBITDA compared with the same period of the prior year.

4.2. INCREASE IN EFFECTIVENESS AS A RESULT OF USING THE GROUP'S DATA RESOURCES AND BIG DATA TOOLS

The Group has one of the largest databases of real users of internet portals and the largest database of email users in Poland. Achieving the highest rank in the number of email users was possible thanks to – among other things – acquisitions made by the Group in 2014 and 2015.

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

4.3. BORROWINGS RELATED TO THE ACQUISITION OF WIRTUALNA POLSKA SA AND FURTHER ACQUISITIONS

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

The Group's debt results among others from financing with the help of bank loan part of the purchase price (PLN 175 m) of shares in Wirtualna Polska SA (currently WP Shopping Sp. z o.o.), purchase price (PLN 47 mln) for the shares in Money.pl Sp. z o.o. and part of the purchase price (PLN 50 m) for the shares in Enovatis SA.

Until 8 April 2015 the amount due in respect of the loan bore an interest rate of 6M WIBOR plus the margin specified in the agreement, dependent on the ratio of the Group net debt to EBITDA. Additionally, until 7 April 2015, Grupa Wirtualna Polska Spółka z o.o. (currently: Grupa Wirtualna Polska SA) had an interest rate swap contract concluded with Bank Pekao in respect of PLN 130 million, under which the variable interest rate on the above portion of the loan dues was swapped for a fixed interest rate.

On 24 March 2015, Grupa Wirtualna Polska Sp. z o.o. (currently: Grupa Wirtualna Polska SA) terminated the previous loan agreement concluded with Bank Pekao and ING Bank Śląski on 12 December 2013.

Due to the early termination of the agreement the Group was obliged to pay commission on early repayment in the amount of PLN 1,996 thousand.

The finance costs for 2015 also included PLN 4,205 thousand in respect of arrangement fees incurred on the origination of the previous loan, which are deferred over the period of the loan by accounting for interest on the loan using the effective interest rate.

On 24 March 2015, Grupa Wirtualna Polska Sp. z o.o. (currently: Grupa Wirtualna Polska SA) and mBank SA and ING Bank Śląski SA concluded a loan agreement to refinance the current debt, finance capital expenditure and acquisitions, and the bank overdraft, on the basis of which they granted a loan to Grupa Wirtualna Polska Sp. z o.o. (currently: Grupa Wirtualna Polska SA) to a total amount of up to PLN 279.5 million.
The new loan bears an interest rate of 3M WIBOR plus the margin specified in the agreement.

Additionally, on 28 April Grupa Wirtualna Polska Sp. z o.o. concluded an interest swap agreement with mBank and ING Bank Śląski swapping the variable interest rate on the new loan to a fixed interest rate. As of the balance sheet date, jointly, these contracts hedge interest rates for the equivalent of PLN 43.5 million of the A tranche of the loan and PLN 77.2 million of the B tranche of the loan. These financial instruments are treated as hedge accounting and were recognised in the financial statements of the Group as cash flow hedge under IAS 39. On each balance sheet date the Group indicates effective and ineffective part of the hedge according to rules of IAS 39.95. The effective part of cumulated gain/loss (change of fair value) from the instrument is recognised in other comprehensive income. The ineffective part of cumulated gain/loss (change of fair value) from the instrument is presented in financial revenues/costs of the current period. Since the hedging instruments concluded are in total compliance in respect of both the interest periods and the amortisation, the effectiveness tests conducted at 31 December 2015 show the full effectiveness of the hedge. The table below shows the presentation of the hedging instruments held by the Group as at 31 December 2015 in the consolidated balance sheet.

(thousand PLN)	As of 31 December 2015
Interest rate swaps - cash flow hedges long term	1 322
Interest rate swaps - cash flow hedges short term	954
Deffered tax asset	432
Revaluation reserve	**(1 844)**

On December 23, 2015 the Group used all its available loan intended for financing investment activities and increased its commitment by PLN 50 m in connection with payment for the shares in Enovatis SA.

As at 31 December 2015 the balance of the Group's liability resulting from loan agreement amounted to PLN 227.6 million.

During the year 2015 the Group's interest and commissions expenses, the bulk of which resulted from interest on the bank loan, amounting to PLN 10,523 thousand. The amount of these costs in consecutive periods, to the extend not hedged with interest rate swaps, will depend on WIBOR 3M which was 1.72% as of 31 December 2015.

Apart from the factors referred to above during twelve months of 2015 there were no extraordinary factors or events which would have a significant impact on the financial results achieved.

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

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

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

5.1. ECONOMIC SITUATION IN POLAND

The Group conducts operations in Poland in the advertising sector, the dynamics of which are in principle strongly positively correlated with the economic growth and macroeconomic situation in Poland. As a consequence, the Group's business activities are affected by macroeconomic factors which shape the situation on the Polish market, which in turn is significantly affected by the EU and global economic situation.
Changes in the economic situation, which are reflected by the GDP growth, affect the purchasing power of the Group's clients and the consumers of its products and services, as well as the inclination to spend or save, thus shaping the level of advertising budgets of the Group's customers and at the same time the demand for the Group's advertising products.

5.2. COMPETITION ON THE POLISH ADVERTISING MARKET

Both globally and in Poland, the internet advertising market is characterised by fierce competition. The Group's direct competition includes entities which own national portals and websites, in particular onet.pl, interia.pl or gazeta.pl. Moreover, the Group competes with entities which own international portals and websites, especially in the area of electronic mail (e.g. Yahoo!, Gmail, Hotmail, AOL) and website services (e.g. Google, Facebook, Twitter).
Moreover, although not directly, the Group's competition also includes other entities operating on the widely defined advertising market, including in particular television stations, newspapers and radio. These entities compete with one another in terms of product and service prices, especially advertising rates, the ability to reach potential customers with a profile sought by the advertisers, attractiveness and quality of published materials, shaping of trends on the market or ability to quickly adapt to such trends, and in terms of brand strength.
As of the date of publication of the report the Group is one of the two leading entities among domestic portals and websites. In line with its strategy, the Group will strive to strengthen its leading position among the portals and website services present on the Polish market. Holding the leading position is important due to the so-called leadership premium, i.e. the advertisers' tendency to prefer placing advertisements on portals and website services holding the leading position on the market in terms of the offered reach, which has a significant effect on the income generated.

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

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

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

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

By generating leads on the e-commerce market via the Domodi, Homebook, Allani, Finansowysupermarket.pl and Money.pl portals, and e-commerce advertising activities of the Wirtualna Polska website, the Group is exposed to the advertising e-commerce market, i.e. advertising based on the lead generation formula on the order of internet shops. Therefore, the development of the electronic market in Poland will have a positive impact on the Group's operations.

5.4. ACTIVE ACQUISITION ACTIVITIES

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

6. SIGNIFICANT EVENTS AND CONTRACTS WHICH TOOK PLACE IN 2015

6.1. REFINANCING OF THE GROUP'S DEBT

On 24 March 2015, Grupa Wirtualna Polska Sp. z o.o. (currently: Grupa Wirtualna Polska SA) terminated the previous loan agreement concluded with Bank Pekao and ING Bank Śląski on 12 December 2013.

The whole debt under the previous loan agreement and its refinancing took place 8 April 2015.

In relation to the termination of the loan agreement the Group was obliged to pay commission for early repayment of PLN 1,996 thousand. The financial costs for the period also included PLN 4,205 thousand in respect of origination fees incurred on the origination of the previous loan, which were to be deferred over the term of the loan by accounting for interest on the loan using the effective interest rate.

On 24 March 2015, Grupa Wirtualna Polska Sp. z o.o. (currently: Grupa Wirtualna Polska SA) and mBank SA and ING Bank Śląski SA concluded a loan agreement to refinance the current debt, finance capital expenditure and acquisitions, and a bank overdraft, on the basis of which they granted a loan to Grupa Wirtualna Polska Sp. z o.o. to the total amount of up to PLN 279.5 million to be used for:

- refinancing the current debt in respect of the loan agreement concluded by and between Grupa Wirtualna Polska Sp. z o.o. (currently: Grupa Wirtualna Polska SA) and Bank Pekao and ING Bank Śląski, which was earmarked for financing the acquisition of Wirtualna Polska SA by Grupa Wirtualna Polska Spółka z o.o., debt refinancing, financing capital expenditure and acquisitions, and financing current operations and working capital, to the total amount of up to PLN 219.5 million, comprising up to PLN 134.5 million (the A tranche of the loan) and up to PLN 85 million (the B tranche of the loan);
- financing capital expenditure and acquisitions specified in the agreement up to PLN 50 million (the Capex tranche of the loan); and
- Refinancing the early repayment of the loan of PLN 10 million.

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.

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

- tranche A should be repaid in twenty equal quarterly instalments payable over a period of 5 years after the lapse of 3 months of concluding the new loan agreement;
- tranche B should be repaid on the final maturity date which will be the 6th anniversary of the conclusion of the new loan agreement;
- tranche CAPEX should be repaid in twelve equal quarterly instalments payable after the lapse of two and a half years of concluding 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 Grupa Wirtualna Polska Spółka SA, http Spółka z o.o., Dobreprogramy Sp. z o.o., Business Ad Network Sp. z o.o., Businessclick Sp. z o.o., Money.pl

Sp. z o.o., Domodi Sp. z o.o., WP Shopping Sp. z o.o. and WP1 Sp. z o.o. and Blomedia.pl Sp. z o.o. Enovatis SA;

- registered pledges on items and rights of Wirtualna Polska Holding SA, Grupa Wirtualna Polska SA, Money.pl Sp. z o.o., Business Ad Network Sp. z o.o., Business Ad Network Sp. z o.o.; WP1 Sp. z o.o.; Blomedia.pl Sp. z o.o.; Enovatis SA;
- ordinary and registered pledges on the rights to trademarks of Grupa Wirtualna Polska SA, Money.pl Sp. z o.o. and Blomedia.pl Sp. z o.o. Enovatis SA;
- financial and registered pledges on bank accounts maintained for Wirtualna Polska Holding SA, Grupa Wirtualna Polska SA, Money.pl Sp. z o.o., Business Ad Network Sp. z o.o., WP Shopping Sp. z o.o., WP1 Sp. z o.o., Blomedia.pl Sp. z o.o., Enovatis SA together with powers of attorney to those bank accounts;
- transfer of rights from agreements mentioned in the new loan agreement (including insurance policies, commercial contracts, intercompany loans) Wirtualna Polska Holding SA and Grupa Wirtualna Polska SA; Money.pl Sp. z o.o.; Business Ad Network Sp. z o.o., WP Shopping Sp. z o.o., WP1 Sp. z o.o., Blomedia.pl Sp. z o.o., Enovatis SA,
- declarations on submission to enforcement procedures by Wirtualna Polska Holding SA, Grupa Wirtualna Polska SA and WP Shopping Sp. z o.o., Money.pl Sp. z o.o., Business Ad Network Sp. z o.o., WP1 Sp. z o.o., Blomedia.pl Sp. z o.o., Enovatis SA and
- a subordination agreement for the repayment of indicated existing and future dues in respect of Grupa Wirtualna Polska Spółka SA to the dues of new borrowers.

The new loan agreement includes a mandatory early repayment clause which obliges Grupa Wirtualna Polska SA to earmark the proceeds from the issue of new shares admitted to trading on the regulated market to repayment of the debt, in order to reduce the Group's total net debt to EBITDA (Leverage Ratio) to a level of 2.0:1. On basis of this clause, on 21 May 2015 the Group made a mandatory loan prepayment of PLN 20 million, financed it from the listing proceeds.

Additionally, on 28 April Grupa Wirtualna Polska Sp. z o.o. (currently: Grupa Wirtualna Polska SA) concluded an interest swap agreement with mBank and ING Bank Śląski swapping the variable interest rate on the new loan to a fixed interest rate. Jointly, these contracts hedge interest rates for the equivalent of PLN 48.8 million of the A tranche of the loan and PLN 77.2 million of the B tranche of the loan. These financial instruments are treated as hedge accounting and were recognised in the financial statements of the Group as cash flow hedge under IAS 39.

The new loan agreement ensures a lower margin which results in a reduction in the total interest expense throughout the term of the loan and higher flexibility of funding future acquisitions.

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

On 7 May 2015, by way of an ordinary procedure, 12.221.811 series B shares , 301.518 series C shares as well as 3.339.744 rights to ordinary series E bearer shares were permitted to regular exchange trading on the main market. Rights to shares were listed until 26 May 2015, when they were registered by the National Depository of Securities. In consequence, on 27 May 2015 by way of an ordinary procedure, 3.339.744 series E shares were permitted to regular exchange trading on the main market.

The total listing proceeds amounted to 106.872 thousand PLN and was assigned for acquisitions and debt repayment. Details regarding the listing proceeds utilisation are presented in point 8.2 of this report.

6.3. ACQUISITION OF INTERNET RADIO PLATFORMS: OPENFM AND POLSKASTACJA.PL

On 25 May 2015 the Group acquired two independent Internet radio platforms: OpenFM – from GG Network SA and PolskaStacja – from Polska Stacja s.c. This investment makes the Group the leader in the Internet radio segment, which has one of the highest content consumption time per user. OpenFM and PolskaStacja.pl with a total number of 755 thousand users and almost 90 million domestic views per month, are jointly the leader in this popular online service, and being at the same time Internet radio stations, involve mobile internet users to the greatest extend.

The total price for the internet platforms purchased amounted to PLN 3.8 million. The WP Group expects to increase revenues from these services significantly as a result of better use of the available advertising space, monetised primarily by pre-roll video, and audio and banner advertising.

6.4. PURCHASE OF SHARES IN NEXTWEB MEDIA SP. Z O.O

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

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

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

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

The purchase price for 100% shares in NextWeb Media Group (including the purchase price adjustment after final calculation of net debt of acquired companies) was PLN 19,300 thousand. Moreover the transaction structure includes PLN 3.5 million payable one year after the acquisition and additional conditional earn-out payments payable over three years after the transaction. The aggregate estimated value of transaction, taking into account the discounted value of the estimated contingent payment and earn-out amounted to PLN 32,770 thousand.

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

6.5. PURCHASE OF SHARES IN FINANSOWYSUPERMARKET.PL SP. Z O.O

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

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

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

Moreover, as a part of the settlement Money.pl Sp. z o.o. was obliged to repay the Web Broker's liabilities to the previous owners due to loans to a total amount of PLN 200 thousand. The repayment of Web Broker's liabilities was made on the date of the share purchase agreement.

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

6.6. PURCHASE OF SHARES IN ALLANI SP. Z O.O.

On 6 October 2015, Domodi Sp. z o.o., a subsidiary of the parent company, purchased 100% of shares in Allani Sp. z o.o.

Allani is a specialist fashion marketplace with social elements, collating offers from more than 110 shops, including Zalando, Answear or Eobuwie. This platform provides a distribution channel of over 400 thousand products including such brands as: Monnari, Wojas, Tommy Hilfiger, Lacoste, Kazar, Simple, Venezia, Wittchen or Gino Rossi. Allani.pl provides services for almost 900 thousand real users per month. According to the data of Megapanel PBI/ Gemius, in December 2015 the e-commerce services of the WP Group (including Domodi and Allani) were visited by total more than 3 million users (real users) which provides the WP Group an upgrade to the sixth position on the list of the largest entities in the e-commerce sector in Poland.

These shares were acquired on the basis of three agreements:

- the sale agreement for 1.417 shares, each share for the unit price of PLN 5.7 thousand;
- the share sale agreement and further cooperation concluded with two key members of Allani's management team, being also previous shareholders of the company. These agreements have transferred to Domodi Sp. z o.o. ownership of 367 shares in case of the first and 23 shares in case of the second one, for PLN 1 million (the price of one share amounted to PLN 2.7 thousand) and PLN 69 thousand (the price of one share amounted to PLN 3 thousand) respectively.

In case of contracts for the sale of shares in the key managers the signed agreements also contain detailed guidance on further cooperation between the parties and the provisions on the rights of the sellers to an additional contingent consideration for sold shares. The agreements provide for two payments of conditional consideration for the sold shares. The amount of additional consideration will be calculated as a contractual percentage of the value of the combined businesses Allani Sp. z o.o. and Domodi Sp. z o.o, calculated on the basis of the financial results of both entities for 2017 and 2019. In the case when the cooperation between the parties ends after one year from the date of the transaction, but before the end of 2017 and 2019 respectively, the contingent consideration will be calculated based on results of companies for the last twelve months following the end of the cooperation.

The Management Board estimates that total non-discounted value of additional contingent consideration for Allani's shareholders will amount to PLN 9.6 million. Due to the correlation of the value of earn out paid and the fact that key managers stayed at the company, the purchase price of the shares from those managers, for the purpose of settlement of this transaction, was set at the amount which would be paid for the same number of shares to other shareholders not covered by conditional consideration, which is PLN 2.8 million. After the reduction of this amount by the actual price of PLN 1.069 million paid on the day of transaction, the contingent liability recognised in the original settlement of this transaction amounted to PLN1.7 million. The difference between the estimated earn out payment and the amount recognised as the shares' price will be treated as remuneration in respect of IAS 19 and will be recognised in consolidated income statement during the period when services are rendered. This is a non-cash arrangement.

The character of the transaction assumes that the purchase of the subsidiary was financed both by the Group and by the minority shareholders of Domodi in proportion to their shareholding i.e. 51% and 49% respectively. Pursuant to this assumption all benefits resulting from the growing value of the joint enterprise of Domodi and Allani are to be distributed between the Group and the minority shareholders in proportion to their shareholding.

As a consequence, the parties signed the amendment to the shareholders' agreement stating that in respect of the finalised acquisition, the basis for the calculation of the option liability should be the joint value of Domodi and Allani financial results. At the same time, the amendment predicted a reduction in liability towards Domodi's minority shareholders in respect of both options by the value of attributable to them additional consideration paid to previous shareholders in Allani Sp. z o.o.

6.7. PURCHASE OF SHARES OF ENOVATIS SA

On 23 December 2015 Grupa Wirtualna Polska SA, a subsidiary of the parent company, finalised the purchase of 100% shares in Enovatis SA
Enovatis is the largest and fastest growing online travel agency (OTA) in the country. The Company's portfolio consists of three popular travel portals – wakacje.pl, easygo.pl and wypoczynek.pl. The Company operates in four segments: outbound package tourism and leisure tourism, sales of airline tickets and intermediation in hotel reservations in Poland and worldwide. Enovatis is constantly working with several dozen tourism, technological and commercial partners, including the largest tour operators in the country.

The total purchase price amounted to PLN 83,566 thousand. The acquisition was financed as follows:

- an amount of PLN 33,566 – the Group's own resources obtained from the initial public offering.
- an amount of PLN 50,000 thousand - additional tranche of loan facility made available to the Group in accordance with the loan agreement

The detailed information about the consideration paid and the fair value of the assets acquired As of the date of the transaction is presented in note 18 to the consolidated financial statement.

6.8. JOINING THE COMPETITION FOR BROADCASTING THE TELEVISION PROGRAMME

On 18 September 2015, WP1 Sp. z o.o. submitted an application to the National Broadcasting Council for a broadcasting license for the transmission of a television programme for 10 years, by digital terrestrial diffusion using the eighth multiplex signal (MUX8).

On 5th November, 2015 the National Broadcasting Council ("NBC") granted the subsidiary of Company, i.e. WP1 sp. z o.o. with its registered seat in Warsaw, a broadcasting license for the transmission of a television programme. The programme will include elements dedicated to the development of society, economy, culture and social transformations in the modern era of rapid technical and technological development. The programme will include auditions devoted to media education and also will present contents from the new media. The programme will be interactive and audience-friendly.

The programme complies with the conditions laid down in the Announcement of the Council's Chairman of 4 August 2015. The broadcasts will discuss a wide range of topics important to society in the era of rapid development of internet technologies as well as documentaries, entertainment, information and education matters. The programme will use Internet and mobile technologies.

On 15 January 2016, the company WP1 sp. z o.o. obtained an initial decision of President of the National Broadcasting Council on granting a broadcasting license for the transmission of a television programme in MUX8 under the name "WP1". According to the broadcasting license, the programme will have a universal appeal i.e. it will include different TV types and forms dedicated to various issues, including the development of society, economy, culture and societal transformations in the modern context of rapid technical and technological development.

The broadcasting license will be effective from 14 January 2016 to 13 January 2026. The fee for the license amounted to PLN 13,545 thousand and will be paid in 10 annual instalments of PLN 1,355 thousand each.

7. RISK FACTORS SIGNIFICANTLY EFFECTING THE GROUP'S OPERATIONS

7.1. RISKS RELATED TO MARKET ENVIRONMENT IN WHICH THE GROUP OPERATES

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 2015, 77,9% of households (an increase of 2.9 p.p. compared with 2012) and 92,7% of enterprises in Poland had access to the Internet (source: Społeczeństwo Informacyjne 2015 – GUS). In addition, the percentage of households using broadband access has been growing from year to year. Nevertheless, the current level of development of the broadband infrastructure and the level of its utilisation are relatively low compared with the majority of European Union countries. Moreover, changes in the manner of accessing the Internet have been noted in recent years. This may materially affect the growth rate of the markets 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 and e-commerce markets.

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

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

The macroeconomic situation

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

Competition on the Polish market

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

As of the prospectus date, the Group is one of two leaders among national web portal and websites in terms of real users and range. A leading position is important because of the so-called leader's bonus, i.e. the propensity of advertisers to place their advertisements with the portals and websites which enjoy leading market positions in terms of access to Internet users, which has a material impact on the revenues generated. Many factors affect the Group's ability to strengthen its current competitive position as one of the two leading portals and providers of websites operating on the Polish market, including mainly the

Group's brand recognition and reputation, the attractiveness and quality of the content published on its portals and websites, its user base and the ability to analyse and process user data. It cannot be precluded that as a result of many factors, the majority of which are beyond the Group's control, including those as a result of activities undertaken by the Group's competitors, the adoption by the Group of an inappropriate strategy or obstacles to the execution of its adopted strategy, insufficient funds or an inappropriate mix of products and services, the Group will be unable to strengthen its current position as one of the two leading national web portals and providers of websites or that it will lose its current position. Increased competition on the markets on which the Group operates could result in higher pressure on the Group to lower the prices of the products and services it offers, especially various forms of online advertising, and could result in a need to increase expenditures on marketing activities, research and development activities, the development and implementation of new products and services and the improvement thereof, and other innovative solutions.

7.2. RISKS ASSOCIATED WITH THE GROUP'S OPERATIONS

Key clients

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

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

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

The risk related to external debt financing

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group is developing and intends to continue developing its performance-based advertising (lead generation) business, which is intended to expand the traditional advertising business of the Group's portals and websites. The Group's natural advantages on this market include strong, trusted brands, the capability to acquire online traffic from search engines and social networking services, a large number of users of the Group's portals and websites and of the services offered by the Group, and knowledge of users' behaviours and preferences. These factors enable the Group not only to reach a specific group of users with its advertising message, but also to redirect a user with specific shopping interests directly to the e-commerce systems of the Group's clients and charge its fees depending on the effectiveness of sales efforts.

The Group's success on the growing market of e-commerce depends mainly on the Group's ability to develop and implement new, innovative business models. An understanding of the e-commerce market and its trends and development directions is critical for developing, implementing and executing the operating strategy and short-term objectives which would allow the Group to expand in this segment of the online market. It cannot be guaranteed that the Group's development strategy for performance-based advertising (lead generation) or any subsequent changes thereto will ensure that the Group will attain the desired market position or the expected level of revenues.

The risk of d*evelopment 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 difficulties in integrating acquired entities

The execution of the Group's strategy, which assumes analysing potential investment targets and acquisitions of companies which provide services similar or complementary to those offered by the Group, exposes the Group to potential difficulties in integrating the acquired entities into its structure, in restructuring their operations by adjusting them to the Group's operations and managing their operations, as well as to the risk of losing some of the clients of the acquired entities. It cannot be precluded that the assumed integration into and restructuring of the operations of acquired entities with the operations of the Group will not be completed, will take longer than anticipated, will require the incurrence of higher than anticipated costs or that the expected synergies will not be 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 in the Internet sector, the Group's plans will fail to be realised.

Court, administrative or other proceedings

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

7.3. REGULATORY RISKS

The risk of a breach of the 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 interpretation of Polish laws and changes to Polish laws

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

Changes in tax law regulations

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

In view of the above, no assurance may be given that the tax authorities will not question the accuracy of the tax settlements of the entities that comprise the Group to the extent of any tax liabilities not subject to the statute of limitations or the determination of the outstanding tax liabilities of such entities, which could adversely impact the Group's business, financial condition, development prospects or results.

Risk involved in executing agreements with related parties

The Group Companies conduct transactions with certain Group entities, including with related parties within the meaning of the tax regulations. Whenever they enter into and execute related-party transactions, the Group Companies exercise every effort to ensure that, specifically, such transactions comply with all prevailing transfer price regulations. Nevertheless, in view of the special nature of related-party transactions, the complex and unclear nature of the laws regulating the methods of auditing applied prices, and the difficulty in identifying comparable transactions for reference purposes, no assurance may be given that specific Group Companies will not be subject to inspections and other investigations by the tax and fiscal control authorities.

If the methods of determining the market conditions for the purposes of the above-mentioned transactions are questioned, it may have a material adverse effect on the Group's business, financial condition, growth prospects and results.

The breach of the provisions of law committed by the Group may result in the UOKiK, the UKE and the National Broadcasting Council exercising supervisory measures

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

The neutrality of the Internet

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

8. SHARE CAPITAL AND SHARE CAPITAL STRUCTURE

8.1. SHARE CAPITAL STRUCTURE

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

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

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

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

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

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

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

8.2. USE OF THE PROCEEDS FROM THE PUBLIC OFFERING

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

Wykorzystanie środków z emisji (w milionach złotych)	31 grudnia 2015
Dopłaty do kapitału	106,90
Pokrycie kosztów IPO	(7,00)
Spłata kredytów	(20,00)
Zakup udziałów w NextWeb Media	(21,10)
Zakup OpenFM i Polska Stacja	(3,80)
Zakup udziałów Finansowysupermarket	(10,90)
Zakup akcji Enovatis	(33,64)
Koszty doradztwa transakcyjnego	(0,50)
Pozostałe środki z emisji na dzień 31 grudnia 2015	**9,96**

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

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

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

Additional information about the structure and changes in the Company's shares are described in detail in note 23 to the consolidated financial statement.

8.4. AGREEMENTS CONCERNING POTENTIAL CHANGES IN THE SHAREHOLDING STRUCTURE

Investment agreement

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

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

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

- Jacek Świderski – right to exercise voting rights attached to 789.554 A series registered shares, each with a nominal value of PLN 0,05 and owned by European Media Holding S.à r.l.
- Krzysztof Sierota – right to exercise voting rights attached to 789.554 A series registered shares, each with a nominal value of PLN 0,05 and owned by European Media Holding S.à r.l.;
- Michał Brański – right to exercise voting rights attached to 789.554 A series registered shares, each with a nominal value of PLN 0,05 and owned by European Media Holding S.à r.l.

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

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

Incentive scheme – share-based payments

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

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

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

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

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

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

8.5. PURCHASE OF TREASURY SHARES

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

9. ADDITIONAL INFORMATION

9.1. REMUNERATION OF KEY MANAGEMENT AND SUPERVISORY PERSONNEL

Remuneration of key management personnel

The table below presents the remuneration of members of the Company Management Board for 2015:

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

Remuneration of key supervisory personnel

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

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

9.2. EVENTS AFTER THE BALANCE SHEET DATE

Detailed information of all significant post- balance sheet events is provided in note 39 to to consolidated financial statements for the year ending 31 December 2015.

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

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

9.4. PRODUCTS PROVIDED BY THE WIRTUALNA POLSKA HOLDING CAPITAL GROUP

The table below presents the Group's revenue by operation type:

in PLN'000	For the year ended 31 December 2015	Share %	For the year ended 31 December 2014	Share %
Sales of advertising services	310 659	95%	188 418	94%
- non-barter transactions	271 074	83%	160 792	80%
- barter transactions	39 585	12%	27 626	14%
Sales of non-advertising services	14 924	5%	12 152	6%
Total	**325 583**	**100%**	**200 570**	**100%**

In 2015 the Group's consolidated revenue amounted to PLN325,583 thousand, out of which PLN 310,659 thousand (95%) was related to advertising services. The Group conducts operations on the Polish market of online advertising, offering a wide range of advertising products to its clients – modern display ads, including online video ads, ads sent by e-mail, ads for mobile devices and ads based on the effectiveness model (lead generation).

Year on year changes in revenue are described in point 3.1. of this report.

9.5. SALES MARKETS AND SOURCES OF SUPPLY

About 82% of the Group's revenue come from the domestic market. Foraign sales are realised mainly in the countries of the European Union.

in PLN'000	For the year ended 31 December 2015	Share %	For the year ended 31 December 2014	Share %
Domestic sales	266 121	82%	168 402	84%
Export sales	59 462	18%	32 168	16%
European Union	51 021	16%	24 417	12%
Outside EU	8 441	3%	7 751	4%
Total	**325 583**	**100%**	**200 570**	**100%**

The Group manages a well-diversified portfolio of customers and suppliers. The share of euther the suppliers or customers did not exceed 10% of total expenses or revenue in 2015.

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

Due to the specific nature of its operations, mainly operating internet portals, the Group is exposed to lawsuits in cases related to the protection of personal rights. As at 31 December 2015, a several dozen such cases were in progress. The Group recorded a provision for pending litigation based on the actual status of cases and cost estimates prepared by the Legal Department conducting the cases. The provisions were recorded in terms of the amount of claims and court fees with the probability of their fluctuation in the Group's opinion.

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

9.7. INFORMATION ON TRANSACTIONS WITH RELATED ENTITIES

All transactions with related entities are concluded on an arm's length basis. Detailed information on transactions with related entities are presented in Note 37 of the annual consolidated financial statements for the year 2015.

9.8. 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 Group is exposed;
- objectives and methods established by the Group in order to manage financial risk, including methods of securing significant types of planned transactions to which hedging accounting is applicable

are described in Note 34 of the consolidated financial statements for the financial year ending 31 December 2015.

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

Guarantees granted to third-party entities

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

Inter-company guarantees

The companies: Wirtualna Polska Holding SA, WP Shopping Sp. z o.o., Money.pl Spółka z o.o., http Sp. z o.o. and Free4Fresh Sp. z o.o. were guarantors of the previous loan agreement concluded by and between Grupa Wirtualna Polska Sp. z o.o. and Bank Pekao and ING Bank Śląski.

After the refinancing transaction described in detail in point 6.1. of the report, the following companies are guarantors of the loan agreement by and between Grupa Wirtualna Polska Spółka z o.o., and mBank and ING Bank Śląski: Wirtualna Polska Holding SA, WP Shopping Sp. z o.o., Business Ad Networks Sp. z o.o., WP1 Sp. z o.o., Money.pl Sp. z o.o. and Blomedia Sp. z o.o. The Management Board assumes that all companies that are currently guarantors of the loan agreement will remain as such until the end of the credit agreement. The total guarantee amount corresponds to the current balance of the Group's debt of the credit agreement .

After the balance sheet date, on 15 January 2016, Enovatis SA joined the loan agreement as one of the guarantors.

Loans granted

As of 31 December 2015 Wirtualna Polska Holding SA, Grupa Wirtualna Polska SA and BusinessClick Sp. z o.o. have granted loans to other Group members in order to finance their acquisitions and current operations. Wirtualna Polska Holding SA does not benefit from any loans granted by other entities

9.10. INFORMATION ON AGREEMENTS ON CREDITS AND LOANS RAISED AND TERMINATED

Loans granted by financial institutions

In accordance with the financial model adopted by the Capital Group the only company which enters loan agreement with external institutions is Grupa Wirtualna Polska SA. However, the parent company and other subsidiaries are guarantors of this loan. The detailed description of the loans received during the year and changes in external financing are described in Note 37 to the financial statements.

Loans granted by non-controlling interest

On 6 October 2015, non-controlling shareholders granted a loan to Domodi of PLN 4,000 thousand for the purchase of shares in Allani Sp. z o.o. The loan bears an interest of 3M WIBOR plus the margin specified in the agreement. The loan may be repaid at any time but no later than 31 December 2017. As of 31 December 2015 the outstanding amount of the loan was PLN 2,800 thousand.

Inter-company loans

As of 31 December 2015 Wirtualna Polska Holding SA, Grupa Wirtualna Polska SA and BusinessClick Sp. z o.o. have granted loans to other Group members in order to finance their acquisitions and current operations. Wirtualna Polska Holding SA does not benefit from any loans granted by other entities

9.11. ASSESSMENT OF 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 covenants required by financial institutions, as well as reduce the administrative costs.

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

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

9.12. 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.

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

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

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

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

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

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

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

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

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

9.15. 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 R&D activities.

9.16. 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 41 of these consolidated financial statements for the period of 12 months ending 31 December 2015.

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

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

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

Jacek Świderski, President of the Management Board

Michał Brański, Member of the Management Board

Krzysztof Sierota, Member of the Management Board

Elżbieta Bujniewicz-Belka, Member of the Management Board

Warszawa, 17 March 2016

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE STATEMENT REGARDING THE YEAR 2015

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

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

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

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

1.1. INFORMATION ON THE APPLICATION OF THE CORPORATE GOVERNANCE PRINCIPLES

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

- **Recommendation 5** – to the extent that it applies to the Company's remuneration policy and the rules of the establishment thereof. The Company does not have a remuneration policy or terms for the establishment thereof with respect to the members of the Supervisory or the Management Board. The Company is considering the possibility of creating such a policy and rules in the future. Remuneration of the Members of the Management Board is related to the scope of duties and responsibilities they are entrusted and the financial standing of the Company. The remuneration of the Members of the Management Board is set out by the Supervisory Board. Remuneration of the members of the Supervisory Board is set out by the General Meeting of the Company. All remunerations of the members of Management and Supervisory Board are disclosed in the yearly financial statement of the Company.

- **Recommendation 9** – to the extent that it relates to the Company ensuring a balanced representation of women and men in management and supervisory functions. The Company does not ensure a balanced representation of women and men on the Management Board and the Supervisory Board. The Company exercises a policy whereby the Company employs competent and creative individuals with the relevant professional experience and education; gender[1] is of no importance as regards employing any specific person in the Company. In accordance with the Articles of Association, the President of the Management Board is appointed by the General Meeting, the other members of the Management Board are appointed by the Supervisory Board at the request of the President of the Management Board and to the extent provided therein, while the Supervisory Board is appointed by the General Meeting. Under the Articles of Association it is possible to add a new member to the Supervisory Board by way of co-option by the other members of the Supervisory Board if the number of the mandates of certain members of the Supervisory Board appointed by the General Meeting decreases below the minimum number of members of the Supervisory Board as provided for in the Articles of Association. Consequently, the composition of the Management Board will depend at the general meeting (with respect to the President of the Management Board) and the President of the Management Board and the Supervisory Board (with respect to the other members of the Management Board), while the composition of the Supervisory Board will principally depend on the Company's shareholders who will act by voting at the General Meeting.

- **Recommendation 12** – to the extent of the obligation to ensure that the shareholders have the right to exercise voting rights during a General Meeting either in person or through a proxy outside the venue of a General Meeting by using means of electronic communication. In accordance with the Articles of Association, the Company will ensure participation in the General Meeting using the means of electronic communication if the announcement of the convocation of the General Meeting contains information about the shareholders having the option to participate in the General Meeting by using the means of electronic communication. The Company did not comply with the aforementioned rule in 2015 due to the assuring an efficient and economical course of the General Meetings and avoiding certain organisational, technical and legal difficulties. The Company is confident that the form of General Meetings of the Company appropriately secures the interests of all shareholders by ensuring them the possibility of exercising all the rights attached to the shares.

- **Best Practice II.1 pt. 9a)** – for management board members – to the extent that it applies to the obligation for the Company to present on its website the recordings of the General Meetings of the Company either in audio or video. The General Meetings of the Company are organised in a transparent and efficient way allowing shareholders to exercise all the rights attached to the shares on the basis of the comprehensive documentation of resolutions and motions of the General Meetings. The Company publishes all documents related to the General Meetings on its website including the announcement of the convening of such meetings, dates and terms of its course and resolutions adopted by each General Meeting. Thus in 2015 the Company did not provide a direct broadcast of the General Meetings and did not publish the recordings of the meetings, also given certain legal problems arising thereout.

- **Best Practice III.8** – for supervisory board members – to the extent that it applies to the existence of committees of the Supervisory Board the tasks and operations of which should be subject to Annex I to the Commission Recommendation. The Supervisory Board has appointed the Audit Committee. Pursuant to the Articles of Association, the Supervisory Board may also appoint committees other than the audit committee, specifically the nominations committee and the remuneration committee. There is no remuneration committee or nomination committee of the Supervisory Board.

- **Best Practice IV.10** – of the shareholders – to the extent that it applies to the obligation of the Company to enable its shareholders to participate in the general meeting by using means of electronic communication through: (1) live broadcast of the general meeting; and (2) real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the venue of the general meeting. Pursuant to the Articles of Association, the Company will ensure participation in the General Meeting using means of electronic communication if the announcement of the General Meeting will contain information about the shareholders having an option to participate in the General Meeting using means of electronic communication.

2. WIRTUALNA POLSKA GROUP'S SOCIAL ACTIVITY

2.1. SOCIAL COMMITMENT

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

2.2. CHARITABLE CAMPAIGNS

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

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

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

2.3. POPULARIZING A HEALTHY LIFESTYLE AND PREVENTION

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

2.4. SOCIAL AND EDUCATIONAL CAMPAIGNS

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

2.5. EMPLOYEE COMMITMENT

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

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

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

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

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

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

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

The Audit Committee supervises the financial reporting process to ensure the sustainability, transparency and integrity of financial information, including among others:

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

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

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

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

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

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

3.1. AUTHORISED TO REVIEW THE FINANCIAL STATEMENTS OF THE COMPANY

PricewaterhouseCoopers sp. z o.o., with its registered seat in Warsaw (00-683 Warsaw, Aleja Armii Ludowej 14) ("PWC") is an entity authorised to review the financial statements of the Company for the year 2015. Moreover, PWC carried out in 2015 an interim review of financial report and consolidated financial report of the Company for the 6 months ending 30 June 2015.

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

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

4. SHARE CAPITAL AND SHAREHOLDERS

4.1. STRUCTURE OF THE SHARE CAPITAL

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

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

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

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

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

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

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

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

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

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

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

I stock option plan

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

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

II stock option plan

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

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

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

Shareholder	Number of shares	% share caoital	Number of votes	% votes
European Media Holding SARL	10 869 177	38,47%	10 631 853	26,16%
Jacek Świderski* together with Orfe SA	2 629 903	9,31%	6 838 914	16,83%
Michał Brański* together with 10X SA	2 629 903	9,31%	6 838 914	16,83%
Krzysztof Sierota* together with Albemuth Inwestycje SA	2 629 903	9,31%	6 838 914	16,83%
Others	9 493 896	33,60%	9 493 896	23,36%
Total	**28 252 782**	**100,00%**	**40 642 491**	**100,00%**

* entitled, as a pledgee, to exercise voting rights attached to 789.554 bearer shares privileged on voting right, pursuant to article 340 sec. 1 of Polish Commercial Companies Code on the conditions set out in pledge agreement concluded on November 6, 2015 with European Media Holding S.à r.l. as a pledger.

4.3. SHARES OWNED BY THE MANAGEMENT AND SUPERVISORY BOARD MEMBERS

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

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

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

1. Jacek Świderski and Orfe SA are entitled to exercise voting rights attached to 3.419.457 A series registered shares (including 2.629.903 shares owned by Orfe SA, described above), which constitute 12,10% of shares in share capital of the Company and the right to exercise 6.838.914 votes at the general meeting of shareholders of the Company (which constitute 16,83% of the total number of votes);

2. Krzysztof Sierota and Albemuth Inwestycje SA are entitled to exercise voting rights attached to 3.419.457 A series registered shares (including 2.629.903 shares owned by Albemuth Inwestycje SA, described above), which constitute 12,10% of shares in share capital of the Company and the right to exercise 6.838.914 votes at the general meeting of shareholders of the Company (which constitute 16,83% of the total number of votes);

3. Michal Brański and 10x SA are entitled to exercise voting rights attached to 3.419.457 A series registered shares (including 2.629.903 shares owned by 10x SA, described above), which constitute 12,10% of shares in share capital of the Company and the right to exercise 6.838.914 votes at the general meeting of shareholders of the Company (which constitute 16,83% of the total number of votes)

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

As a result of Founders Cooperation Agreement, Founders and Founders' Companies are entitled to collectively exercise voting rights attached to 10.258.371 A series registered shares (including 7.889.709 shares owned by Founders' Companies, described above), which constitute 36,31% shares in share capital of the Company and the right to exercise 20.516.742 votes at the general meeting of shareholders of the Company (which constitute 50,84% of total number of votes)

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

The subsidiaries of the Founding Companies do not hold any shares in the Company.

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

4.4. OWNERS OF SECURITIES PROVIDING SPECIAL CONTROL RIGHTS

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

Series A shares in the amount of 12.389.709 (in words: twelve million three hundreds eighty nine thousands seven hundred and nine) are preferred in such a way that each series A share entitles its holder to exercise two voting rights. The other shares are registered shares.

Preferred shares are owned by:

- European Media Holding S.à.r.l with its registered seat in Luxembourg, which hold 4.500.000 A series registered shares, entitling it to exercise 9 000 000 votes at the General Meeting of Company
- Orfe SA with its registered seat in Warsaw, which hold 2.629.903 A series registered shares, entitling it to exercise 5.259.806 votes at the General Meeting of Company
- Albemuth Inwestycje SA with its registered seat in Warsaw, which held 2.629.903 A series registered shares, entitling it to exercise 5.259.806 votes at the General Meeting of Company
- 10X SA with its registered seat in Warsaw, which held 2.629.903 A series registered shares, entitling it to exercise 5.259.806 votes at the General Meeting of Company
- The conversion of bearer shares into registered shares is not permitted.

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

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

4.5. LIMITATION CONCERNING THE SHARES

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

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

1. Jacek Świderski is entitled to exercise voting rights attached to 789.554 A series registered shares, which constitute 2,79% of shares in share capital of the Company and the right to exercise 1.579.108 votes at the general meeting of shareholders of Company (which constitute 3,89% of all votes);
2. Krzysztof Sierota is entitled to exercise voting rights attached to 789.554 A series registered shares, which constitute 2,79% of shares in share capital of the Company and the right to exercise 1.579.108 votes at the general meeting of shareholders of Company (which constitute 3,89% of all votes); and
3. Michał Brański is entitled to exercise voting rights attached to 789.554 A series registered shares, which constitute 2,79% of shares in share capital of the Company and the right to exercise 1.579.108 votes at the general meeting of shareholders of Company (which constitute 3,89% of all votes).

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

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

The General Meeting of the Company shall act on the basis of the provisions of the Polish Commercial Companies Code, of the Artcles 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:

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

If any shareholder (except for entities that are the Company's shareholders on the date of 14 January 2015, i.e. European Media Holding S.à r.l. and Orfe SA, 10x SA and Albemuth Inwestycje S.A) reaches or exceeds the threshold of 30% of the overall number of outstanding votes in the Company, the matters stated in section 3, points 8) – 12) Articles of Association will no longer constitute the powers of the Supervisory Board, but will become the powers of the General Meeting.

The acquisition and sale of real 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 persons being shareholders of the Company at sixteen days prior the date of the General Meeting.

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

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

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

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

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

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

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

After calling each subsequent matter on the agenda, the Chairperson shall describe the matter and, in particular, shall present the draft of the resolution proposed for adoption by the General Meeting, then shall open the discussion, giving the floor in the order of the application of speakers. The Chairperson may order that a discussion be conducted on several items of the agenda.The Chairperson of the General Meeting may give the floor to members of the Management Board, Supervisory Board and invited experts.A shareholder has the right until the closure of the discussion on the agenda item to bring proposals for changes to the draft of the resolution proposed for adoption by the General Meeting. The proposal should be justified by the shareholder. Proposals must be submitted in writing to the Chairperson or orally for the minutes. The proposal must indicate the name and surname or company name of the shareholder, or in the case of a shareholder represented by a representative, the name and surname of the representative.In formal matters the Chairperson of the General Meeting may give the floor out of turn. A formal motion may be submitted by any shareholder of the Company.

.Adjournments in the General Meeting may not last longer than thirty (30) days.A General Meeting shall be valid regardless of the number of shares represented thereat.Resolutions of the General Meeting are adopted by a simple majority of votes, unless the applicable law or the terms of these articles of association provide for more stringent requirements for the adoption of a given resolution.

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

5.1. AMENDMENTS OF THE ARTICLES OF ASSOCIATION

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

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

6.1. MANAGEMENT BOARD OF THE COMPANY

6.1.1. GENERAL INFORMATION

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

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

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

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

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

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

6.1.2. MANAGEMENT BOARD MEMBERS

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

As of 31 December 2015 the composition of the Managemnt 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: Grupa Wirtualna Polska SA and WP Shopping sp. z o.o. In 2009, he was appointed as a member of the management board of Bridge20 Enterprises Limited and continues to perform such a function today. Since 2014, he has been the president of the management board of Orfe SA Additionally, Jacek Świderski is a member of the supervisory boards of the following companies: Perflow SA (since 2013), Money.pl sp. z o.o. (since 2014), Domodi sp. z o.o. (since 2014 as chairman of the supervisory board), Dobreprogramy sp. z o.o. (since 2013 as chairman of the supervisory board), Blomedia.pl sp. z o.o. (since 2015 as chairman of the supervisory board) and Enovatis SA (since 2015).

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

Michał Brański - Member of the Management Board/ VP Strategy

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

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

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

Krzysztof Sierota - Member of the Management Board/ VP IT

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

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

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

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

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

Elżbieta Bujniewicz-Belka commenced her professional career in 1993 as an analyst at Enterprise Investors – 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 of the Subsidiaries Grupa Wirtualna Polska SA, WP Shopping sp. z o.o. and WP1 sp. z o.o.

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

6.1.3. POWERS OF THE MANAGEMENT BOARD

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

In particular, the powers of the Management Board include:

- 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.

6.1.4. COMPOSITION AND ELECTION OF THE MANAGEMENT BOARD

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

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

6.2. SUPERVISORY BOARD

6.2.1. GENERAL INFORMATION

The Supervisory Board exercises regular supervision over the Company's operations in all areas of its activity.
The Supervisory Board operates in accordance with provisions of the Polish Commercial Code, Articles of Association of the Company and By-laws of the Supervisory Board adopted in resolution No. 9 of the General Meeting of the Company on the 23 December 2015.
In order for the Supervisory Board's resolutions to be valid, all of the members must be invited to a meeting of the Supervisory Board and at least one half of the members of the Supervisory Board must be present at such a meeting.
Unless the Articles of Association provide otherwise, 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 persons from their duties.
Meetings of the Supervisory Board are convened by the Chairman of the Supervisory Board when needed but not less often than once in every quarter of a given year.
The Chairman of the Supervisory Board manages the activities of the Supervisory Board and represents it before the Management Board and other persons. In his actions the Chairman of the Supervisory Board may not contradict the resolutions adopted by the Supervisory Board with the majority required for a certain matter.
The Supervisory Board may delegate its members to independently perform specific supervisory duties including participating in Management Board meetings or duties if necessary.

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

6.2.2. MEMBERS OF THE SUPERVISORY BOARD

Currently the Supervisory Board consists of nine members.

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

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

Jarosław Mikos	- Chairman of the Supervisory Board
Krzysztof Krawczyk	- Vice-Chairman of the Supervisory Board
Beata Barwińska-Piotrowska	- Member of the Supervisory Board
Tomasz Czechowicz	- Member of the Supervisory Board
Mariusz Jarzębowski	- Member of the Supervisory Board
Krzysztof Kulig	- Member of the Supervisory Board
Magdalena Magnuszewska	- Member of the Supervisory Board
Magdalena Pasecka	- Member of the Supervisory Board
Krzysztof Rozen	- Member of the Supervisory Board

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

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

on 8 December 2015 Mrs Magdalena Pasecka was appointed by Extraordinary General Meeting of the company as a Member of the Supervisory Board

Jarosław Mikos - Chairman of Supervisory Board

Since 1 April 2015 Chairman of the Supervisory Board.

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

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

Krzysztof Krawczyk - Vice – chairman of the Supervisory Board

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

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

Beata Barwińska-Piotrowska – Member of the Supervisory Board

Since February 10, 2014 Member of the Supervisory Board.

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

Beata 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.

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

Krzysztof Kulig - Member of the Supervisory Board

Since February 10, 2014 Member of the Supervisory Board.

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

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

Magdalena Pasecka – Member of the Supervisory Board

Since 8 December 2015 Member of the Management Board

Magdalena Pasecka graduated with MA degree from Banking and Finance at the Warsaw School of Economics and studied also at Johannes Gutenberg University in Mainz (Germany); she is a member of Association of Charted Accountants in Great Britain (ACCA) and Polish Statutory Auditor.

She gained professional experience as an analyst/ intern in Feri Alternative Assets GmbH (Germany), a fund of funds advisor (2002), KPMG Audit (2003-2006), Financial Controller in Innova Capital (2006-2010) and CFO/ Board Member in MCI Management SA (2010-2014), a Warsaw Stock Exchange listed VC and PE house.

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

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

Tomasz Czechowicz – Member of the Supervisory Board

Since February 11, 2014 Member of the Supervisory Board.

Tomasz Czechowicz commenced his professional career by establishing in 1990 a company named JTT-Computer SA, of which he was the President of the Management Board from 1994 to 1998. From May 1998 to 17 March 2014 he was the President of the Management Board, and since 18 March 2014 he has been the Vice President of the Management Board of MCI Management SA, while being the managing partner of the MCI Management SA group, one of the largest private equity groups in Poland. In 2006, he was also a member of the Supervisory Board of One-2-One SA until May 2010, from 2006 to 2010 at Alternative Investment Partners sp. z o.o. and for several months in 2006 at Easycall.pl sp. z o.o. From 2007 to 2013 he also performed such function in MCI.Bioventures sp. z o.o. In 2007, he was appointed to the Supervisory Board of ABC Data SA, where he was elected a member of the Supervisory Board for consecutive terms and currently performs this function. From 2007, Tomasz Czechowicz assumed a position at MCI Capital Towarzystwo Funduszy Inwestycyjnych SA as a member of the management board and at MCI Fund Management sp. z o.o. as the President of the Management Board, and currently holds such positions. Since 2008 he has been and he currently is a member of the supervisory boards of two Czech companies, Geewa a.s. and Invia.cz.a.s. Between July 2009 and January 2010 he was a member of the management board of Śpiący Rycerz sp. z o.o., and in 2010 he was elected the President of the Management Board of Alternative Investment Partners sp. z o.o., and he currently continues to hold such position. From 2010 to 2013, he was a member of the Supervisory Board of Fin Ventures Management sp. z o.o., and from 2011 to 2012 at Immopartners sp. z o.o. Since 2012 he has been and he currently is a member of the Supervisory Board of Frisco.pl sp. z o.o. and Morele.NET sp. z o.o., whereas in MCI Venture Projects sp. z o.o. he is the President of the Management Board and in ABCD Management sp. z o.o. the Vice President of the Management Board. In 2012, Tomasz Czechowicz also assumed and currently continues to hold the position of a member of the advisory council at the European Institute of Innovation and Technology, where he opines on long-term programmes intended to stimulate innovation in EU countries, and he was also appointed an observer in a Russian company, KupiVIP Holding, where he monitors the key strategic aspects of that company on the e-commerce market. One year later he was appointed the President of the Management Board of MCI Asset Management sp. z o.o., Fin Ventures Management sp. z o.o., Immopartners sp. z o.o. and DI Roberto sp. z o.o.; currently he continues to hold such positions. Since 2013, he has been a member of the board of directors of the German company Windeln.de and the Turkish company Indeks Bilgisayar Sistemleri Mühendislik Sanayi ve Ticaret A.Ş. In 2014, he assumed the position of a member of the Strategy Committee at the Warsaw Stock Exchange.

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

Krzysztof Rozen – Member of the Supervisory Board

Since April 22, 2015 Member of the Supervisory Board.

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

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

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

Magdalena Magnuszewska - Członek Rady Nadzorczej

Magdalena Magnuszewska commenced her professional career in 2003 in the Corporate Department of BZ WBK SA

In 2004 she joined Innova and began her career as an intern. Later on, she worked as an Analyst, Associate and Director and from 2011 Managing Director. Magdalena Magnuszewska has more than 10 years of experience in Private Equity. During her career she participated in many M&A transactions. She is also involved in supervision of the Innova's portfolio companies. Magadalena Magnuszewska also conducts a private business under the name "Magdalena Magnuszewska" where she provides consulting services for Innova Capital.

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

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

Mariusz Jarzębowski – Member of the Supervisory Board

Since 23 June 2015 Member of the Supervisory Board

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

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

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

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

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

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

6.2.4. POWERS OF THE SUPERVISORY BOARD

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

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

amount of annual remuneration exceeds PLN 1.2 million (including the maximum payable bonus under any such agreement.

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

6.2.5. STRUCTURE AND METHOD OF ELECTION OF THE SUPERVISORY BOARD

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

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

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

If, as a consequence of the expiry of the mandates of certain members of the Supervisory Board (for any reason other than dismissal) the number of members of the Supervisory Board of a given term of office is lower than the statutory minimum number, the other members of the Supervisory Board may appoint a new member of the Supervisory Board by way of co-option (kooptacja) and such 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-optionIn 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.

6.2.6. THE SUPERVISORY BOARD'S COMMITTEES

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

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

A committee shall consist of 3 to 5 members.

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

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

6.2.6.1. THE AUDIT COMMITTEE

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

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

The tasks of the audit committee include, in particular:

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

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

The Audit Committee is chaired by a Chairman.

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

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

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

6.2.6.2. MEMBERS OF THE AUDIT COMMITTEE

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

Jacek Świderski, President of the Management Board

Michał Brański, Member of the Management Board

Krzysztof Sierota, Member of the Management Board

Elżbieta Bujniewicz-Belka, Member of the Management Board

Warszawa, 17 marca 2016 roku

MANAGEMENT BOARD'S REPRESENTATION

The Management Board of Wirtualna Polska Holding SA confirms that, to their best 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.

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

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

Jacek Świderski, President of the Management Board

Michał Brański, Member of the Management Board

Krzysztof Sierota, Member of the Management Board

Elżbieta Bujniewicz-Belka, Member of the Management Board

Warszawa, 17 March 2016

Holding SA

CONSOLIDATED FINANCIAL STATEMENTS OF WIRTUALNA POLSKA HOLDING SA CAPITAL GROUP

FOR THE YEAR ENDING 31 DECEMBER 2015

WP Holding SA

CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

in PLN'000	Note	For the year ended 31 December 2015	For the year ended 31 December 2014
Sales	8	**325 583**	**200 570**
Amortization and depreciation		(30 442)	(20 775)
Materials and energy used		(5 046)	(3 912)
Costs related to public offering, acquisitions of subsidiaries and restructuring, including:	8	(12 217)	(30 252)
External services	8	(7 803)	(19 314)
Salary and employee benefit expense	8	(2 275)	(6 589)
Other operating expenses	8	(2 139)	(4 349)
Costs of the employee option scheme	24	(1 393)	(1 954)
Other external services		(106 904)	(55 096)
Other salary and employee benefit expenses		(98 894)	(60 978)
Other operating expenses	11	(7 396)	(4 937)
Other operating income/gains	10	810	579
Gain/loss on disposal of other financial assets		(150)	609
Operating profit		**63 951**	**23 854**
Finance income	12	960	294
Finance costs	13	(21 400)	(17 493)
Revaluation of commitments to purchase non-controlling interests		(28 111)	-
Profit before tax		**15 400**	**6 655**
Income tax	14	(9 714)	(2 506)
Net profit		**5 686**	**4 149**
Other comprehensive income/(losses)	25	(1 844)	-
Comprehensive income		**3 842**	**4 149**
Net profit attributable to:			
Equity holders of the Parent Company		4 332	3 792
Non-controlling interests		1 354	357
Comprehensive income attributable to:			
Equity holders of the Parent Company		2 488	3 792
Non-controlling interests		1 354	357
Net profit attributable to equity holders of the Parent Company per share (in PLN)			
Basic	17	0,16	0,17
Diluted	17	0,16	0,16

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in PLN'000	Note	As at 31 December 2015	As at 31 December 2014
Non-current assets			
Property, plant and equipment	15	51 607	49 281
Goodwill	16	217 257	124 833
Trademarks	16	156 398	123 170
Homepage and WP mail	16	140 413	146 897
Other intangible assets	16	70 839	39 628
Deferred tax assets	27	1 681	1 153
		638 195	**484 962**
Current assets			
Trade and other receivables	22	62 723	53 710
Cash and cash equivalents		48 961	31 148
		111 684	**84 858**
TOTAL ASSETS		**749 879**	**569 820**
Equity			
Equity attributable to equity holders of the Parent Company			
Share capital	23	1 413	1 231
Supplementary capital		310 453	206 664
Revaluation reserve	25	(1 844)	-
Other reserves		(28 506)	(29 899)
Retained earnings		60 387	56 055
		341 903	**234 051**
Non-controlling interests	26	***15 676***	***11 544***
		357 579	**245 595**
Long-term liabilities			
Loans and leases	28	192 682	200 635
Other long-term liabilities	31	75 666	39 166
Deferred tax liability	22	23 884	7 410
Deferred income		1 194	-
		293 426	**247 211**
Short-term liabilities			
Loans and leases	28	38 399	19 777
Trade and other payables	31	54 668	52 649
Provisions for employee benefits	30	2 891	2 096
Other provisions	30	1 661	2 115
Current income tax liabilities		1 255	377
		98 874	**77 014**
TOTAL EQUITY AND LIABILITIES		**749 879**	**569 820**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in PLN'000	Note	Equity attributable to equity holders of the Parent Company						Non-controlling interests	Equity
		Share capital	Supplementary capital	Revaluation reserve	Other reserves	Retained earnings	Total		
Equity as at 1 January 2015		**1 231**	**206 664**	**-**	**(29 899)**	**56 055**	**234 051**	**11 544**	**245 595**
Net profit/ (loss)		-	-	-	-	4 332	4 332	1 354	5 686
Other comprehensive income	25	-	-	(1 844)	-	-	(1 844)	-	(1 844)
Total comprehensive income		**-**	**-**	**(1 844)**	**-**	**4 332**	**2 488**	**1 354**	**3 842**
Share capital increase from initial public offering	23	167	106 705	-	-	-	106 872	-	106 872
Option scheme	23, 24	15	2 001	-	1 393	-	3 409	-	3 409
Costs of public offering recognized in the supplementary capital		-	(4 917)	-	-	-	(4 917)	-	(4 917)
Payment of dividend	26	-	-	-	-	-	-	(659)	(659)
Acquisition of a subsidiary	18, 26	-	-	-	-	-	-	3 437	3 437
Equity as at 31 December 2015		**1 413**	**310 453**	**(1 844)**	**(28 506)**	**60 387**	**341 903**	**15 676**	**357 579**

in PLN'000	Note	Equity attributable to equity holders of the Parent Company						Non-controlling interests	Equity
		Share capital	Supplementary capital	Revaluation reserve	Other reserves	Retained earnings	Total		
Equity as at 1 January 2014		**378**	**-**	**-**	**-**	**69 716**	**70 094**	**3 028**	**73 122**
Net profit		-	-	-	-	3 792	3 792	357	**4 149**
Total comprehensive income		**-**	**-**	**-**	**-**	**3 792**	**3 792**	**357**	**4 149**
Share capital increase		853	206 664	-	-	-	207 517	-	207 517
Option scheme		-	-	-	1 954	-	1 954	-	1 954
Payment of dividend		-	-	-	-	(17 453)	(17 453)	(159)	(17 612)
Recognition of option-related commitment to buy up non-controlling interests		-	-	-	(31 853)	-	(31 853)	**-**	(31 853)
Acquisition of a subsidiary		-	-	-	-	-	-	8 318	8 318
Equity as at 31 December 2014		**1 231**	**206 664**	**-**	**(29 899)**	**56 055**	**234 051**	**11 544**	**245 595**

CONSOLIDATED CASH FLOW STATEMENT

in PLN'000	Note	For the year ended 31 December 2015	For the year ended 31 December 2014
Cash flows from operating activities			
Profit before tax		**15 400**	**6 655**
Adjustments for:		**81 080**	**40 009**
Amortization and depreciation		30 442	20 775
Losses on the sale / liquidation/revaluation of property, plant and equipment and other intangible assets		659	741
Finance income and costs		20 440	17 199
Gain/loss on disposal of other financial assets		150	(609)
Revaluation of commitments to purchase non-controlling interests		28 111	-
Costs of the employee option scheme		1 393	1 954
Gain on a bargain purchase		-	(61)
Other adjustments		(115)	10
Changes in working capital		**(10 219)**	**(4 026)**
Change in trade and other receivables	37	712	2 147
Change in trade and other payables	37	(5 661)	(6 435)
IPO cost recognized in supplementary capital (aggio)		(4 917)	-
Change in provisions	37	(353)	262
Income tax paid		(2 168)	(4 682)
Income tax refunded		3 907	-
Net cash flows from operating activities		**88 000**	**37 956**
Cash flows from investing activities			
Sale of other financial assets and subsidiaries		8	8 489
Purchase of intangible assets and property, plant and equipment		(32 048)	(15 477)
Repayment of contingent liabilities arising from business combinations		(5 344)	-
Acquisition of subsidiary (less cash acquired)	37	(123 371)	(400 231)
Purchase of other financial assets		-	(500)
Net cash flows from investing activities		**(160 755)**	**(407 719)**
Net cash flows from financing activities			
Payments due to share capital increase		108 888	203 504
Loans and advances received		273 500	227 149
Interest on cash received		960	-
Repayment of finance leases		(723)	(652)
Repayment of bank commissions		(5 869)	(4 987)
Interest paid		(14 004)	(5 465)
Repayment of IRS		(5 995)	-
Repayment of loans and advances received		(265 530)	(8 000)
Dividends distributed to shareholders		-	(14 149)
Dividends distributed to non-controlling shareholders		(659)	(159)
Net cash flows from financing activities		**90 568**	**397 241**
Total net cash flows		**17 813**	**27 478**
Cash and cash equivalents at the beginning of the period		**31 148**	**3 670**
Cash and cash equivalents at the end of the period		**48 961**	**31 148**

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.

Until 21 March 2014, the Parent Company operated under the name Grupa o2 SA. The Parent Company's name was changed after acquiring control of Wirtualna Polska SA (currently WP Shopping Sp. zo.o.).

As at 31 December 2015 Wirtualna Polska Holding Capital Group composed of the Parent Company and 17 consolidated subsidiaries.

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

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

2. 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.

2.1. 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 2013, item 330 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 2015 (for more information see Note 2.2).

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.

2.2. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

In the financial statements for the financial years ended 31 December 2014 and 2013, the Group adopted early all the new and amended standards and interpretations which are binding in the European Union in the financial year ending 31 December 2015 (i.e. the new and amended standards coming into force in the financial year starting on 1 January 2014 and 1 January 2015). 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 2015.

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

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

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

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

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

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

IFRS 15 "Revenue from Contracts with Customers"

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

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

The Group shall apply IFRS 15 on its endorsement by the European Union. The Management Board is in the course of analysing the effect of the amendments on the consolidated financial statements.

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 shall apply the amendment from its binding date as determined by the International Accounting Standards Board. The Management Board is in the course of analysing the effect of the amendments on the consolidated financial statements.

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

2.3. CONSOLIDATION

2.3.1. SUBSIDIARIES

Subsidiaries are all entities (including structured 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 IAS 39 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.

2.3.2. 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.

6.2.7. 2.3.3. 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.

2.4. SEGMENT REPORTING

In 2015, the Management Board analysed the Capital Group's activities on the level of revenue streams and operating result EBITDA divided into four operating segments. The main operating segment continues to be the segment of editorial and advertising activities, whose revenues and operating results in the period analysed, comprise more than 75% of the value for entire Capital Group. None of the other segments, namely financial Lead Generation activity, Lead Generation activity in the field of fashion and interior design and activity of segment dobreprogramy did not meet the criteria of significance, and the share of each of them in revenues and operating results of the Group was below 10%.

The Management Board does not analyse the operating segments in relation to their asset's value.

Due to the acquisition in December 2015, of 100% shares in Enovatios SA, the owner of service wakacje.pl, the Management Board plans to recognise another operating segment, which will be activities of online tourist agent.

2.5. MEASUREMENT OF ITEMS DENOMINATED IN FOREIGN CURRENCIES

(A) 2.5.1. 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.

6.2.8. 2.5.2. 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.

2.6. 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:
• Leasehold improvements	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.

Finance costs subject to capitalisation are also an element of assets under construction (Note 2.18).

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.

2.7. INTANGIBLE ASSETS

2.7.1. GOODWILL

Goodwill arises in connection with acquisition of businesses. Goodwill is reduced by impairment losses recorded after initial recognition in line with the policy presented in Note 2.8.

2.7.2. 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.

2.7.3. 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.

2.7.4. 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	10-20 years or indefinite period
•	Client relations	5-13 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.

2.7.5. 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
- th 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 (5–20 years).

2.8. 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.

2.9. FINANCIAL ASSETS

The Group has financial assets belonging to the following categories: available for sale financial assets, financial assets carried at fair value through profit or loss (derivative financial instruments – Note 2.10) and loans and receivables (see Note 2.13). Available for sale financial assets are presented in other financial assets.

Available for sale financial assets (equity instruments) are initially recognised at fair value plus transaction costs. After initial recognition, they are measured at fair value with the measurement results carried in other comprehensive income. If the fair value of available for sale financial assets, representing shares in an unlisted company, cannot be reliably established the valuation is performed at cost less impairment.

2.10. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair value of at the contract date and are subsequently remeasured to their current fair value. In its activities, the Group uses derivative financial instruments and applies to them hedge accounting. As of the balance sheet date the Group has concluded four interest rate swaps. The purpose of interest rate hedge in the Group is to limit the changes in interest cash flow exposed to interest rates fluctuations. In particular, cash flow related to interest payments in respect of financial liability taken out by the Company under the loan agreement dated 24 March 2015.

On each balance sheet date the Group indicates effective and ineffective part of hedge according to rules of IAS 39.95 in order to note changes in fair value. The effective part of cumulated gain/loss (change of fair value) from the instrument is recognised in other comprehensive income. The ineffective part of cumulated gain/loss (change of fair value) from the instrument is presented in finance income/costs of the period under consideration.

Fair value of derivatives is classified to non-current assets or long-term liabilities when the time to maturity exceeds 12 months, or to current assets or short-term liabilities when the time to maturity does not exceed 12 months.

Gains and losses on valuation of interest rate swaps under hedge accounting are recognised in other comprehensive income, while changes in valuation of instruments not classified as cash flow hedges are recognised in profit or loss as “finance income/costs”.

2.11. 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 in 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.

2.12. 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.

2.13. 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.
Receivables write-downs are estimated when collecting the full amounts receivable on initial terms is no longer probable. The costs of recording receivables write-downs are charged to other operating expenses in the consolidated financial statements.

2.14. 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.

2.15. SHARE CAPITAL

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

2.16. 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.

2.17. LOANS AND ADVANCES

Loans and advances 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.

2.18. 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 capitalized 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.

2.19. 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.

2.20. 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 provisions relate to income tax imposed on the same tax-payer by the same tax authorities.

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

Non-market conditions have been included in the assumptions related to the expected number of options which will be vested. The aggregate cost is recorded over the entire vesting period, which is the period during which all the vesting conditions must be fulfilled.

Additionally, in certain circumstances the employees may render services before the date of the share options being granted to them. In such case, the fair value as of the date of granting the share options is estimated in order to record the costs over the period from the employees starting to render their services until the date of the options being actually granted to them. At the end of each reporting period, the entity reviews the adopted estimates of the expected number of options vested as a result of satisfying non-market vesting conditions. The entity presents the effect of a potential adjustment of the initial estimates in the 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.

2.22. 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.

2.23. REVENUE RECOGNITION

Revenue is stated at fair value of consideration received or receivable for the sale of services in the normal course of the Group's business. Revenue is presented net of value added tax, returns, rebates and discounts. The Group recognises revenue when the amount of revenue can be reliably measured and when it is probable that the entity will obtain economic benefits in the future and when the specific criteria discussed below have been met for each type of the Group's activities.

(a) Revenues from services

The Group sells advertisements on the Internet. Revenue from sales of advertisements is recognised in the month of performing the service, e.g. displaying an advertisement (straight line settlement) or redirecting to the customer's website (depending on the actual number of redirects), in the case of advertisement in CPS model (cost per click) - occurrence of the event conditioning the right to remuneration (including agreement signing, purchasing, etc.), less any rebates and discounts due, including volume discounts.

(b) Income and costs from barter transactions

The Group recognises income from barter transactions comprising 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 the different media, and the amount of income can be reliably established. Income from barter transactions is recognised at 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 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.

2.24. LEASES – THE GROUP AS A LESSEE

A lease agreement where a considerable part of risks and benefits of ownership is retained by the lessor is an operating lease. Lease payments made as part of operating leases (less any special promotional offers obtained from the lessor) are charged to costs using the straight line method over the lease term.

A lease of property, plant and equipment items where the Group bears substantially all risks and draws substantially all benefits of ownership – is classified as a finance lease. Assets and liabilities relating to a finance lease are recorded on commencing the lease at the lower of: fair value of the leased asset and the present value of minimum lease payments.

Each lease payment is allocated between the liability and finance costs. The interest component of the finance cost is carried to profit or loss over the lease period to arrive at a fixed periodic interest rate for the remaining balance of the liability in each period. Property, plant and equipment items used under finance lease agreements are depreciated over the shorter of: the useful life of an asset and the lease period.

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 17 March 2016.

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 2014.

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

4.1. DEFERRED TAX ASSET

a. Deferred tax asset on contributing to the business

In 2011, the Parent Company contributed its business with a fair value of PLN 311,000 thousand to the subsidiary Grupa Wirtualna Polska sp. z o.o. (formerly o2 Sp. z o.o.). 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 2015 amounted to PLN 26,675 thousand (PLN 32,843 thousand as of 31 December 2014). At the same time, the Group records a deferred tax asset on the tax loss of PLN 9,257 thousand and PLN 13,475 thousand respectively as of 31 December 2015 and 2014. The tax loss mainly results from tax amortisation of the contributed assets referred to above.
The Group recognises a deferred tax asset based on the assumption that a tax profit will be generated in the future enabling its utilisation. In 2011, a deferred tax asset was recorded based on financial forecasts and available and considered tax planning possibilities. A similar analysis was conducted in the following years.The Parent Company's Management Board has prepared financial projections until 2023, which confirm that sufficiently high taxable income will be generated in the future to enable utilisation of the asset. The financial model has been developed based on general market forecasts and the Management Board's expectations. Deterioration of tax results in the future might result in the assumption becoming unjustified.

b. The asset related to transferring the business unit of WP SA

On 1 September 2014, a demerger of WP Shopping Sp. z o.o. (former Wirtualna Polska SA) was carried out. The demerger was carried out by transferring a business unit of WP Shopping Sp. z o.o. (former Wirtualna Polska SA) to Grupa Wirtualna Polska Sp. z o.o. (the so-called spin-off). As a result of the demerger, the Editorial and Advertising Division was transferred to Grupa Wirtualna Polska Sp. z o.o. and the operations of the e-Commerce Centre are continued at WP Shopping Sp. z o.o. (former Wirtualna Polska SA). Moreover, all assets and liabilities which were not clearly designated as remaining with WP Shopping Sp. z o.o. (former Wirtualna Polska SA), shall go Grupa Wirtualna Polska Sp. z o.o.

As a result of the merger, the majority of WP SA's assets and liabilities were transferred to Grupa Wirtualna Polska Sp. z o.o. The transaction did not result in changing the tax value of the investment in this subsidiary, due to which a deductible temporary difference arose on the investment in an amount of PLN 71,402 thousand. Due to the fact that Grupa Wirtualna Polska Sp. z o.o. does not plan to sell its shares in the foreseeable future, pursuant to IAS 12.44, no deferred tax asset was recorded on this temporary difference.

c. The asset related to transferring the business unit of Money.pl sp. z o.o.

On 31 December 2015, a demerger of Money.pl sp. z o.o. was carried out. The demerger was carried out by transferring a business unit of Money.pl sp. z o.o. to Grupa Wirtualna Polska SA (the so-called spin-off). As a result of the demerger, the Editorial and Advertising Division was transferred to Grupa Wirtualna Polska SA and the operations of the e-Commerce Centre are continued at Money.pl sp. z o.o.

As a result of the merger, the part of Money.pl sp. z o.o.'s assets and liabilities were transferred to Grupa Wirtualna Polska SA. The transaction did not result in changing the tax value of the investment in this subsidiary, due to which a deductible temporary difference arose on the investment in an amount of PLN 5,498 thousand. Due to the fact that Grupa Wirtualna Polska SA does not plan to sell its shares in the foreseeable future, pursuant to IAS 12.44, no deferred tax asset was recorded on this temporary difference.

4.2. AMORTISATION AND DEPRECIATION RATES

The depreciation and amortisation 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. The verification conducted in the years 2014 and 2015 did not result in changes to the depreciation/amortisation rates.

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 in the Internet,
- expected actions taken by competitors or potential competitors on the market of selling advertisements in the Internet,
- the level of subsequent expenditure required to obtain the expected future economic benefits from the trademark,
- whether the useful life of the brand is dependent on the useful lives of other assets.

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

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

4.3. APPROACH TO BARTER TRANSACTIONS

In the course of its operations the Group sells advertising services via barter transactions. The Group recognises revenue and expenses on barter transactions where 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. Sales via barter transactions in the financial years ended 31 December 2015 and 2014 amounted to PLN 39,585 thousand and PLN 27,626 thousand respectively, see Note 9.

4.4. LITIGATION

Due to the nature of its operations, mainly running Internet portals, the Group is sued in cases related to personality right protection. As 31 December 2015, a several dozen such cases were in progress. The Group recorded a provision for pending litigation based on the actual status of cases and cost estimates prepared by the Legal Department conducting the cases. The provisions were recorded in an amount of claims and court fees the adjudgement of which is probable in the Group's opinion. See Note 30.

4.5. VALUATION OF OPTION-RELATED COMMITMENT TO PURCHASE NON-CONTROLLING INTEREST

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 31). The basic assumptions being the basis for the options' valuation are as follows: EBITDA, which constitutes the options exercise price, revenues and the discount rate. A change in the forecasted growth dynamics of revenues by 1 p.p. per annum in the years 2016–2019 increases the value of liabilities by 4.1%. A change in the forecasted EBITDA margin by 1 p.p. per annum in the years 2016-2019 increases the value of the liabilities by 3.7%. An increase in the discount rate of 1 p.p. decreases the liability by 3.1%.

The commitment was initially estimated at PLN 31,853 thousand. As of 31 December 2015 the value of these commitments amounted to PLN 62,762 thousand. Details concerning changes of value of these commitments are described in note 31 of these financial statements.

Any changes in the value of these liabilities, resulting from discount settlement after the initial recognition, are presented in profit or loss as finance income/costs (note 13). While changes in the value resulting from update of forecasted results being the basis of estimation of future liability and from acquisition by Domodi Sp. z o.o. shares in Allani Sp. z o.o. are recognised as "Revaluation of commitments to purchase non-controlling interests".

4.6. DETERMINING THE VALUE OF TRADEMARKS AND OTHER INTANGIBLE ASSETS RELATED TO ACQUISITIONS

As part of the settlement of the acquired subsidiaries, the Group made significant estimates as to the valuation of intangible assets such as trademarks, client relationships, home page and WP e-mail. The estimates were based on revenue 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. The details concerning the acquired assets and their valuation are presented in Note 18.

4.7. IMPAIRMENT TESTS

Goodwill and intangible assets were subject to an impairment test as of 31 December 2015. Details of the test are discussed in Note 16.

4.8. THE EXISTENCE OF CONTROL OVER SUBSIDIARIES – DOMODI

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

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

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

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

4.9. ALLOWANCE FOR TRADE RECEIVABLES

The Group verifies the recoverability of trade receivables and based on that estimates the amount of write-downs (see note 22).

4.10. ESTIMATE OF ANNUAL REBATES LIABILITIES

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

4.11. ESTIMATE OF LIABILITIES DUE TO CONTINGENT CONSIDERATION RELATED TO BUSINESS COMBINATIONS

Agreements concluded by the Group within the acquisition activities often provide additional contingent consideration for sold shares or ventures. Additional consideration is usually dependent on financial or operating results of entities acquired. The final value of the contingent consideration is known after the end of the conditional period and may differ from the estimates at the moment of acquisition.
Changes in the fair value of contingent consideration as a result of additional information that the acquirer obtained after the date of acquisition about facts and circumstances that existed at the acquisition date are recognised 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.

Revenues other than advertising do not show significant seasonality.

6. SEGMENT REPORTING

In 2015, the Management Board analysed the Capital Group's activities on the level of revenue streams and operating result EBITDA divided into four operating segments. The main operating segment continues to be segment of editorial and advertising activities, which both revenues and operating results in the period analysed, comprise more than 75% of the value for entire Capital Group. None of the other segments, namely financial Lead Generation activity, Lead Generation activity in the field of fashion and interior design and activity of segment dobreprogramy did not meet the criteria of significance, and the share of each of them in revenues and operating results of the Group was below 10%.

The Management Board does not analyse the operating segments in relation to their asset's value.

Due to the acquisition in December 2015, of 100% shares in Enovatios SA, the owner of service wakacje.pl, the Management Board plans to recognize another operating segment, which will be activities of online tourist agent.

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 2015 the Capital Group represented: the parent company Wirtualna Polska Holding SA and 17 subsidiaries. Consolidated financial statements of the Group comprise the Company and the following subsidiaries:

			% of shares held	
No.	Name of subsidiary	Registered office	31 December 2015	31 December 2014
1	Grupa Wirtualna Polska S.A.	Poland, Warszawa	100%	100%
2	WP Shopping Sp. z o.o. (formerly Wirtualna Polska S.A.)	Poland, Warszawa	100%	100%
3	http Sp. z o.o.	Poland, Warszawa	100%	100%
4	Free4Fresh Sp. z o.o.	Poland, Warszawa	-	100%
5	Money.pl Sp. z o.o.	Poland, Wrocław	100%	100%
6	Business Ad Network Sp. z o.o.	Poland, Wrocław	100%	100%
7	Businessclick Sp. z o.o.	Poland, Wrocław	100%	100%
8	Favore Sp. z o.o.	Poland, Wrocław	100%	100%
9	Legalsupport Sp. z o.o.	Poland, Kraków	100%	100%
10	Interaktywnie Sp. z o.o.	Poland, Wrocław	-	100%
11	Brand New Media Sp. z o.o.	Poland, Wrocław	100%	100%
12	dobreprogramy Sp. z o.o.	Poland, Wrocław	51%	51%
13	Domodi Sp. z o.o.	Poland, Wrocław	51%	51%
14	WP1 Sp. z o.o.	Poland, Warszawa	100%	-
15	Finansowysupermarket Sp. z o.o.	Poland, Warszawa	100%	-
16	Web Broker Sp. z o.o.	Poland, Warszawa	100%	-
17	Blomedia.pl Sp. z o.o.	Poland, Warszawa	100%	-
18	Allani Sp. z o.o.	Poland, Warszawa	51%	-
19	Enovatis S.A.	Poland, Warszawa	100%	-

Most of the Group's companies are focused on selling advertisements in the Internet, except for http Sp. z o.o., which conducts publishing operations (Internet portals) and sell its services within the Group. In addition, the different activities are also conducted by Enovatis SA, which is the largest and fasted growing online tourist agency in the country.

Wirtualna Polska SA (currently WP Shopping Sp. z o.o.), shares in Domodi Sp. z o.o., Sportowe Fakty and the Money.pl Sp. z o.o. Capital Group were acquired in 2014. The Money.pl Capital Group is composed of the following entities: Money.pl Sp. z o.o., Business Ad Network Sp. z o.o., Businessclick Sp. z o.o., Favore Sp. z o.o., Legalsupport Sp. z o.o. and Brand New Media Sp. z o.o. On 15 June 2015, Money.pl Sp. z o.o. sold 100% of shares in Interaktywnie Sp. z o.o.

In the first half of 2015 the Group also sold shares in Kupbon SA representing 6 % of the total number of shares in this company and a minority stake in Szopuje Sp. z o.o. These transactions had no material effect on the activity of the whole Group.

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

On 16 September 2015, Money.pl Sp. z o.o., a subsidiary of the parent company, finalised the purchase of 100% shares in Finansowysupermarket.pl Sp. z o.o. which holds 100% of shares in Web Broker Sp. z o.o. Moreover, on 6 October 2015 Domodi Sp. z o.o., a subsidiary of the parent company, finalised the purchase of 100% of shares in Allani Sp. z o.o., the publisher of services allani.pl and allani.com.br.

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

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

8. SALES

in PLN'000	For the year ended 31 December 2015	For the year ended 31 December 2014
Sales of advertising services	310 659	188 418
- non-barter transactions	271 074	160 792
- barter transactions	39 585	27 626
Sales of non-advertising services	14 924	12 152
Total	**325 583**	**200 570**

in PLN'000	For the year ended 31 December 2015	For the year ended 31 December 2014
Domestic sales	266 121	168 402
Export sales	59 462	32 168
European Union	51 021	24 417
Outside EU	8 441	7 751
Total	**325 583**	**200 570**

The Group's EBITDA is calculated as operating profit plus depreciation and amortisation, and the Group's adjusted EBITDA is calculated as EBITDA adjusted for events, including: transaction costs related to the public offering and 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.

The following table presents the reconciliation of profit before income tax to EBITDA and adjusted EBITDA ratio as well as the reconciliation of gross profit to adjusted gross profit.

in PLN'000	For the year ended 31 December 2015	For the year ended 31 December 2014
Profit before tax	**15 400**	**6 655**
Finance costs	21 400	17 493
Finance income	(960)	(294)
Revaluation of commitments to purchase non-controlling interests	28 111	-
Operating profit	**63 951**	**23 854**
Amortization and depreciation	30 442	20 775
EBITDA	**94 393**	**44 629**
Adjustments including:		
Restructuring and transaction costs - external services	7 803	19 314
Employment restructuring costs	2 275	6 589
Restructuring and transaction costs -other operating expenses	2 139	4 349
Costs of the employee option scheme	1 393	1 954
Gain/loss on disposal of other financial assets	150	(609)
Net result on barter transactions settlement	(874)	623
Revaluation and liquidation of non-financial assets	546	741
Adjusted EBITDA	**107 825**	**77 590**

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

in PLN'000	For the year ended 31 December 2015	For the year ended 31 December 2014
Profit before tax	**15 400**	**6 655**
Adjustments including:		
Restructuring and transaction costs - external services	7 803	19 314
Employment restructuring costs	2 275	6 589
Restructuring and transaction costs -other operating expenses	2 139	4 349
Costs of the employee option scheme	1 393	1 954
Gain/loss on disposal of other financial assets	150	(609)
Net result on barter transactions settlement	(874)	623
Revaluation and liquidation of non-financial assets	546	741
Revaluation of commitments to purchase non-controlling interests	28 111	-
Finance costs in connection with loan refinancing	6 201	-
Valuation of hedging instrument IRS	341	5 654
Total adjustments	**48 085**	**38 615**
Adjusted profit before tax	**63 485**	**45 270**

9. BARTER SETTLEMETS

in PLN'000	For the year ended 31 December 2015	For the year ended 31 December 2014
Sales of advertising services	39 585	27 626
Costs of external services	(38 355)	(28 249)
Other operating expenses	(356)	-
Net result on barter transactions settlement	**874**	**(623)**

In the Group's Management Board opinion, 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.

10. OTHER OPERATING INCOME/ GAINS

in PLN'000	For the year ended 31 December 2015	For the year ended 31 December 2014
Revenues from grants	480	-
Liabilities expired and forgiven	48	257
Repayment of receivables previously written off	87	-
Settlement of acquisition of Sportowe Fakty (negative goodwill)	-	61
Other	195	261
Total	**810**	**579**

11. OTHER OPERATING EXPENSES

in PLN'000	For the year ended 31 December 2015	For the year ended 31 December 2014
Representation and other costs by type	3 789	1 043
Write-downs of receivables	1 164	1 677
Taxes and charges	1 404	959
Revaluation of provisions (lawsuits)	384	136
Revaluation and liquidation of non-financial assets	546	741
Loss on disposal of non-financial assets	9	-
Other	100	381
Costs related to public offering, acquisitions of subsidiaries and restructuring, including:	2 139	4 349
-onerous contracts	-	*874*
-taxes and fees on acquisition of subsidiaries	*524*	*654*
-penalties, fines and compensation	-	*2 744*
-revaluation of contingent liabilities related to business combinations	*883*	-
-other	*732*	*77*
Total	**9 535**	**9 286**

12. FINANCE INCOME

in PLN'000	For the year ended 31 December 2015	For the year ended 31 December 2014
Interest income	959	294
Other	1	-
Total	**960**	**294**

13. FINANCE COSTS

in PLN'000	For the year ended 31 December 2015	For the year ended 31 December 2014
Interest and commissions	10 523	10 609
Valuation of interest rate swaps	341	5 654
Reversal of discount on investment liabilities	3 624	543
The costs of early loan repayment	6 201	-
Other	711	687
Total	**21 400**	**17 493**

Due to the early termination of the loan agreement, the Group was obliged to pay a commission for early repayment of PLN 1,996 thousand. Furthermore, the costs of early repayment also included PLN 4,205 thousand in respect of arrangement fees incurred on the origination of the previous loan, which had to be deferred over the period of the loan by accounting for interests using the effective interest rate.

14. CURRENT AND DEFERRED INCOME TAX

in PLN'000	For the year ended 31 December 2015	For the year ended 31 December 2014
Current income tax	**2 954**	**716**
For the financial year	3 029	716
Adjustments relating to prior years	(75)	-
Deferred tax	**6 760**	**1 790**
Temporary differences arising and reversed (note 27)	6 760	1 790
Total income tax	**9 714**	**2 506**

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

in PLN'000	For the year ended 31 December 2015	For the year ended 31 December 2014
Profit before tax	**15 400**	**6 655**
Corporate income tax at the statutory rate of 19%	**2 926**	**1 264**
Tax effects of the following items:		
Revenues and costs non-tax permanent differences	991	967
Revaluation of commitments to purchase non-controlling interest	5 341	-
The reversal of the discount on commitments to purchase non-controlling interest	436	-
Unrecognized tax assets	368	409
Assets on prior year tax losses	-	(104)
Income and costs only for tax purposes	19	-
Other	(292)	(30)
Previous years adjustments	(75)	-
Total income tax	**9 714**	**2 506**

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 that usually existing 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 2015 there were no premises to record a provision against identifiable and measurable tax risk.

15. PROPERTY, PLANT AND EQUIPMENT

Description	Buildings, structures and leasehold improvements	Servers, machines and other devices	Vehicles	Other property, pland and equipment items	Assets under construction	Total
Gross carrying amount as at 1 January 2015	**8 911**	**48 507**	**1 010**	**1 455**	**5 788**	**65 671**
Additions due to:	***1 401***	***13 230***	***540***	***1 598***	***13 083***	***29 852***
- purchases and transfers	1 015	12 484	464	1 489	13 083	28 535
- business combinations (Note 18 and Note 20)	386	746	76	109	-	1 317
Disposals due to:	**-**	***(99)***	***(97)***	***(117)***	***(14 816)***	***(15 129)***
- transfers	-	-	-	-	(14 816)	(14 816)
- liquidation	-	(99)	(97)	(117)	-	(313)
Gross carrying amount as at 31 December 2015	**10 312**	**61 638**	**1 453**	**2 936**	**4 055**	**80 394**
Accumulated depreciation as at 1 January 2015	**831**	**14 297**	**279**	**767**	**-**	**16 174**
Additions due to:	***1 075***	***10 807***	***269***	***441***	**-**	***12 592***
- depreciation	1 075	10 807	269	441	-	12 592
Disposals due to:	**-**	***(90)***	***(68)***	***(29)***	**-**	***(187)***
- liquidation	-	(90)	(68)	(29)	-	(187)
Accumulated depreciation as at 31 December 2015	**1 906**	**25 014**	**480**	**1 179**	**-**	**28 579**
Revaluation as at 1 January 2015	**-**	**216**	**-**	**-**	**-**	**216**
Decreases due to:	**-**	***(8)***	**-**	**-**	**-**	***(8)***
- liquidation		(8)				(8)
Revaluation as at 31 December 2015	**-**	**208**	**-**	**-**	**-**	**208**
Net carrying amount as at 31 December 2015	**8 406**	**36 416**	**973**	**1 757**	**4 055**	**51 607**

Description	Buildings, structures and leasehold improvements	Servers, machines and other devices	Vehicles	Other property, pland and equipment items	Assets under construction	Total
Gross carrying amount as at 1 January 2014	**239**	**10 600**	**494**	**578**	**-**	**11 911**
Additions due to:	***8 817***	***39 127***	***538***	***983***	***5 788***	***55 253***
- purchases	242	3 625	269	206	5 664	10 006
- business combinations (Note 19)	8 575	35 502	269	777	124	45 247
Disposals due to:	***(145)***	***(1 220)***	***(22)***	***(106)***	***-***	***(1 493)***
- liquidation	(145)	(1 220)	(22)	(106)	-	(1 493)
Gross carrying amount as at 31 December 2014	**8 911**	**48 507**	**1 010**	**1 455**	**5 788**	**65 671**
Accumulated depreciation as at 1 January 2014	**150**	**6 883**	**33**	**502**	**-**	**7 568**
Additions due to:	***826***	***8 471***	***268***	***287***	***-***	***9 852***
- depreciation	826	8 471	268	287	-	9 852
Disposals due to:	***(145)***	***(1 057)***	***(22)***	***(22)***	***-***	***(1 246)***
- liquidation	(145)	(1 057)	(22)	(22)	-	(1 246)
Accumulated depreciation as at 31 December 2014	**831**	**14 297**	**279**	**767**	**-**	**16 174**
Revaluation as at 1 January 2014	**-**	**-**	**-**	**-**	**-**	**-**
Additions due to:	***-***	***216***	***-***	***-***	***-***	***216***
- write-down recorded	-	216	-	-	-	216
Revaluation as at 31 December 2014	**-**	**216**	**-**	**-**	**-**	**216**
Net carrying amount as at 31 December 2014	**8 080**	**33 994**	**731**	**688**	**5 788**	**49 281**

As of 31 December 2015 and 31 December 2014 the Group did not have any commitments to purchase property, plant or equipment.

The Group uses contracts classified as finance leases in respect of vehicles and IT equipment. As of 31 December 2015, the net value of property, plant and equipment under finance leases was PLN 887 thousand, including vehicles of PLN 744 thousand and IT equipment of PLN 143 thousand.

As of 31 December 2015 bank loans are secured with property, plant and equipment to the carrying amount of PLN 50,233 thousand.

16. INTANGIBLE ASSETS

in PLN'000	Goodwill	Trademarks	Homepage and WP mail	Other intangible assets: Client relations	Other intangible assets: Copyrights and other intangible assets	Total
Gross carrying amount as at 1 January 2015	**125 014**	**123 370**	**152 300**	**20 658**	**34 654**	**455 996**
Additions due to:	**92 423**	**34 592**	**-**	**17 709**	**24 045**	**168 769**
- purchases	-	318	-	-	15 776	16 094
- business combinations (Note 18 and Note 20)	92 423	34 274	-	17 709	8 269	152 675
Disposals due to:	**-**	**-**	**-**	**-**	**(2 287)**	**(2 287)**
- liquidation and sale	-	-	-	-	(2 287)	(2 287)
Gross carrying amount as at 31 December 2015	**217 437**	**157 962**	**152 300**	**38 367**	**56 412**	**622 478**
Accumulated depreciation as at 1 January 2015	**-**	**200**	**5 403**	**769**	**14 880**	**21 252**
Additions due to:	**-**	**1 364**	**6 484**	**3 726**	**6 276**	**17 850**
- depreciation	-	1 364	6 484	3 726	6 276	17 850
Disposals due to:	**-**	**-**	**-**	**-**	**(1 871)**	**(1 871)**
- liquidation and sales	-	-	-	-	(1 871)	(1 871)
Accumulated depreciation as at 31 December 2015	**-**	**1 564**	**11 887**	**4 495**	**19 285**	**37 231**
Revaluation as at 1 January 2015	**180**	**-**	**-**	**-**	**35**	**215**
Additions due to:	**-**	**-**	**-**	**-**	**125**	**125**
- impairment	-	-	-	-	125	125
Revaluation as at 31 December 2015	**180**	**-**	**-**	**-**	**160**	**340**
Net carrying amount as at 31 December 2015	**217 257**	**156 398**	**140 413**	**33 872**	**36 967**	**584 907**

in PLN'000	Goodwill	Trademarks	Homepage and WP mail	Other intangible assets		Total
				Client relations	Copyrights and other intangible assets	
Gross carrying amount as at 1 January 2014	**3 786**	**1 697**	**-**	**3 611**	**17 085**	**26 179**
Additions due to:	**121 228**	**121 673**	**152 300**	**17 047**	**18 836**	**431 084**
- purchases	-	150	-	-	5 435	5 585
- business combinations (Note 19)	121 228	121 523	152 300	17 047	13 401	425 499
Disposals due to:	**-**	**-**	**-**	**-**	**(1 267)**	**(1 267)**
- liquidation	-	-	-	-	(1 267)	(1 267)
Gross carrying amount as at 31 December 2014	**125 014**	**123 370**	**152 300**	**20 658**	**34 654**	**455 996**
Accumulated depreciation as at 1 January 2014	**-**	**-**	**-**	**-**	**11 341**	**11 341**
Additions due to:	**-**	**200**	**5 403**	**769**	**4 550**	**10 922**
- depreciation	-	200	5 403	769	4 550	10 922
Disposals due to:	**-**	**-**	**-**	**-**	**(1 011)**	**(1 011)**
- liquidation	-	-	-	-	(1 011)	(1 011)
Accumulated depreciation as at 31 December 2014	**-**	**200**	**5 403**	**769**	**14 880**	**21 252**
Revaluation as at 1 January 2014	**180**	**-**	**-**	**-**	**-**	**180**
Additions due to:	**-**	**-**	**-**	**-**	**35**	**35**
- impairment	-	-	-	-	35	35
Revaluation as at 31 December 2014	**180**	**-**	**-**	**-**	**35**	**215**
Net carrying amount as at 31 December 2014	**124 833**	**123 170**	**146 897**	**19 889**	**19 739**	**434 529**

The Group capitalises salary expense as part of development projects. In the years covered by these financial statements, capitalised salary expense amounted to PLN 7,271 thousand in 2015, PLN 4,211 thousand in 2014. The main projects completed, which expenditure was capitalised in 2015 are: project of new WP e-mail and homepage o2.pl.

As of 31 December 2015 and 31 December 2014, bank loans are secured with intangible assets in the carrying amount of PLN 307,841 thousand in 2015 and PLN 293,987 thousand in 2014.

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

in PLN'000	Cash generating unit	As at 31 December 2015	As at 31 December 2014
Grupa Wirtualna Polska SA	Publishing and Advertising activities	92 040	92 040
Capital Group Money.pl Sp. z o.o.	Publishing and Advertising activities	11 550	11 844
Grupa Kapitałowa Money.pl Sp. z o.o.	Financial lead generation	7 808	8 007
NextWeb Media Sp. z o.o. (since 03.06.2015)	Publishing and Advertising activities	19 072	-
Finansowy supermarket.pl sp. z o.o.	Financial lead generation	6 102	-
dobreprogramy Sp. z o.o.	Dobreprogramy	3 593	3 593
Domodi Sp. z o.o.	Lead Generation fashion/interior	9 349	9 349
Allani Sp. z o.o.	Lead Generation fashion/interior	9 497	-
Enovatis SA	Enovatis	58 246	-
http Sp. z o.o.	Publishing and Advertising activities	180	180
Goodwill (gross)		**217 437**	**125 013**
Impairment of goodwill:			
http Sp. z o.o.	Publishing and Advertising activities	(180)	(180)
Goodwill (net)		**217 257**	**124 833**

In the case of the acquisitions of Finansowysupermarket.pl, Allani and Enovatis the goodwill presented above is based on the provisional settlement of the purchase price as of 31 December 2015.

In the analysed period the provisional goodwill on the acquisition of Money Capital Group was decreased by PLN 493 thousand when compared to the value estimated at the end of previous year. A detailed list of adjustments made in relation to the information contained in the published consolidated financial statements for the year ending 31 December 2014 is presented in note 20.

The goodwill on the acquisition of Domodi has not changed.

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 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;
- Dobreprogramy;
- Lead Generation fashion/interior;
- financial Lead Generation.

Impairment test were conducted as of 31 December 2015.

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 2016, past results and expectations of the Management Board for the development of the market in 2017-2020, 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
Assumptions for all CGU	5 years	2.5%	10.7%

17. 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 24).

in PLN'000	For the year ended 31 December 2015	For the year ended 31 December 2014
Net profit attributable to equity holders of the Parent Company	**4 332**	**3 792**
Weighted average number of shares shown for the purpose of calculating basic earnings per share (no. of units)	27 085 948	22 716 907
Effect of diluting the number of ordinary shares	483 342	694 227
Weighted average number of ordinary shares shown for the purpose of calculating diluted earnings per share (no. of units)	27 569 290	23 411 134
Basic (in PLN)	0,16	0,17
Diluted (in PLN)	0,16	0,16

18. ACQUISITIONS AND BUSINESS COMBINATIONS IN 2015

Acquisitions and business combinations in 2015 - NextWeb Media Sp. z o.o., Finansowysupermarket.pl Sp. z o.o., Allani Sp. z o.o. and Enovatis SA

NextWeb Media Sp. z o.o.

On 3 June 2015 the Group purchased 100% of shares in NextWeb Media Sp. z o.o. (further NWM) together with its subsidiary i.e. Blomedia Sp. z o.o. NWM is mainly involved in internet services and selling advertising on the Internet. Goodwill on acquisition of PLN 19,072 thousand is attributable to the client base acquired and economies of scale expected as a result of the combination of the Group's operations with those of NWM. No portion of goodwill recorded will be deductible for income tax purposes. The fair value of trade and other receivables is PLN 2,098 thousand and comprises trade receivables with a fair value of PLN 2,066 thousand and the contractual gross amount of PLN 2,236 thousand, of which – according to estimations – PLN 170 thousand are uncollectible.

Costs related to the acquisition of PLN 540 thousand were presented in the consolidated income statement and other comprehensive income for the period of twelve months ending 31 December 2015 in section "external services costs related to public offering and acquisitions of subsidiaries".

According to the share purchase agreement, the previous shareholder will be entitled to three rounds of additional remuneration. The first tranche of PLN 3,500 thousand of nominal value may be paid by the end of 2016, provided NWM reaches EBITDA level, calculated for twelve months following the acquisition, indicated in the agreement. The second and third tranches will be calculated as a percentage of estimated future value of NextWeb Media Sp. z o.o as of 31 December 2016 and 30 June 2018 respectively. Total discounted value of the additional contingent liability recognised in relation to business combination amounted to PLN 13,101 thousand as of 31 December 2015.

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

Finansowysupermarket.pl Sp. z o.o.

On 16 September 2015 Money.pl Sp. z o.o., a subsidiary of the parent company, finalised a purchase of 100% shares in Finansowysupermarket.pl Sp. z o.o. which holds 100% of shares in Web Broker Sp. z o.o. with its registered office in Warsaw. Goodwill on acquisition determined provisionally in the amount of PLN 6,102 thousand is attributable to the client base acquired and economies of scale expected as a result of the combination of the Group's operations with two acquired entities. No portion of goodwill recorded will be deductible for income tax purposes. The fair value of trade and other receivables is PLN 2,213 thousand. As of the date of taking over control, there were no receivables considered as uncollectible.

The purchase price for 100% shares in Finansowysupermarket.pl amounted to PLN 12,319 thousand. Moreover, as a part of the settlement Money.pl Sp. z o.o. was obliged to repay the Web Broker's liabilities to the previous owners due to loans in the total amount of PLN 200 thousand. The repayment of Web Broker's liabilities was made on the date of the share purchase agreement.

Costs related to the acquisition of PLN 218 thousand were presented in the consolidated income statement and other comprehensive income for the period of twelve months ending 31 December 2015 in section "external services costs related to public offering and acquisitions of subsidiaries".

The table below shows the consideration paid and the fair values of acquired assets and liabilities at the acquisition date.

Allani Sp. z o.o.

On 6 October 2015, Domodi Sp. z o.o. (a subsidiary of the parent company) purchased 100% of shares in Allani Sp. z o.o.

Allani is a specialized fashion marketplace with social elements, collating the services of more than 110 shops, including Zalando, Answear or Eobuwie. This platform provides a distribution channel of over 400 thousand products including such brands as: Monnari, Wojas, Tommy Hilfiger, Lacoste, Kazar, Simple, Venezia, Wittchen or Gino Rossi. Allani.pl provides services for almost 900 thousand real users per month. According to the data of Megapanel PBI/ Gemius, in December 2015 e-commerce services of WP Group (including Allani.pl and Domodi.pl) were visited by total more than 3 million users (real users) which provided the WP Group the sixth position on the list of the largest entities in e-commerce sector in Poland. The acquisition of Allani Sp. z o.o. consolidates the market of fashion marketplaces, on which Domodi Sp. z o.o. operates and results in rising of the undisputed leader in this area of e-commerce. Due to the acquisition of Allani Sp. z o.o., a number of operational and financial synergies between the activities of this company and Domodi Sp. z o.o. were identified, which result in further significant strengthening of the competitive and financial position of both companies.

Shares were acquired on the basis of three agreements:

- the sale agreement for 1.417 shares at the unit price of PLN 5.7 thousand;
- two share sale agreements and further cooperation concluded with two key members of Allani's management team ("Allani's Managers"), being also previous shareholders of the company. These agreements have transferred to Domodi Sp. z o.o. the ownership of 367 shares in case of the first and 23 shares in case of the second one, for PLN 1 million (the price of one share amounted to PLN 2.7 thousand) and PLN 69 thousand (the price of one share amounted to PLN 3 thousand) respectively.

In the case of the contracts for the sale of shares belonging to Allani's Managers, the signed agreements also contain detailed guidance on further cooperation between the parties and the provisions on the rights of the sellers to additional contingent consideration for sold shares (so called "earn-out"). The agreements provide for two payments of additional consideration for the sold shares. The amount of additional consideration will be calculated as a percentage of the contractual value of the combined businesses Allani Sp. z o.o. and Domodi Sp. z o.o, calculated on the basis of financial results of both entities for 2017 and 2019. In case, the cooperation between the parties ended after one year from the date of the transaction, but before the end of

2017 and 2019 respectively, the contingent consideration will be calculated based on the results of the companies for the last twelve months preceding the end of cooperation.

The Management Board estimates that total value of additional contingent consideration for Allani's Managers may amount to PLN 9.6 million. Due to existing relations relation between the value of earn out paid and the fact that Allani's Managers shall remain in the company, the purchase price of the shares from those managers, for the purpose of settlement of this transaction, was set at the amount which would be paid for the same number of shares to other shareholders not covered by conditional consideration, which is PLN 2.8 million. After reduction of this amount by paid on the day of transaction actual price of PLN 1.069 million, the contingent liability recognised in the original settlement of this transaction amounted to PLN1.7 million. According to the IAS 19, the difference between total estimated earn out payment and the amount recognised as the shares' price will be the cost of employee benefits and will be settled in costs of salary expenses within the period when services entitling to the payment are rendered. This is the non-cash cost and it is eliminated in the cash flow statement.

The structure of Allani's acquisition transaction assumes that the purchase of this company is financed by the Group and previous minority shareholders of Domodi in proportion to their shareholding i.e. 51% and 49% respectively. Pursuant to this assumption, benefits related to the increase of value of combined Domodi and Allani business will be also divided according to this proportion. As a result, the Group signed an amendment to the investment agreement with the minority shareholders of Domodi in which the parties agreed that the valuation, being the basis to exercise the option to purchase the non-controlling package, will be based on the consolidated results of Domodi and Allani. At the same time, the parties confirmed that the value of contingent consideration payable to Allani's Managers will reduce the valuation of the company being the basis to exercise the put option connected with the purchase of non-controlling interests from Domodi's shareholders.

Goodwill on acquisition determined provisionally of PLN 9,497 thousand is attributable to the client base acquired and 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 is PLN 658 thousand. As of the date of taking control, there were no receivables considered as uncollectible.

Costs related to the acquisition of PLN 355 thousand were presented in the consolidated income statement and other comprehensive income for the year ending 31 December 2015 in section "external services costs related to public offering and acquisitions of subsidiaries".

Enovatis SA

On 23 December 2015 Grupa Wirtualna Polska SA, a subsidiary of the parent company, finalised a purchase of 100% shares in Enovatis SA („Enovatis") for total of PLN 83,566 thousand, paid in cash.

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

The goodwill on acquisition determined provisionally at PLN 58,246 thousand is attributable to the client base acquired and economies of scale expected as a result of the combination of the Group's operations with the entity acquired. No portion of goodwill recorded will be deductible for income tax purposes. The fair value of trade and other receivables is PLN 9,686 thousand and includes trade receivables with a fair value of PLN 8,978 thousand and the contractual gross amount of PLN 9,888 thousand, of which – according to estimations – PLN 910 thousand are uncollectible.

Costs related to the acquisition of PLN 1,199 thousand were presented in the consolidated income statement and other comprehensive income for the year ending 31 December 2015 in section "external services costs related to public offering and acquisitions of subsidiaries".

The following table shows the consideration paid and the fair values of acquired assets and liabilities at the acquisition date. In case of NextWeb Media Sp. z o.o. the presented settlement of the transaction is final, while other acquisitions as of 31 December 2015 are settled provisionally.

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in PLN'000	NextWeb Media Sp. z o.o.	Finansowy supermarket sp. z o.o.	Allani	Enovatis	Total
Consideration					
Cash and cash equivalents - payment for the shares	19 381	12 319	9 080	83 566	124 346
Cash and cash equivalents - unpaid part of shares price	-	-	2 243	-	2 243
Cash and cash equivalents - advance payment for contingent consideration	1 219	-	-	-	1 219
Long- term contingent consideration	12 070	-	1 752	-	13 822
Repayment of loans from previous shareholders	-	200	-	-	200
Other liabilities - capital contribution	100	-	-	-	100
Total	**32 770**	**12 519**	**13 075**	**83 566**	**141 930**
Non-controlling interests measured at the value of share in net assets	**-**	**-**	**3 437**	**-**	**3 437**
Cash and cash equivalents	48	457	473	1 196	2 174
Property, plant and equipment	87	8	5	909	1 009
Trademark	4 970	-	5 048	24 256	34 274
Client relations	8 620	5 467	2 964	658	17 709
Copyrights and other intangible assets	2 211	107	79	5 636	8 033
Trade and other receivables	2 098	2 213	658	9 696	14 665
Loans and advances	-		(2)	(5 037)	(5 039)
Finance lease	-	-	-	(82)	(82)
Long-term liabilities	-	-	-	(1 194)	(1 194)
Trade and other payables	(2 062)	(824)	(827)	(5 466)	(9 179)
Deferred tax	(2 217)	(1 011)	(1 383)	(4 845)	(9 456)
Provisions for employee benefits	(57)	-	-	(242)	(299)
Other provisions	-	-	-	(165)	(165)
Total identifiable net assets	**13 698**	**6 417**	**7 015**	**25 320**	**52 450**
Goodwill	**19 072**	**6 102**	**9 497**	**58 246**	**92 917**

For information purposes, the following table presents the unaudited results of NextWeb Media Capital Group and Finansowysupermarket (including Web Broker Sp. z .o.o.), Allani and Enovatis from 1 January 2015 to the date of taking control, taken from the separate financial statements of those entities.

in PLN'000	NextWeb Media	Finansowy supermarket	Allani Sp. z o.o.	Enovatis SA	Total
	For the period from 1 January to 3 June 2015	For the period from 1 January to 16 September 2015	For the period from 1 January to 6 October 2015	For the period from 1 January to 31 December 2015	
Sales	**2 710**	**4 344**	**4 410**	**32 338**	**43 802**
Amortization and depreciation	(532)	(58)	(52)	(2 540)	(3 182)
Materials and energy used	(45)	(56)	(17)	(261)	(379)
Costs related to public offering, acquisitions of subsidiaries and restructuring	-	(78)	**-**	(1 687)	(1 765)
External services	(2 153)	(2 301)	(3 003)	(17 227)	(24 684)
Salary and employee benefit expense	(1 103)	(1 378)	(1 127)	(5 700)	(9 308)
Other operating expenses	(781)	(28)	(95)	(2 867)	(3 771)
Other operating income/gains	57	2	26	982	1 067
Gain/loss on disposal of other financial assets	588	-	-	-	588
Operating profit	**(1 259)**	**447**	**142**	**3 038**	**2 368**
Finance income	13	1		12	26
Finance costs	(47)	-	(5)	(82)	(134)
Profit before tax	**(1 293)**	**448**	**137**	**2 968**	**2 260**
Income tax	43	(164)	162	(572)	(531)
Net profit	**(1 250)**	**284**	**299**	**2 396**	**1 729**

These consolidated financial statements include the results of above acquisitions from the date of taking control to 31 December 2015. The impact of these acquisitions on the consolidated results of the Capital Group is presented in the following table.

in PLN'000	Finansowysupermarket. pl Sp. z o.o.	Web Broker Sp. z o.o.	Blomedia Sp. z o.o.	NextWeb Media Sp. z o.o.	Allani	Total
Sales	1 622	348	2 311	1 260	2 577	8 118
Cash sales	1 622	348	2 311	1 216	2 577	8 074
EBITDA	195	(111)	475	158	410	1 127
Adjusted EBITDA	240	(88)	482	201	410	1 245
Net profit	24	(111)	241	(192)	182	144

19. ACQUISITIONS AND BUSINESS COMBINATIONS IN 2014

Wirtualna Polska SA

On 13 February 2014, the Group acquired 100% of shares in Wirtualna Polska SA (hereinafter: WP SA). The shares in WP SA were purchased using the funds paid in on taking up share capital in Wirtualna Polska Holding SA and using borrowings. WP SA runs websites and sells advertisements on the Internet. The Group also took action aimed at reducing costs based on the synergies of scale. Goodwill in the final amount of PLN 92,028 thousand on acquisition is attributable to the taken over client base and the synergies of scale expected thanks to the combination of the Group's operations with those of WP SA No portion of goodwill recorded will be deductible for income tax purposes. The fair value of trade and other receivables is PLN 31,519 thousand and it comprises trade receivables with a fair value of PLN 31,195 thousand and the contractual gross amount of PLN 32,068 thousand, of which – according to estimations – PLN 873 thousand are uncollectible.

The table below shows the consideration paid for WP SA and the fair values of acquired assets and liabilities at the acquisition date. The costs related to the purchase transaction of PLN 8,345 thousand and PLN 4,300 thousand respectively were recorded as external services related to public offering and acquisitions of subsidiaries in the consolidated income statement and other comprehensive income for the financial year ending 31 December 2014 and the financial year ending 31 December 2013.

DOMODI Sp. z o.o.

On 12 September 2014, the Group acquired 51% of shares in DOMODI Sp. z o.o. (hereinafter: DOMODI). DOMODI runs e-commerce services with social service elements dedicated to the Fashion and Interiors category. Goodwill in a provisional amount of PLN 9,349 thousand on the acquisition is attributable to website portals and the synergies of scale expected on the combination of the Group's operations with the operations of DOMODI. No portion of goodwill recorded will be deductible for income tax purposes.

Costs related to the acquisition transaction of PLN 83 thousand were recorded in the consolidated income statement and other comprehensive income for the financial year ending 31 December 2014.

The arrangements relating to contingent consideration require the Group to pay cash premium to the former owners of DOMODI for the acquired shares.

After the end of 2017, the Group will be entitled to purchase, and the former shareholder to sell a further 24.5% of shares in DOMODI at a price determined based on the Company's results for the year 2017. After the end of 2019, the Group will be entitled to purchase, and the former shareholder to sell the remaining 24.5% of shares in DOMODI at a price determined based on DOMODI's results for the year 2019 or the market value of the Company's shares. The terms and conditions for exercising the call and put options referred to above do not transfer the risks and benefits relating to the non-controlling interests to the Group and therefore non-controlling interests covered by the options will be disclosed in the financial statements. The liability in respect of the put option of PLN 31,853 thousand was disclosed in correspondence with equity. The liability as of 31 December 2015 is PLN 62,762 thousand (see Note 31).

The fair value of the liability in respect of the put option approximates its carrying amount; the fair value is based on discounted cash flow using the incremental borrowing rate for the Group and qualifies as level 3 in the fair value hierarchy.

Enterprise SPORTOWEFAKTY

On 3 June 2014, the Group acquired a business Sportowe Fakty (hereinafter: Sportowe Fakty). Sportowe Fakty deals with running websites and selling advertisements on the Internet. Due to the lower consideration on the provisionally determined amount of identifiable assets and assumed liabilities, a provisional gain on the bargain purchase was notaed at PLN 61 thousand.

Costs related to the transaction of PLN 108 thousand were presented in the consolidated income statement and other comprehensive income for the year ending 31 December 2014 in section “external services costs related to public offering and acquisitions of subsidiaries”.

The arrangements relating to contingent consideration require the Group to pay a cash premium to the former owner of Sportowe Fakty for the acquired shares. In 2015, the Group paid a total of PLN 1,344 thousand in respect of this.

Money.pl Sp. z o.o.

On 1 December 2014, the Group acquired 100% of shares in Money.pl Sp. z o.o. (hereinafter Money) with its subsidiaries, i.e.: Business Ad Network Sp. z o.o., Businessclick Sp. z o.o., Favore Sp. z o.o., Legalsupport Sp. z o.o., Interaktywnie Sp. z o.o. and Brand New Media Sp. z o.o. Money mainly deals with running website services and selling advertisements on the Internet. Goodwill on acquisition determined provisionally in the amount of PLN 19,851 thousand is attributable to the client base acquired and economies of scale expected as a result of the combination of the Group’s operations with those of Money. No portion of goodwill recorded will be deductible for income tax purposes.

Costs related to the transaction of PLN 880 thousand were presented in the consolidated income statement and other comprehensive income for the year ending 31 December 2014 in section “external services costs related to public offering and acquisitions of subsidiaries”.

The table below shows the consideration paid and the fair values of acquired assets and liabilities at the acquisition date, and the fair value of non-controlling interests at the end of previous financial year i.e. 31 December 2014.

As of 31 December 2014, these acquisitions with the exception of WP SA, were provisionally settled.

in PLN'000	WP S.A.	DOMODI	Sportowe Fakty	Money Group	Total
Consideration at the acquisition date					
Cash and cash equivalents	**382 498**	**15 000**	**3 900**	**46 685**	**448 403**
Paid to previous owners	*382 498*	*7 500*	*3 900*	*46 685*	*440 903*
Paid as share capital increase	-	*7 500*	-	-	*7 500*
Contingent consideration	-	3008	1334	-	4 342
Total consideration paid	**382 498**	**18 008**	**5 234**	**46 685**	**452 745**
Non-controlling interest (measured at a proportionate share in net assets)	**-**	**8 318**	**-**	**-**	**8 318**
Recognition of identifiable acquired assets and liabilities					
Cash and cash equivalents	5 659	7 912	-	4 329	17 900
Property, plant and equipment	44 392	-	11	1 151	45 554
Trademark	102 500	6 620	974	11 429	121 523
Homepage and WP mail	152 300	-	-	-	152 300
Client relations	-	4 556	-	12 491	17 047
Copyrights and other intangible assets	7 699	69	4 310	1 559	13 637
Deferred tax assets	-	203	-	1 320	1 523
Trade and other receivables	31 519	738	-	10 159	42 416
Other current assets	27 661	-	-	-	27 661
Trade and other payables	(32 345)	(772)	-	(10 065)	(43 182)
Loans and advances, lease liabilities	(477)	-	-	(86)	(563)
Provisions and contingent liabilities	(2 872)	(226)	-	(351)	(3 449)
Deferred tax liabilities	(45 566)	(2 123)	-	(4 609)	(52 298)
Total identifiable net assets	**290 470**	**16 977**	**5 295**	**27 327**	**340 069**
Goodwill	**92 028**	**9 349**		**19 358**	**120 735**
Gain on bargain acquisition			**(61)**		**(61)**

20. FINALISING THE PROVISIONAL SETTLEMENT OF THE BUSINESS COMBINATION

The financial statements for the financial years ended 31 December 2014 present the disclosures on the acquisition of Money.pl Capital Group, which took place on 1 December 2014 and was then settled based on provisional amounts. As a result of the final settlement of the acquisition, the following adjustments were introduced in these financial statements compared with the information provided in the published consolidated financial statements for the year ending 31 December 2014.

in PLN'000	Final settlement	Adjustments on finalizing the provisional settlement	Provisional settlement
Purchase price	**46 685**	**(320)**	**47 005**
Cash and cash equivalents	4 329	-	4 329
Property, plant and equipment	1 152	(308)	844
Trademarks	11 429	-	11 429
Homepage and WP mail	-	-	-
Client relations	12 491	-	12 491
Copyrights and other intangible assets	1 559	(236)	1 323
Deferred tax assets	1 320	98	1 418
Trade and other receivables	10 159	-	10 159
Other current assets	-	-	-
Trade and other payables	(10 065)	-	(10 065)
Loans and advances, lease liabilities	(86)	-	(86)
Provisions and contingent liabilities	(351)	208	(143)
Deferred tax liabilities	(4 609)	64	(4 545)
Total	**27 328**	**(494)**	**27 154**
Goodwill	**19 357**	**494**	**19 851**

The semi-annual consolidated financial statements for 6 months ended 30 June 2015 present the disclosures on the acquisition of NextWeb Media Sp. z o.o. together with its subsidiary Blomedia Sp. z o.o., which took place on 3 June 2015 and was then settled based on provisional amounts.

As a result of the final settlement of the acquisition, the following adjustments were introduced in these financial statements compared with the information provided in the published semi-annual consolidated financial statements for six months ending 30 June 2015.

in PLN'000	Final settlement	Adjustments on finalizing the provisional settlement	Provisional settlement
Purchase price	**32 770**	**(233)**	**32 537**
Cash and cash equivalents	48	-	48
Property, plant and equipment	87	-	87
Trademark	4 970	-	4 970
Client relations	8 620	-	8 620
Copyrights and other intangible assets	2 211	-	2 211
Trade and other receivables	2 098	155	2 253
Trade and other payables	(2 062)		(2 062)
Deferred tax	(2 217)	-	(2 217)
Provisions for employee benefits	(57)	-	(57)
Total identifiable net assets	**13 698**	**155**	**13 853**
Goodwill	**19 072**	**(388)**	**18 684**

As a result of the final settlement of the acquisition of Domodi and business Sportowefakty, no adjustments were introduced in these financial statements compared with the information provided in the published consolidated financial statements for the year ending 31 December 2014.

21. OTHER FINANCIAL ASSETS

As of 31 December 2014, the Group had 6% of shares in KupBon SA with a value of PLN 250 thousand and 16.7% of shares in Szopuje Sp. z o.o. with a value of PLN 250 thousand. These shares were classified as “financial assets available for sale” and measured at cost less impairment due to impossibility of reliably determining their fair value. The above shares were covered with an impairment allowance in 2014 in the full amount, i.e. PLN 500 thousand.

These shares were sold during the year 2015 for PLN 2 thousand. As a result of this transaction the Group recognised the gain of PLN 2 thousand.

22. TRADE AND OTHER RECEIVABLES

in PLN'000	As at 31 December 2015	As at 31 December 2014
Trade receivables	56 244	40 692
Impairment allowances	2 462	1 561
Trade receivables net	**53 782**	**39 131**
Barter receivables gross	953	2 894
Impairment allowances	118	-
Barter receivables net	**835**	**2 894**
State receivables	4 799	7 571
Receivables from related parties	-	74
Settlements with employees	23	-
Capitalized costs of the public offering	-	965
Other	3 284	3 075
Total	**62 723**	**53 710**

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 following from 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. As of the date of the agreement, the Borrower conditionally transferred receivables from Orange Polska SA with its registered office in Warsaw from major trade contracts and also from other contracts with a total value of PLN 5,000 thousand. The Group also made the commitment that to secure the loan at any time, 75% of Group's receivables shall be assigned.

As of 31 December 2015, trade receivables of PLN 2,580 thousand (as of 31 December 2014: PLN 1,561 thousand) were individually considered as non-collectible, and therefore covered by an allowance, due to the fact that the debtors questioned the debt by failing to settle it on the due date or by court dispute. Movements in write-downs of trade receivables were as follows:

in PLN'000	As at 31 December 2015	As at 31 December 2014
Impairment allowances for trade receivables at the beginning of the period	**1 561**	**449**
Increases, including:	***1 868***	***1 749***
- allowances recorded	1 868	1 749
Decreases, including:	**(849)**	***(637)***
- utilization of impairment allowances	(145)	(565)
- release of allowances due to repayment of receivables	(704)	(72)
Impairment allowances for trade receivables at the end of the period	**2 580**	**1 561**

As of 31 December 2015, overdue receivables without impairment amounted to PLN 15,110 thousand (as of 31 December 2014: PLN 15,015 thousand). The ageing analysis of these receivables was as follows:

in PLN'000	**As at 31 December 2015**	**As at 31 December 2014**
Overdue - up to 3 months	10 316	13 962
Overdue - 3 to 6 months	4 348	719
Overdue - 6 to 12 months	350	229
Overdue - more than 12 months	96	105
Total	**15 110**	**15 015**

23. SHARE CAPITAL

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

Moreover, the Extraordinary General Meeting of 14 January 2015 passed a resolution on increasing the Company's share capital by issuing C-series shares, cancelling the pre-emptive rights of the then shareholders of the Company to all C-series shares and amending the Articles of Association. Pursuant to the above-mentioned resolution, the Company's share capital was increased by PLN 15 thousand to PLN 1,245 thousand by issuing 301,518 ordinary new C-series bearer shares with a par value of PLN 0.05 each. The ordinary C-series bearer shares were taken up under the incentive scheme (see Note 24) at the issue price of PLN 0.05 – 145,436 shares, and of PLN 12.17 – 156,082 shares. As a result of the final settlement based on the actual issue price on debut, option takers, who took up shares for PLN 0.05 were obliged to pay an additional PLN 108 thousand which was recognised in supplementary capital.

Moreover, the Extraordinary General Meeting of 14 January 2015 passed a resolution on the contingent increase of the Company's share capital by issuing D-series ordinary shares and issuing B-series subscription warrants, cancelling the pre-emptive rights of the then shareholders of the Company and amending the Articles of Association. Pursuant to the above-mentioned resolution, the Company's share capital was conditionally increased by no more than PLN 46 thousand by issuing not more than 929,058 ordinary new D-series bearer shares with a par value of PLN 0.05 each. The ordinary D-series bearer shares can be taken up solely by the holders of B-series subscription warrants under the incentive scheme (see Note 24) at the issue price of PLN 12.17.

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

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

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

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

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

Changes in general number of votes held by the Founding Companies and Founders at the General Meeting of the Company described in Notification occur as described in detail below.

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

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

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

After the changes, not including the conditional capital increase, the structure of share capital as of 31 December 2015 and as at the date of preparation of this report is as follows:

Shareholder	Number of shares	% of share capital	Number of votes	% of votes
European Media Holding SARL	10 869 177	38.47%	10 631 853	26.16%
Orfe S.A.	2 629 903	9.31%	6 838 914	16.83%
10x S.A.	2 629 903	9.31%	6 838 914	16.83%
Albemuth Inwestycje S.A.	2 629 903	9.31%	6 838 914	16.83%
Other	9 493 896	33.60%	9 493 896	23.35%
Total	**28 252 782**	**100.00%**	**40 642 491**	**100.00%**

As of 31 December 2014 the structure of share capital was as follows:

Shareholder	Number of shares	% of share capital	Number of votes	% of votes
European Media Holding SARL	16 721 811	67.93%	16 721 811	68%
Orfe S.A.	2 629 903	10.69%	2 629 903	11%
10x S.A.	2 629 903	10.69%	2 629 903	11%
Albemuth Inwestycje S.A.	2 629 903	10.69%	2 629 903	11%
Total	**24 611 520**	**100%**	**24 611 520**	**100%**

Shares in series D and F to the date of the approval of these financial statements have not been registered.

The table below shows the information on the Parent Company's dividend passed and paid out**:**

in PLN'000	**For the year ended 31 December 2015**	**For the year ended 31 December 2014**
Dividend passed for the prior years	-	17 453
Dividend offset against the Shareholders' commitment to pay in cash contributions in respect of the Company's capital increase	-	4 013
Dividend passed and paid out during the year for the current and prior years	-	14 149
Dividend liability at the end of the period	-	-
Dividend per share in PLN	-	0.71

24. INCENTIVE SCHEME-SHARE-BASED PAYMENTS

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

In connection with the above arrangements, the Group has an incentive scheme which 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 Group's companies which concluded the management option agreement with the Company or other Group's companies are entitled to take up Company's shares. The right to acquire the Company shares also relates to entities to which the Managers, in accordance with the terms of management option agreement, transferred rights and obligations of management option agreement with the approval of the Company.

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

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

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

On 14 January 2015, the Extraordinary General Meeting passed a resolution on increasing the share capital. Company's share capital was increased by PLN 15 thousand to PLN 1,245 thousand by issuing 301,518 ordinary new C-series bearer shares with a par value of PLN 0.05 each. The ordinary C-series bearer shares were taken up under the incentive scheme at the issue price of PLN 0.05 – 145,436 shares, and of PLN 12.17 – 156,082 shares.

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

The exercise price of options outstanding as of 31 December 2015 amounts to PLN 12.17, and the period remaining to the end of contractual life of the option varies between 3 quarters to 5 years.

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

25. DISCLOSURE OF COMPONENTS OF OTHER COMPREHENSIVE INCOME

	As at 31 December 2015	As at 31 December 2014
The effective part of gains and losses on the cash flow hedges:	**(2 276)**	**-**
- Gains arising during the year	439	-
- Losses arising during the year	(2 715)	-
Income tax related to other comprehensive income	**(432)**	**-**
Total comprehensive income	**(1 844)**	**-**

The following table shows the tax effect of comprehensive income

	As at 31 December 2015		
	Before tax	Tax	After tax
The effective part of gains and losses on the cash flow hedges	2 276	432	1 844
Total comprehensive income	**2 276**	**432**	**1 844**

Hedge accounting

The loan agreement signed by the Group on 24 March 2015 obliged the Group to conclude IRS transactions (Interest Rate Swap).
Therefore, on 28 April the Group concluded four IRS transactions. The IRS floating to fixed transactions were 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 amortisation) are consistent with those deriving from loan agreement.
These financial instruments are treated as hedge accounting and recognised in the financial statements of the Group as cash flow hedge under IAS 39.
On each balance sheet date the Group indicates effective and ineffective part of hedge according to rules of IAS 39.95 in order to note changes in fair value. The effective part of cumulated gain/loss (change of fair value) from the instrument is recognised in other comprehensive income. The ineffective part of cumulated gain/loss (change of fair value) from the instrument is presented in finance income/costs of the period under consideration.

Since the hedging instruments concluded are in total compliance in respect of both the interest periods and the amortisation, the effectiveness tests conducted in twelve months of 2015 have shown the full effectiveness of the hedge.

The table below shows the presentation of the hedging instruments held by the Group as of 31 December 2015 in consolidated balance sheet.

in PLN'000	As at 31 December 2015
Long-term liabilities from valuation of hedging instrument	1 322
Short-term liabilities from valuation of hedging instrument	954
Deferred tax assets recognized on the valuation of hedging instrument	432
Revaluation reserve	(1 844)

Using the cash flow hedge accounting allows to book the effective part of the financial instrument as other comprehensive income which will adjust the influence on the financial results of both: the valuation of the hedging instrument and the cost generated by hedged instrument. This allows reducing the volatility of the financial results from the valuation of the hedging instrument and achieve the compensation effect in the profit and loss account in the same reporting period. As a result, the economic and accounting effect of the hedging will be reflected in the same period of time.

26. SUBSIDIARIES WITH NON-CONTROLLING INTERESTS

Presented below is a summary of the financial information of the subsidiaries to which the value of non-controlling interests is significant from the Group's perspective. The amounts presented contain adjustments resulting from fair value measurement (Note 18) and do not contain adjustments eliminating transactions between dobreprogramy Sp. z o.o. and DOMODI Sp. z o.o., Allani Sp. z o.o. and other Group companies. As of 31 December 2015, the net asset value attributable to non-controlling interests amounted to PLN 15,676 thousand (as at 31 December 2014 it amounted to PLN 11,544 thousand).

in PLN'000	DOMODI Sp. z o.o.	dobreprogramy Sp. z o.o.	Allani Sp. z o.o.
Selected information from the statement of financial position:	As at 31 December 2015	As at 31 December 2015	As at 31 December 2015
Current assets	6 276	2 966	1 618
Short-term liabilities	(7 172)	(167)	(931)
Long-term liabilities	(2 209)	(134)	-
Deferred tax	(1 828)	(771)	(1 530)
Non-current assets	23 438	4 397	8 039
Net assets	**18 505**	**6 291**	**7 196**
Accumulated non-controlling interests	**9 067**	**3 083**	**3 526**

in PLN'000	DOMODI Sp. z o.o.	dobreprogramy Sp. z o.o.	Allani Sp. z o.o.
Selected information from the income statement and other comprehensive income:	For the year ended 31 December 2015	For the year ended 31 December 2015	For the period from 6 October to 31 December 2015
Sales	23 739	4 568	2 577
Profit/(loss) before tax	2 118	1 148	239
Profit / (loss) from continuing operations	1 673	908	182
Other comprehensive income	-	-	-
Comprehensive income	**1 673**	**908**	**182**
Comprehensive income attributable to non-controlling interests	820	445	89
Dividends paid to non-controlling interests	51	608	-

in PLN'000	DOMODI Sp. z o.o.	dobreprogramy Sp. z o.o.	Allani Sp. z o.o.
Selected information from the cash flow statement:	For the year ended 31 December 2015	For the year ended 31 December 2015	For the year ended 31 December 2015
Net cash and cash equivalents on operating activities from the date of acquisition or prior reporting date	3 289	1 825	319
Net cash and cash equivalents on investing activities from the date of acquisition or prior reporting date	(9 869)	(20)	-
Net cash and cash equivalents on financing activities from the date of acquisition or prior reporting date	2 665	(1 241)	-
Net cash and cash equivalents as of the date of acquisition or prior reporting date	8 168	1 773	473
Net cash and cash equivalents as at 31 December 2015 roku	4 253	2 337	792
Net change in cash and cash equivalents	**(3 915)**	**564**	**319**

27. DEFERRED TAX ASSET AND LIABILITY

The table below presents titles for deferred tax asset and liability.

in PLN'000	1 January 2015	Financial result	Other comprehensive income	Business combinations	31 December 2015
Deferred tax assets:					
Change in tax values of assets as a result of internal reorganization of the Group	32 843	(6 168)	-	-	26 675
Unutilized tax losses	13 475	(4 282)	-	64	9 257
Write-downs of assets	1 523	(635)	-	108	996
Differences in tax and carrying amounts of liabilities	4 594	1 528	432	181	6 735
Other differences	86	1 041	-	131	1 258
Deferred tax assets:	**52 521**	**(8 516)**	**432**	**484**	**44 921**
Deferred tax liability:					
Differences in carrying and tax amounts of property, plant and equipment	58 707	(2 460)	-	9 733	65 980
Other	71	704	-	369	1 144
Deferred tax liability	**58 778**	**(1 756)**	**-**	**10 102**	**67 124**
Deferred tax asset/liability net	**(6 257)**	**(6 760)**	**432**	**(9 618)**	**(22 203)**

in PLN'000	31 December 2014	31 December 2015
Offsetting of deferred tax liability	(51 368)	(43 240)
Deferred tax assets after offsetting	**1 153**	**1 681**
Deferred tax liabilities after offsetting	**7 410**	**23 884**

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 2015 amounted to PLN 6,173 thousand (31 December 2014: 2,154 thousand). As of 31 December 2015, tax losses of PLN 15,711 thousand and PLN 1,815 thousand expire in 2019 and 2020 respectively (as of 31 December 2014 tax losses of PLN 28,203 thousand and PLN 21,368 thousand were to expire accordingly in 2018 and 2019).

28. LOANS AND LEASES

in PLN'000	As at 31 December 2015	As at 31 December 2014
Long-term:		
Bank loans	192 399	200 356
Finance leases	283	279
	192 682	**200 635**
Short-term:		
Bank loans	35 241	19 161
Loans	2 800	-
Finance leases	358	616
	38 399	**19 777**
Total:	**231 081**	**220 412**

Bank loans

On 24 March 2015, Grupa Wirtualna Polska Sp. z o.o. (currently Grupa Wirtualna Polska SA) terminated the previous loan agreement concluded with Bank Pekao and ING Bank Śląski on 12 December 2013. According to the termination the debt should be repaid between 7 and 9 April 2015.

On 31 March 2015, the loan in the amount of PLN 10,000 thousand was repaid before its due date.

On 24 March 2015, Grupa Wirtualna Polska Sp. z o.o. and mBank and ING Bank Śląski concluded a loan agreement to refinance the current debt, finance capital expenditure and acquisitions, and the bank overdraft, on the basis of which they granted a loan to Grupa Wirtualna Polska Sp. z o.o. to the total amount of up to PLN 279.5 million.

The whole debt under the previous loan agreement and its refinancing took place 8 April 2015. After the refinancing date and to the date of preparation of this report there were three repayments under the new loan agreement. The first repayment of PLN 20 million took place on 21 May 2015 and was financed with the proceeds obtained from issuance of ordinary bearer E-series shares under the initial public offering carried out on the basis of the Company's prospectus approved by the Polish Financial Supervision Authority on 10 April 2015. Moreover, on 30 June 2015 and 30 September 2015 the Group made a repayment of the capital part of PLN 6,725 thousand each in accordance with the loan schedule.

In relation to the termination of the previous loan agreement, the Group was obliged to pay a commission for early repayment of PLN 1,996 thousand. Finance costs related to the above were recognised in the period ended 31 March 2015. The finance costs for the period also included PLN 4,205 thousand in respect of initial fees incurred on the origination of the previous loan, which were to be deferred over the term of the loan by accounting for interest on the loan using the effective interest rate.

The new loan agreement ensures a lower margin which results in a reduction in the total interest expense throughout the whole term of the loan and higher flexibility of funding future acquisitions. 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.
Grupa Wirtualna Polska SA. is obliged to repay the debt as follows:

- tranche A should be repaid in twenty equal quarterly instalments payable over a period of 5 years after the lapse of 3 months of concluding the new loan agreement;
- tranche B should be repaid on the final maturity date which will be the 6th anniversary of the conclusion of the new loan agreement;
- tranche CAPEX should be repaid in twelve equal quarterly instalments payable after the lapse of two and a half years after concluding 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 Grupa Wirtualna Polska Spółka SA, http Spółka z o.o., Dobreprogramy Sp. z o.o., Business Ad Network Sp. z o.o., Businessclick Sp. z o.o., Money.pl Sp. z o.o., Domodi Sp. z o.o., WP Shopping Sp. z o.o. and WP1 Sp. z o.o. and Blomedia.pl Sp. z o.o. Enovatis SA;
- registered pledges on items and rights of Wirtualna Polska Holding SA, Grupa Wirtualna Polska SA, Money.pl Sp. z o.o., Business Ad Network Sp. z o.o., Business Ad Network Sp. z o.o.; WP1 Sp. z o.o.; Blomedia.pl Sp. z o.o.; Enovatis SA;
- ordinary and registered pledges on the rights to trademarks of Grupa Wirtualna Polska SA, Money.pl Sp. z o.o. and Blomedia.pl Sp. z o.o. Enovatis SA;
- financial and registered pledges on bank accounts maintained for Wirtualna Polska Holding SA, Grupa Wirtualna Polska SA, Money.pl Sp. z o.o., Business Ad Network Sp. z o.o., WP Shopping Sp. z o.o., WP1 Sp. z o.o., Blomedia.pl Sp. z o.o., Enovatis SA together with powers of attorney to those bank accounts;
- transfer of rights from agreements mentioned in the new loan agreement (including insurance policies, commercial contracts, intercompany loans) Wirtualna Polska Holding SA and Grupa Wirtualna Polska SA; Money.pl Sp. z o.o.; Business Ad Network Sp. z o.o., WP Shopping Sp. z o.o., WP1 Sp. z o.o., Blomedia.pl Sp. z o.o.,
- declarations on submission to enforcement procedures by Wirtualna Polska Holding SA, Grupa Wirtualna Polska SA and WP Shopping Sp. z o.o., Money.pl Sp. z o.o., Business Ad Network Sp. z o.o., WP1 Sp. z o.o., Blomedia.pl Sp. z o.o., Enovatis SA and
- a subordination agreement for the repayment of indicated existing and future dues in respect of Grupa Wirtualna Polska Spółka SA to the dues of the new borrowers.

The debt from loan agreement was presented in the balance sheet at 31 December 2015 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:

in PLN'000	As at 31 December 2015	As at 31 December 2014
Expiring after one year	10 000	42 851
Total	**10 000**	**42 851**

Loans

On 6 October 2015, non-controlling shareholders granted a loan to Domodi of PLN 4,000 thousand for the purchase of shares in Allani Sp. z o.o. The loan bears an interest of 3M WIBOR plus the margin specified in the agreement. The loan may be repaid at any time but no later than 31 December 2017. As of 31 December 2015 the outstanding amount of the loan was PLN 2,800 thousand.

Finance leases

As of 31 December 2015, 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 on the lessee’s default.

in PLN'000	As at 31 December 2015	As at 31 December 2014
Gross finance lease liability (minimum lease payments):		
up to 1 year	370	632
1 to 5 years	284	307
over 5 years	-	-
Total	**654**	**939**
(-) future payments in respect of finance leases	(13)	(44)
Present value of finance lease liabilities	**641**	**895**
up to 1 year	358	616
1 to 5 years	283	279
over 5 years	-	-

29. CONTINGENT LIABILITIES

Contingent liabilities following from acquisitions of subsidiaries result from the arrangements made with the previous owners of Sportowe Fakty, Allani Sp. z o.o. and NextWeb Media Sp. z o.o. As of 31 December 2015, estimated non-discounted amount of all future payments which the Group may be obliged to make based on the arrangements accepted amounted to PLN 23,124 thousand. The fair value of the contingent consideration of PLN 15,590 thousand was estimated in all cases under the income method. Both liabilities are measured at the 3rd level of the fair value hierarchy, further information is presented in note 34.

30. PROVISIONS

in PLN'000	As at 31 December 2015	As at 31 December 2014
Provision for employee benefits	**2 891**	**2 096**
provision for pension benefits	327	240
holiday pay provision	2 564	1 856
Other provisions, including:	**1 661**	**2 115**
Provisions for litigation	1 114	1 241
Onerous contracts	233	874
Other	314	-
Total	**4 552**	**4 211**

in PLN'000	As at 31 December 2015	As at 31 December 2014
Provision for employee benefits		
At the beginning of the period	**2 096**	**131**
Recorded during the year	771	160
Released	(218)	(554)
Business combinations	242	2 359
At the end of the period	**2 891**	**2 096**
Other provisions:		
At the beginning of the period	**2 115**	**577**
Recorded during the year	685	954
Utilized	(1 142)	(47)
Released	(301)	(239)
Business combinations	304	870
At the end of the period	**1 661**	**2 115**

31. TRADE AND OTHER PAYABLES

The table below presents the structure of trade and other payables as of 31 December 2015 and 31 December 2014.

in PLN'000	As at 31 December 2015	As at 31 December 2014
Long-term:		
Contingent liabilities related to business combinations	11 582	3 038
Interest rate swaps - cash flow hedges	1 322	3 770
Liabilities with respect to put option for non-controlling interests	62 762	32 358
	75 666	**39 166**
Short-term:		
Trade payables	30 335	28 467
Contingent liabilities related to business combinations	4 008	1 342
Liabilities related to business combinations (other than earn-out)	2 243	-
Interest rate swaps - cash flow hedges	954	2 237
State liabilities	5 346	6 441
Barter liabilities	12	650
Wages and salaries payables	3 565	5 423
Liabilities in respect of purchase of property, plant and equipment and intangible assets	1 593	4 215
Other	6 612	3 874
	54 668	**52 649**

Liabilities with respect to put option for non-controlling interests

Long-term liabilities increased primarily due to the revaluation of option for non-controlling interests in Domodi Sp. z o.o. As aof the date of this report, the Group holds a controlling package of 51% of shares in Domodi. After the end of 2017, the Group will be entitled to purchase and the former shareholder to sell a further 24.5% of shares in Domodi Sp. z o.o. at a price determined based on the results for the year 2017. After the end of 2019, the Group will be entitled to purchase and the former shareholder to sell the remaining 24.5% of shares in Domodi Sp. z o.o. at a price determined based on results for the year 2019 or the market value of the company's shares.

Since the purchase of the controlling package of 51% shares, the operating and financial results, including in particular, revenues and operating profit EBITDA record dynamic growth. These results were significantly better than originally estimated in the business plan prepared as of the day of transaction. The value of the acquired business as well as the discounted value of the liability due to future payments related to purchase of additional tranches of shares after the end of 2017 and 2019 were estimated on the basis of the original business plan. Due to the fact that the results of the company were better than originally expected, the value of the company increased significantly as well. The consequence of this positive trend in the results of the subsidiary is the increase of the value of shares held by the minority shareholders of Domodi Sp. z o.o. and the increase of option liability to purchase this non-controlling interest in the future. According to IAS 39 the Group recognises the changes in the valuation of the long-term option liability as a finance cost. This cost does not result in any cash outflow and thus is eliminated in the consolidated cash flow statement.

The option liability increased in total by PLN 30.4 million in 2015. Other than the standard "reversal of the discount" (PLN 2.3 million), the increase in the valuation of option liabilities in 2015 was due to three reasons:

(i) Firstly, in the third quarter of 2015, due to the fact that the operating results of Domodi Sp. z o.o. significantly exceeded values in the budget used for the initial valuation of the option liability, the Management considered it necessary to revise the long-term forecast for this company and consequently updated the valuation of the liability in the consolidated balance sheet by PLN 11.5 million.

(ii) Furthermore, in the fourth quarter of 2015, Domodi sp. z o.o. acquired 100% of shares in Allani sp. z o.o. Due to this acquisition, the agreement between the Group and minority shareholders of Domodi sp. has been amended in respect of calculation of put option for non-controlling interests.

The structure of Allani's acquisition transaction assumes that the purchase of this company is financed by the Group and previous minority shareholders of Domodi in proportion to their shareholding i.e. 51% and 49% respectively. Pursuant to this assumption, benefits related to the increase of value of combined Domodi and Allani business will be also divided according to this proportion. As a consequence, the parties signed the amendment to the shareholders' agreement stating that in respect of the acquisition, the basis for the calculation of the option liability should be the joint value of Domodi and Allani financial results. At the same time, the amendment predicted a reduction in liability to Domodi's minority shareholders in respect of both options by the value of attributable to them additional consideration paid to previous shareholders in Allani Sp. z o.o. The Management Board of the Group estimates, that the value of this contingent consideration will amount to PLN 9.6 million, as a result non-discounted liability to the minority shareholders of Domodi as at 31 December 2015 is reduced by 49% of this amount.The total impact of the mentioned above factors on the valuation of liability and the finance cost amounted to PLN 13.5 million in 2015.

(iii) In addition, due to the fact that the amendment to the agreement between the shareholders meets the criteria set out in IAS 39.AG.62 the Group recalculated the liability using updated discount rate (current interest rate as at the modification date) which resulted in the further increase in the value of the liability by PLN 3.1 million. The total impact of revaluation in 2015 amounted to PLN 28.1 million of finance costs.

Originally estimated non-discounted value of this liability amounted to PLN 43.1 million, while after the revaluation on the basis of current forecasts and taking into account changes in conditions in respect of purchase of Allani, it was raised to the level of PLN 73.5 million.

Contingent liabilities related to business combinations

In the analysed period, there was also an increase in contingent liabilities related to business combinations. The increase was due to, among others, recognition of additional contingent consideration related to business combinations, in respect of share purchase agreement of NextWeb Media Sp. z o.o which discounted vale as at 31 December 2015 amounted to PLN 13.1 million, of which PLN 9.4 million was presented as a long-term. According to the share purchase agreement, the previous shareholder will be entitled to additional consideration in three tranches. Details concerning this liability are described in note 18.

Contingent liabilities related to business combinations also increased due to recognition of earn-out liability of PLN 2.1 million to the part of previous shareholders in Allani Sp. z o.o. Details concerning this liability are described in note 18.

32. OPERATING LEASES

The Group uses office and warehouse buildings based on operating lease agreements. The lease periods are from 1 to 5 years or for indefinite periods, and the majority of the lease contracts are renewable at the end of the lease period at market rates.

The total amounts of future minimum lease payments in respect of irrevocable operating lease agreements are:

in PLN'000	As at 31 December 2015	As at 31 December 2014
Less than one year	6 054	3 135
From one to five years	17 230	9 908
Over five years	2 184	-
Total	**25 468**	**13 043**

The rental cost recorded in other external services in the years ending 31 December 2015 and 2014 amounted to PLN 6,819 thousand and PLN 2,740 thousand respectively.

33. LITIGATION

Due to the specific nature of its operations, mainly operating internet portals, the Group is exposed to lawsuits in cases related to protection of personal rights. As of 31 December 2015, a several dozen such cases were in progress. The Group recorded a provision for pending litigation based on the actual status of cases and cost estimates prepared by the Legal Department conducting the cases.The provisions were recorded in an the amount of the claims and court fees, whose adjudgement 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 2015 the Capital Group paid the total amount of PLN 470 thousand as compensation in cases concerning the protection of personal rights. Additionally, in the analysed period, the provision for court proceedings decreased by PLN 127 thousand.

34. FAIR VALUE ESTIMATION

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

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

The following table presents the Group's financial liabilities measured at fair value as of 31 December 2015:

in PLN'000	Level 2	Level 3	Total
Liabilities measured at fair value through profit or loss			
Contingent liabilities related to business combinations	-	15 590	**15 590**
Interest rate contracts	2 276	-	**2 276**
Total liabilities	**2 276**	**15 590**	**17 866**

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 optimise the use of observable market data where they are available and rely to the smallest extent on specific unit estimates. If all input data necessary to measure an instrument at fair value are indeed observable the instrument is classified to level 2.

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

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

Level 3 financial Instruments

The following table presents changes in level 3 instruments for the year ending 31 December 2015:

in PLN'000	Contingent consideration under business combinations	
	As at 31 December 2015	As at 31 December 2014
At the beginning of the period	**4 380**	**-**
Acquisition of Domodi Sp. z o.o.	-	3 008
Acquisition of Sportowe Fakty	-	1 334
Acquisition of NextWeb Media Sp. z o.o.	12 069	-
Acquisition of Allani Sp. z o.o.	1 752	-
Calculation of consideration paid as earn-out	457	-
Repayment of liability related to acquisition of SportoweFakty	(1 344)	-
Revaluation of liability related to acquisition of SportoweFakty	224	
Revaluation of earn-out Domodi Sp. z o.o.	720	-
Repayment of liability related to acquisition of Domodi Sp. z o.o.	(4 000)	-
Gains and losses recognized in profit or loss	1 332	38
At the end of the period	**15 590**	**4 380**

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

in PLN'000	Carrying amount	Fair value
Bank loans	230 440	227 999
Finance lease liabilities	641	641
Total	**231 081**	**228 640**

35. 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 at 31 December 2015 , 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 minimise potential adverse effects on the Group's financial performance. The Group utilises derivative financial instruments to hedge against some risks. From 2014, The Group has swap instruments to economically hedge against interest rate risk arising from loan agreements concluded.

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

Credit risk

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

- **Trade receivables**

The Group concludes transactions with firms having a good reputation on the market and with a long relationship history which so far had no problems with the settlement of liabilities to the Group. All clients who wish to use trade credit are subjected to initial verification procedures. Moreover, due to the on-going monitoring of the balances of receivables, the Group's exposure to bad debt risk is insignificant. Due to a specific nature of the market on which the Group operates, receivables overdue up to 180 days are not considered irregular (unless the Group has information of a given client's financial difficulties). This results from the fact that the Group's clients are mainly agents (media houses, etc.) acting on behalf of the end clients. Therefore, it is frequently the case that the Group's clients suspend payment until funds from the end client are transferred to their account. There is no significant concentration of credit risk in the Group, and receivables are usually paid up within 60 days.

- **Cash in the bank**

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

in PLN'000	As at 31 December 2015	As at 31 December 2014
Banks with A-rating	48 961	31 148
Total cash at banks	**48 961**	**31 148**

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

Cash flow and fair value risk resulting from interest rate fluctuations

In the Group's case, interest rate risk is related to long-term loans and advances. Loans and advances 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. As of 31 December 2015, the Group was a party in four swap agreements converting floating interest rates into fixed, which in total hedged PLN 118 million of debt, which was 52% of the nominal value of the Group's bank loan.
In 2015 and 2014, all Group's loans and advances were denominated in PLN.

Liquidity risk

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

in PLN'000	up to 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
As at 31 December 2015					
Interest-bearing loans	8 905	26 292	145 977	78 059	**259 233**
Finance leases	114	244	283	-	**641**
Interest rate swaps	201	753	1 365	-43	**2 276**
Trade payables and other financial liabilities	45 879	4 899	77 406	14	**128 198**
As at 31 December 2014					
Interest-bearing loans	6 342	12 819	143 315	120 782	**283 258**
Finance leases	223	409	307	-	**939**
Interest rate swaps	352	1 885	3 769	-	**6 006**
Trade payables and other financial liabilities	35 421	1 823	21 277	26 440	**84 961**

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.

Since 2014, the Group monitors 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 advances, less cash and cash equivalents. The capital management ratios presented below are on a level consistent with the Management Board's expectations.

in PLN'000	As at 31 December 2015	As at 31 December 2014
Interest-bearing loans	231 081	220 412
Less cash and cash equivalents	(48 961)	(31 148)
Net debt	**182 120**	**189 264**
Equity	357 579	245 595
Equity plus net debt	539 699	434 859
Leverage ratio I	**34%**	**44%**
Adjusted EBITDA for the last 12 months	107 825	77 590
Leverage ratio II [Adjusted EBITDA /Net debt)	**1,69**	**2,44**

36. RELATED PARTY DISCLOSURES

As of 31 December 2015 no individual entity can control the Group independently. Nevertheless, in view of the share in the overall number of votes at the General Meeting, the Founders and Founding Companies (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 Group is Wirtualna Polska Holding SA

The following transactions were concluded with related entities:

in PLN'000	As at 31 December 2015	As at 31 December 2014
Purchases:		
Controlling shareholders	1	2 064
Subsidiary of a member of the Management Board of the Parent Company	155	151
Associates	-	-
Total	**156**	**2 215**
Sales:		
Controlling shareholders	-	10
Subsidiary of a member of the Management Board of the Parent Company	5	2
Total	**5**	**12**

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

in PLN'000	As at 31 December 2015	As at 31 December 2014
Liabilities:		
Subsidiary of a member of the Management Board of the Parent Company	13	4
Total	**13**	**4**
Receivables:		
Shareholders (other receivables)	-	58
Subsidiary of a member of the Management Board of the Parent Company	6	16
Total	**6**	**74**

Benefits payable or paid to the Parent Company's Management and Supervisory Board Members in the period of current year and previous year are presented in the following table

in PLN'000	As at 31 December 2015	As at 31 December 2014
Short-term employee costs (salaries and related benefits)	5 258	4 325
Incentive scheme – share-based payments	955	1 812
Total	**6 213**	**6 137**

37. EXPLANATIONS TO THE CASH FLOW STATEMENTS

in PLN'000	As at 31 December 2015	As at 31 December 2014
Change in receivables and other short-term assets arises from the following items:	**712**	**2 147**
Change in receivables and other short-term assets per balance sheet	(9 013)	(45 698)
Sale of subsidiary	(167)	-
Receivables and other assets of companies as at the date of acquiring control	14 665	70 077
Bonds acquired, set off against purchase price	-	(26 372)
Accruals recognized in retaion to public offering	(966)	-
Change in income tax receivables	(3 627)	4 086
Income tax receivables of companies as at the date of acquiring control	(189)	-
Other	9	54
Change in short-term liabilities arises from the following items:	**(5 661)**	**(6 435)**
Change in short-term liabilities per balance sheet	2 019	42 718
Sale of subsidiary	138	-
Adjustment for a change in the liability in respect of swap instruments	1 283	(2 191)
Adjustment for a change in the liability in respect of outstanding dividend	-	709
Adjustment for a change in investment liabilities	(2 287)	(4 685)
Revaluation of investment liabilities recognized in operating activities	1 401	-
Operating liabilities taken over as a result of taking up control	(9 179)	(43 182)
Income tax payable taken over as a result of taking up control	-	196
Repayment of financial liabilities related to costs capitalized under public offering	966	
Other	(2)	
Change in provisions arises from the following items:	**(353)**	**262**
Change in short-term provisions per balance sheet	341	3 503
Interest on actuarial valuation	(22)	-
Provision taken over as a result of taking up control	(672)	(3 241)
Purchase of shares in a subsidiary	**123 371**	**400 231**
Nominal purchase price	124 126	444 503
Advance payment on contingent consideration	1 219	-
Payment by offsetting mutual receivables and payables	-	(26 372)
Cash and cash equivalents in subsidiaries as at the date of the acquisition's settlement	(2 174)	(17 900)
Repayment of loan to previous shareholder	200	-

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

38. EVENTS AFTER BALANCE SHEET DATE

Accession to the loan agreement by subsidiary of Wirtualna Polska Holding SA

On 15 January 2016, Enovatis SA entered into the loan agreement to refinance indebtedness, finance capital expenditures and acquisitions and overdraft facility concluded on 24 March 2015 by Grupa Wirtualna Polska SA with its registered seat in Warsaw.
At the same time, Enovatis as an additional guarantor committed to establish the following securities for Creditors:

- registered pledges on items and rights;
- financial and registered pledges on bank accounts with power of attorney to those bank accounts;
- declaration on submission to enforcement;
- mutual guarantee for repayment of debt under the loan agreement;
- subordination agreement inter-company receivables from loans with transfer the rights to protection from inter-company loan agreements;
- assignment of receivables from insurance agreements and significant commercial agreements /contracts.

Decision of the President of the National Broadcasting Council on granting a broadcasting license for the transmission of a television programme by a subsidiary of Wirtualna Polska Holding SA

On 15 January 2016, the company WP1 sp. z o.o. obtained a decision from the President of the National Broadcasting Council on granting a broadcasting license for the transmission of a television programme in MUX8 under the name "WP1". According to the broadcasting license, the programme will have a universal appeal i.e. it will include different TV types and forms devoted to various issues, including the development of society, economy, culture and societal transformations in the modern world of a rapid technical and technological development.

The broadcasting license will be effective from 14 January 2016 to 13 January 2026. The fee for the license amounted to PLN 13,545 thousand and will be paid in 10 annual instalments of PLN 1,355 thousand each. As of the date of preparation of this report, the decision is not final.

The conclusion of annex to the loan agreement

On 16 February 2016, an annex to the loan agreement dated 24 March 2015 between Grupa Wirtualna Polska S.A, mBank SA and ING was concluded. The annex increases the amount of loan under CAPEX tranche from the original amount of PLN 50,000 thousand to PLN 100,000 thousand (i.e. by PLN 50,000 thousand).
The financial terms for the new CAPEX tranche are not significantly different from financial terms in the current loan agreement, which were specified in detail in note 28.
The extension of the loan amount under the CAPEX tranche allocated to the acquisition of companies and non-current assets is to ensure the Capital Group's flexibility in the implementation of the adopted acquisition strategy.

The conclusion of an agreement with Politechnika Gdańska

On 29 February 2016, Grupa Wirtualna Polska SA concluded an agreement with Politechnika Gdańska extending the lease of currently leased building located in Gdansk at Traugutta street.
According to the agreement, Grupa Wirtualna Polska SA will use this premises for the next 10 years. Under the agreement, the company also received the consent of property's owner for its development. The development is planned for the second half of 2016 and its total cost is estimated at PLN 7 million net.

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

The purchase of 100% of shares in TotalMoney.pl Sp. z o.o.

On 16 March 2016 Grupa Wirtualna Polska Sp. z o.o. signed share purchase agreement for 200 shares of nominal value of PLN 320 thousand. TotalMoney.pl is the leading comparison engine for bank and insurance products, among others loans, credit cards, bank accounts and insurance. Revenue of the TotalMoney.pl Sp. z o.o. for the year 2015 amounted to PLN 5,489 thousand.

The purchase price for 100% shares amounted to PLN 14,500 thousand. PLN 9,959 thousand of the purchase price was paid with IPO proceeds

The Group is valuating the acquired assets and liabilities of TotalMoney.pl. Due to the short period of time betweene the acquisition and the reporting date the provisional purchase price allocation could not be prepared. The Group did not present the required by MSSF3 information about the fair value of acquired assets and liabilities and other required by MSSF 3 information.

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

39. INFORMATION ON GUARANTEES AND WARRANTIES GRATNED 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 advances or guarantees – in aggregate to one company or an entity related to that company – the total value of which would constitute at least 10% of the Group's equity.

Inter-company guarantees

Companies: Wirtualna Polska Holding SA, WP Shopping Sp. z o.o., Money.pl Sp. z o.o., http Sp. z o.o. and Free4Fresh Sp. z o.o. were guarantors of the previous loan agreement concluded by and between Grupa Wirtualna Polska Sp. z o.o. (currently Grupa Wirtualna Polska SA) and Bank Pekao and ING Bank Śląski.

After the refinancing in April 2015 the following companies are guarantors of the loan agreement by and between Grupa Wirtualna Polska Sp. z o.o. (currently Grupa Wirtualna Polska SA) and mBank and ING Bank Śląski: Wirtualna Polska Holding SA, WP Shopping Sp. z o.o., Business Ad Networks Sp. z o.o. and Money.pl Sp. z o.o.

On 30 October 2015, Blomedia.pl Sp. z o.o. and WP1 Sp. z o.o. entered into the loan agreement as additional guarantors.

On 15 January 2016, Enovatis SA entered to the loan agreement.

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

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

The following table includes the list of services provided for the Wirtualna Polska Holding 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 2015 and 31 December 2014.

in PLN'000	For the year ended 31 December 2015	For the year ended 31 December 2014
Audit of the annual financial statements	331	220
Tax advisory	56	-
Other services	39	-
Review of interim financial statements	95	-
Audit services related to IPO	927	57
Due dilligance services	1 192	991
Total	**2 639**	**1 268**

41. SELECTED CONSOLIDATED FINANCIAL DATA CONVERTED INTO EURO

Consolidated income statement and other comprehensive income

	For the year ended 31 December 2015	For the year ended 31 December 2014	For the year ended 31 December 2015	For the year ended 31 December 2014
	in PLN'000		in EUR'000	
Sales	325 583	200 570	77 801	47 877
Cash sales	285 998	172 944	68 342	41 282
Operating profit	63 951	23 854	15 282	5 694
Profit before tax	15 400	6 655	3 680	1 589
Net profit	5 686	4 149	1 359	990
EBITDA	94 393	44 629	22 556	10 653
Adjusted EBITDA	107 825	77 590	25 766	18 521

Consolidated statement of financial position

	As at 31 December 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
	in PLN'000		in EUR'000	
Total assets	749 879	569 820	175 966	133 688
Non-current assets	638 195	484 962	149 758	113 779
Current assets	111 684	84 858	26 208	19 909
Long-term liabilities	293 426	247 211	68 855	57 999
Short-term liabilities	98 874	77 014	23 202	18 069
Equity	357 579	245 595	83 909	57 620
Share capital	1 413	1 231	332	289
Non-controlling interests	15 676	11 544	3 679	2 708

Consolidated cash flow statements

	For the year ended 31 December 2015	For the year ended 31 December 2014	For the year ended 31 December 2015	For the year ended 31 December 2014
	in PLN'000		in EUR'000	
Net cash flows from operating activities	88 000	37 956	21 028	9 060
Net cash flows from investing activities	(160 755)	(407 719)	(38 414)	(97 324)
Net cash flows from financing activities	90 568	397 241	21 642	94 823
Total net cash flows	**17 813**	**27 478**	**4 257**	**6 559**

Conversion into euro was performed based on the following principles:

- The amounts presented in zloty as of 31 December 2015 were converted into euro at the exchange rate of 4.2615 (the NBP exchange rate as of 31 December 2015),
- amounts presented in zloty as of 31 December 2015 were converted into euro at the exchange rate of 4.2623 (the NBP exchange rate as of 31 December 2015),
- amounts presented in zloty for the year ending 31 December 2015 4.1848 (the arithmetic mean of the NBP exchange rates as of the last day of each month of 2015),
- amounts presented in zloty for the year ending 31 December 2015 4.1893 (the arithmetic mean of the NBP exchange rates as of the last day of each month of 2014).

42. 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, no other events occurred which would be material to the assessment of the Group's ability to discharge its liabilities.

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

Jacek Świderski, President of the Management Board

Michał Brański, Management Board Member

Krzysztof Sierota, Management Board Member

Elżbieta Bujniewicz-Belka, Management Board Member

Warsaw, 17 March 2016

CONDENSED INTERIM
CONSOLIDATED FINANCIAL STATEMENT
WIRTUALNA POLSKA HOLDING SA CAPITAL GROUP

FOR THE PERIOD OF 3 AND 12 MONTHS
ENDING 31 DECEMBER 2015
(UNAUDITED)

Interim consolidated income statement and other comprehensive income

in PLN'000	For the year ended 31 December 2015	For the year ended 31 December 2014	Three months ended 31 December 2015	Three months ended 31 December 2014
Sales	**325 583**	**200 570**	**102 063**	**68 965**
Amortization and depreciation	(30 442)	(20 775)	(8 432)	(6 172)
Materials and energy used	(5 046)	(3 912)	(1 363)	(1 189)
Costs related to public offering, acquisitions of subsidiaries and restructuring, including:	(12 217)	(30 252)	(3 641)	(4 417)
External services	(7 803)	(19 314)	(2 016)	(3 168)
Salary and employee benefit expense	(2 275)	(6 589)	(1 116)	24
Other operating expenses	(2 139)	(4 349)	(509)	(1 274)
Costs of the employee option scheme	(1 393)	(1 954)	(348)	(1 954)
Other external services	(106 904)	(55 096)	(34 542)	(22 907)
Other salary and employee benefit expenses	(98 894)	(60 978)	(27 662)	(19 062)
Other operating expenses	(7 396)	(4 937)	(3 277)	(2 442)
Other operating income/gains	810	579	144	(25)
Gain/loss on disposal of other financial assets	(150)	609	-	(503)
Operating profit	**63 951**	**23 854**	**22 942**	**10 294**
Finance income	960	294	282	148
Finance costs	(21 400)	(17 493)	(3 785)	(5 003)
Revaluation of commitments to purchase non-controlling interests	(28 111)	-	(16 565)	-
Profit before tax	**15 400**	**6 655**	**2 874**	**5 439**
Income tax	(9 714)	(2 506)	(3 523)	(2 123)
Net profit	**5 686**	**4 149**	**(649)**	**3 316**
Other comprehensive income/ (losses)	(1 844)	-	375	-
Comprehensive income	**3 842**	**4 149**	**(274)**	**3 316**
Net profit attributable to:				
Equity holders of the Parent Company	4 332	3 792	(1 078)	3 211
Non-controlling interests	1 354	357	429	106
Comprehensive income attributable to:				
Equity holders of the Parent Company	2 488	3 792	(703)	3 211
Non-controlling interests	1 354	357	429	106
Net profit attributable to equity holders of the Parent Company per share (in PLN)				
Basic	0.16	0.17		
Diluted	0.16	0.16		

Interim consolidated statement of financial position

in PLN'000	As at 31 December 2015	As at 31 December 2014
Non-current assets		
Property, plant and equipment	51 607	49 281
Goodwill	217 257	124 833
Trademarks	156 398	123 170
Homepage and WP mail	140 413	146 897
Other intangible assets	70 839	39 628
Deferred tax assets	1 681	1 153
	638 195	**484 962**
Current assets		
Trade and other receivables	62 723	53 710
Cash and cash equivalents	48 961	31 148
	111 684	**84 858**
TOTAL ASSETS	**749 879**	**569 820**
Equity		
Equity attributable to equity holders of the Parent Company		
Share capital	1 413	1 231
Supplementary capital	310 453	206 664
Revaluation reserve	(1 844)	-
Other reserves	(28 506)	(29 899)
Retained earnings	60 387	56 055
	341 903	**234 051**
Non-controlling interests	***15 676***	***11 544***
	357 579	**245 595**
Long-term liabilities		
Loans and leases	192 682	200 635
Other long-term liabilities	75 666	39 166
Deferred tax liability	23 884	7 410
Deferred income	1 194	-
	293 426	**247 211**
Short-term liabilities		
Loans and leases	38 399	19 777
Trade and other payables	54 668	52 649
Provisions for employee benefits	2 891	2 096
Other provisions	1 661	2 115
Current income tax liabilities	1 255	377
	98 874	**77 014**
TOTAL EQUITY AND LIABILITIES	**749 879**	**569 820**

Interim consolidated statement of changes in equity

in PLN'000	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 at 1 January 2015	**1 231**	**206 664**	**-**	**(29 899)**	**56 055**	**234 051**	**11 544**	**245 595**
Net profit (loss)	-	-	-	-	4 332	4 332	1 354	5 686
Other comprehensive income	-	-	(1 844)	-	-	(1 844)	-	(1 844)
Total comprehensive income	**-**	**-**	**(1 844)**	**-**	**4 332**	**2 488**	**1 354**	**3 842**
Share capital increase from initial public offering	167	106 705	-	-	-	106 872	-	106 872
Option scheme	15	2 001	-	1 393	-	3 409	-	3 409
Costs of public offering recognized in the supplementary capital	-	(4 917)	-	-	-	(4 917)	-	(4 917)
Payment of dividend	-	-	-	-	-	-	(659)	(659)
Acquisition of a subsidiary	-	-	-	-	-	-	3 437	3 437
Equity as at 31 December 2015	**1 413**	**310 453**	**(1 844)**	**(28 506)**	**60 387**	**341 903**	**15 676**	**357 579**

in PLN'000	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 at 1 January 2014	**378**	**-**	**-**	**-**	**69 716**	**70 094**	**3 028**	**73 122**
Net profit	-	-	-	-	3 792	3 792	357	**4 149**
Other comprehensive income	-	-	-	-	-	-	-	**-**
Total comprehensive income	**-**	**-**	**-**	**-**	**3 792**	**3 792**	**357**	**4 149**
Share capital increase	853	206 664		-	-	207 517	-	207 517
Option scheme	-	-	-	1 954	-	1 954	-	1 954
Payment of dividend	-	-	-	-	(17 453)	(17 453)	(159)	(17 612)
Recognition of option-related commitment to buy up non-controlling interests	-	-	-	(31 853)	-	(31 853)	-	(31 853)
Acquisition of a subsidiary	-	-	-	-	-	-	8 318	8 318
Equity as at 31 December 2014	**1 231**	**206 664**	**-**	**(29 899)**	**56 055**	**234 051**	**11 544**	**245 595**

Interim consolidated cash flow statement

in PLN'000	For the year ended 31 December 2015	For the year ended 31 December 2014
Cash flows from operating activities		
Profit before tax	**15 400**	**6 655**
Adjustments for:	**81 080**	**40 009**
Amortization and depreciation	30 442	20 775
Losses on the sale / liquidation/revaluation of property, plant and equipment and other intangible assets	659	741
Finance income and costs	20 440	17 199
Gain/loss on disposal of other financial assets	150	(609)
Revaluation of commitments to purchase non-controlling interests	28 111	-
Costs of the employee option scheme	1 393	1 954
Gain on a bargain purchase	-	(61)
Other adjustments	(115)	10
Changes in working capital	**(10 219)**	**(4 026)**
Change in trade and other receivables	712	2 147
Change in trade and other payables	(5 661)	(6 435)
IPO cost recognized in supplementary capital (aggio)	(4 917)	-
Change in provisions	(353)	262
Income tax paid	(2 168)	(4 682)
Income tax refunded	3 907	-
Net cash flows from operating activities	**88 000**	**37 956**
Cash flows from investing activities		
Sale of other financial assets and subsidiaries	8	8 489
Purchase of intangible assets and property, plant and equipment	(32 048)	(15 477)
Repayment of contingent liabilities arising from business combinations	(5 344)	-
Acquisition of subsidiary (less cash acquired)	(123 371)	(400 231)
Purchase of other financial assets	-	(500)
Net cash flows from investing activities	**(160 755)**	**(407 719)**
Net cash flows from financing activities		
Payments due to share capital increase	108 888	203 504
Loans and advances received	273 500	227 149
Interest on cash received	960	-
Repayment of finance leases	(723)	(652)
Repayment of bank commissions	(5 869)	(4 987)
Interest paid	(14 004)	(5 465)
Repayment of IRS	(5 995)	-
Repayment of loans and advances received	(265 530)	(8 000)
Dividends distributed to shareholders	-	(14 149)
Dividends distributed to non-controlling shareholders	(659)	(159)
Net cash flows from financing activities	**90 568**	**397 241**
Total net cash flows	**17 813**	**27 478**
Cash and cash equivalents at the beginning of the period	**31 148**	**3 670**
Cash and cash equivalents at the end of the period	**48 961**	**31 148**

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.

Until 21 March 2014, the Parent Company operated under the name Grupa o2 SA. The Parent Company's name was changed after acquiring control of Wirtualna Polska SA.

As of 31 December 2015 Wirtualna Polska Holding Capital Group was composed of the Parent Company and 17 consolidated subsidiaries.

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

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

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

These interim consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern, in accordance with IAS 34 "Interim Financial Reporting" ("IAS 34"). The accounting polices used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ending 31 December 2015.

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

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

The consolidated financial statements of the Group for the year ending 31 December 2015 prepared in accordance with IFRS as adopted by EU, is available at:: http://inwestor.wp.pl/

Jacek Świderski, President of the Management Board

Michał Brański, Management Board Member

Krzysztof Sierota, Management Board Member

Elżbieta Bujniewicz-Belka, Management Board Member

Warsaw, 17 March 2016