WP Capital Group Annual Financial Report

for the year ending

31 December 2018

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Dear Shareholders,

In 2018, advertising sales provided most of Wirtualna Polska Holding's EBITDA proteins. The year was so fruitful both for us and the entire industry that even our media competitors could feel special.

Despite our long-term strategy concentrating on e-commerce, aware of the strength of our legs, Wirtualna Polska proved we are not slowing down in the media race. Improving ad viewability and introducing the new currency – vCPM allowed us to enter 2018 stronger. All the way from January till December our growth rate outpaced the market.

It was not only the financial indicators that grew last year. Work at the grass roots level of our media product also bore the expected fruit. With 22 million Poles using our services in December, we left all our local competitors far behind. WP Media Advertising Office was once again awarded the title of the leader of the industry. Our journalistic efforts made WP the most often quoted online medium in 2018. And Joanna Pawlak, the newly appointed vice president of the holding responsible for media, received the prestigious Person of the Year award. Achieving profitability of the WP TV was much like removing burrs from the fur of a kicking and bleating sheep, but once again we succeeded.

The media successes will not change our strategy. E-COMMERCE is still spelled with a capital E at WP, as e-commerce dynamics was again the highest in the holding. Nevertheless, 2018 undermined the trustworthiness of all those who predicted the upcoming end of our advertising business.

Did we have any slips from the original plan or the budget? Unavoidably, yes. This time it was due to unexpected weather. The extremely hot summer surprised not only weather forecasters but also the clothing industry. It meant a slower growth rate for us, but also resulted in a financial instability for some of our clients. The weather, along with short-term profit optimization focusing on the pre-arranged purchase of the remaining shares from the previous owners of Domodi, resulted in a mutual decision to part ways two years before the original plan. Also to be able to potentially cooperate in the future. We settled the earn-out agreement, we reached independence and we got on track to maximize the long-term gains. We've healed and now we're awaiting the results.

By the end of 2018, our e-commerce&media two-master happily reached the destination. We're at the point we'd promised to reach. We still have the giant Google floating ahead of us. Slower and slower, Facebook was drifting away behind us since September – a duel we expected to take many months more. What's next? Where are we headed in 2019?

After a couple of years of dynamic growth in the autonomous companies within the holding, we are now strengthening the internal cooperation. We do not accept the absurd situation where our companies buy advertising services from one another using Google with its 22% commission fee. We see the possibilities to increase the effectiveness of the holding's eco-system. Our holding's IT specialists will deal with the tsunami of data, so that the services we offer to our clients and users are even closer to perfect.

But ships like Wirtualna Polska are not built to be anchored at the port. We reach new fisheries under full sails.

We've already made public our new investments in services concentrating on building houses and searching for new vehicles. Will there be next returns truculent? New acquisition boardings? Certainly yes. For ages, Poland has been hungry for and open to digital transformation. Wirtualna Polska is not planning to stay aside. We're not satisfied with the role of a chronicler. We have the mission, ambition and courage to create the new, digital Poland.

Yours sincerely,

Jacek Świderski
CEO

Warsaw, March 25, 2019

Management Team

WP Holding S.A.

Jacek Świderski
CEO

Michał Brański
VP Product Strategy

Joanna Pawlak
VP Media

Iwona Wencel
VP HR

Krzysztof Sierota
CTO

Elżbieta Bujniewicz-Belka
CFO

Grzegorz Kruk
VP E-commerce

Management's Report on the activities of the Company and the Capital Group for the year ended 31 December 2018

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1. SELECTED FINANCIAL DATA

The following tables set out selected consolidated financial data for the 3 and 12-month period ending 31 December 2018 and 2017. The selected financial data presented in the tables below is expressed in thousands of PLN, unless otherwise stated. This information should be read in conjunction with consolidated financial statements for the year ending 31 December 2018 as well as the information included in point 3 of this report.

	Twelve months ending 31 December 2018	Twelve months ending 31 December 2017	Twelve months ending 31 December 2018	Twelve months ending 31 December 2017
	PLN'000		EUR'000	
Segment ONLINE				
Sales	550 816	457 482	129 090	107 782
Cash sales	526 254	424 502	123 334	100 012
Adjusted EBITDA	178 721	150 580	41 885	35 476
EBITDA	168 726	142 192	39 543	33 500

	Twelve months ending 31 December 2018	Twelve months ending 31 December 2017	Twelve months ending 31 December 2018	Twelve months ending 31 December 2017
	PLN'000		EUR'000	
Segment TV				
Sales	16 500	8 131	3 867	1 916
Cash sales	16 500	8 131	3 867	1 916
Adjusted EBITDA	(5 721)	(12 195)	(1 341)	(2 873)
EBITDA	(5 833)	(12 556)	(1 367)	(2 958)

	Twelve months ending 31 December 2018	Twelve months ending 31 December 2017	Twelve months ending 31 December 2018	Twelve months ending 31 December 2017
	PLN'000		EUR'000	
Segments total				
Sales	567 316	465 613	132 957	109 698
Cash sales	542 754	432 633	127 201	101 928
Adjusted EBITDA	173 000	138 385	40 545	32 603
EBITDA	162 893	129 636	38 176	30 542
Amortization and depreciation of fixed assets and intangibles	(55 622)	(51 007)	(13 036)	(12 017)
Operating profit	107 271	78 629	25 140	18 525
Result on financial activities	(13 833)	(24 340)	(3 242)	(5 734)
Profit before tax	93 438	54 289	21 898	12 790
Net profit	75 997	40 032	17 811	9 431

	Three months ending 31 December 2018	Three months ending 31 December 2017	Three months ending 31 December 2018	Three months ending 31 December 2017
	PLN'000		EUR'000	
Segment ONLINE				
Sales	167 703	134 112	39 020	31 811
Cash sales	159 121	124 661	37 021	29 569
Adjusted EBITDA	51 373	45 740	11 945	10 845
EBITDA	46 571	41 553	10 824	9 856

	Three months ending 31 December 2018	Three months ending 31 December 2017	Three months ending 31 December 2018	Three months ending 31 December 2017
	PLN'000		EUR'000	
Segment TV				
Sales	5 760	3 456	1 342	818
Cash sales	5 760	3 456	1 342	818
Adjusted EBITDA	311	(1 549)	77	(372)
EBITDA	265	(1 581)	67	(380)

	Three months ending 31 December 2018	Three months ending 31 December 2017	Three months ending 31 December 2018	Three months ending 31 December 2017
	PLN'000		EUR'000	
Segments total				
Sales	173 463	137 568	40 362	32 629
Cash sales	164 881	128 117	38 363	30 387
Adjusted EBITDA	51 684	44 191	12 024	10 474
EBITDA	46 836	39 972	10 891	9 477
Amortization and depreciation of fixed assets and intangibles	(14 954)	(13 661)	(3 475)	(3 243)
Operating profit	31 882	26 311	7 416	6 234
Result on financial activities	(3 555)	(11 529)	(826)	(2 724)
Profit before tax	28 327	14 782	6 590	3 508
Net profit	26 601	9 679	6 198	2 300

	As of 31 December 2018	As of 31 December 2017	As of 31 December 2018	As of 31 December 2017
	PLN'000		EUR'000	
Total assets	1 063 446	913 657	247 313	219 055
Non-current assets	854 666	752 229	198 760	180 352
Current assets	208 780	161 428	48 553	38 703
Long-term liabilities	404 565	307 292	94 085	73 675
Short-term liabilities	191 121	186 437	44 447	44 699
Equity	467 760	419 928	108 781	100 680
Share capital	1 449	1 443	337	346
Non-controlling interests	10 680	19 479	2 484	4 670

	Twelve months ending 31 December 2018	Twelve months ending 31 December 2017	Twelve months ending 31 December 2018	Twelve months ending 31 December 2017
	PLN'000		EUR'000	
Net cash flows from operating activities	155 714	113 639	36 493	26 773
Net cash flows from investing activities	(239 350)	(67 795)	(56 095)	(15 972)
Net cash flows from financing activities	103 990	(43 757)	24 371	(10 309)
Total net cash flows	**20 354**	**2 087**	**4 770**	**492**

Conversion into euro was performed based on the following principles:

- amounts presented in zloty as of 31 December 2018 were converted into euro at the exchange rate of 4.3000 (the NBP exchange rate as of 31 December 2018),
- amounts presented in zloty as of 31 December 2017 were converted into euro at the exchange rate of 4.1709 (the NBP exchange rate as of 31 December 2017),

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

2. Operations of the Wirtualna Polska Holding Capital Group

General information

Wirtualna Polska Holding SA ("Company") is entered in the Register of Business Entities maintained by the District Court for the Capital City of Warsaw in Warsaw, XIII Division of the National Court Register, under KRS No. 407130. The REGON number assigned by the Statistical Office is: 016366823. The Company headquarters is located in Warsaw at Jutrzenki 137 A.

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

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

The scope of Group's operations

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

The Group pursues a mission to be the partner of first choice for the Poles by delivering engaging news, entertainment and services, and inspiring the Poles in their everyday decisions. The Group strives to be a reliable and trustworthy brand in terms of content and offer, for the users and business partners alike.

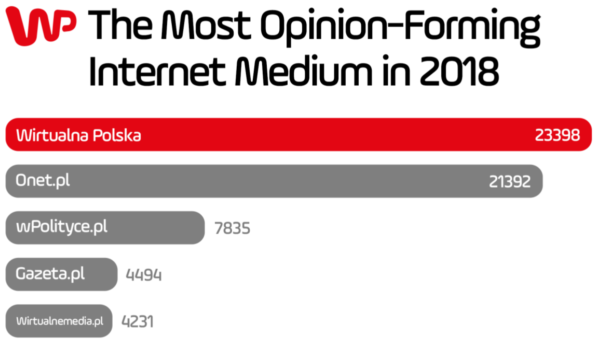
According to the Gemius/PBI study, there were 22.2 million real users of all Internet products of the WP Group in February 2019; they made 2.8 billion page views, spending 120 million hours on the portals.

Media

Portals and content

In 2018, our journalists and reporters prepared over 280,000 materials, including interviews, video reports, opinions, features and news. Every day, they provided current information, commented current events and presented titbits from the world of entertainment. It is thanks to them that Wirtualna Polska is the place where Internet users return to

every day; because of their work, we have been named the most opinion-forming Internet medium in the ranking of the Institute of Media Monitoring.
Other media referred to WP materials more than 23 thousand times.



Source: IMM - The Institute of Media Monitoring, "The Most Opinion-Forming Media" Report, January-December 2018.

For us and our users, Wirtualna Polska the centre of everything that happens in Poland. Every day, thanks to the team of Wirtualna Polska's employees and co-workers, WP Homepage is a reliable and interesting source of information and gains a growing audience. 13 productions are made on a regular basis at WP. The most popular formats include, among others, the daily "Tłit" and "Money. To się liczy." In December 2018, these two were viewed a total of 17.4 million and 14 million times, respectively. We also present our media offer in an interesting and unconventional way in the o2 portal where Internet users can find all the necessary information and a high dose of entertainment.
We also create a number of thematic portals. The most important local and international news is reported on the WP Wiadomości portal, whereas comments can be found at WP Opinie. The premium content is displayed at WP Magazyn. We operate the most popular financial portal in Poland: money.pl. The most complete overview of sports news can be found at WP SportoweFakty. WP Parenting is a place for all parents and parents-to-be. Lifestyle content is available on WP Kobieta, Kafeteria , WP Turystyka and WP Kuchnia portals. Automotive enthusiasts will find a bunch of interesting information at WP Moto and WP Autocult. We own the popular entertainment and cultural portals: Pudelek, WP Gwiazdy, WP Teleshow, WP Film and WP Książki. Technology fans frequently visit WP Tech and dobreprogramy.pl. We also offer specialist portals: WP Fotoblogia, WP Gadżetomania and WP Komórkomania. Our users can find healthcare advice at WP abcZdrowie.

Email

Other services that bring us closer to our users and give us the opportunity to contact them on a daily basis are WP Poczta and o2 email. WP Poczta offers e.g. the unlimited mailbox capacity, attachments up to 100 MB. o2 email enables e.g. chatting online with other users and watching YouTube videos within the content of messages. Both email offers stand out because of the high level of security and ensure a range of business solutions, such as the possibility to send authorised email messages or tailoring advertising services to the profile and interests of individual users, while respecting their right to privacy protection. In 2018, we completed the process of migration of the email system to the new one that ensures the top level of security and provides further development opportunities.

Television

WP Telewizja has been broadcast since December 2016. The line-up features foreign movies and series not previously broadcast on Polish open-television channels, original feature programmes, such as "Tłit" and "Money. To się liczy," entertainment programmes: "Klika Pudelka," and a number of documentaries and lifestyle programmes, including the popular ones involving interior design and renovation. The station is available for terrestrial broadcasting using the eighth multiplex (MUX8), on the NC+ platform (Channel 170) and in the best cable networks. The TV line-up strategy is the combination of original productions with a valuable offer of foreign productions. According to Nielsen Audience Measurement data, in 2018, Telewizja WP became a leader among the stations broadcasting on MUX8.

Video

We also provide our users with the possibility of online TV reception through the WP Pilot Internet platform and mobile application, enabling to watch a total of over 80 TV channels, more than 25 of which are completely free of charge. The service is available via the Internet website, applications on Android and iOS devices, Chromecast, and on TV sets offering the Android TV service.

Radio

OpenFM is the most popular Polish Internet radio. It offers over a hundred different music stations with almost two thousand hours of music a day. The stations are divided into thematic categories. Thanks to advanced streaming technology, the application does not require a broadband connection or large data packets. The service is available at www.open.fm and via the mobile application on Android and iOS devices.

E-commerce

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

Travel

Tourist portals included in the Group provide a complete offer to travellers and those looking for accommodation in Poland and abroad. Wakacje.pl is the first tourist portal in Poland and a dynamically developing network of brick-and-mortar shops throughout Poland. Every day, the portal presents current offers of the largest renowned tour operators. Wakacje.pl supports consumers in purchasing decisions due to a unique database of reviews related to hotels and destinations, and thanks to the largest tourist discussion forum, featuring interesting daily topics and travel reports. Users interested in domestic holiday can use nocowanie.pl and eholiday.pl portals that have the biggest database of domestic accommodation in Poland.
In 2018, Wakacje.pl acquired the My Travel chain (the latter also specialises in outbound tourism). As a result of the merger of the points of sale under both brands, we have become the market leader in organised outbound tourism sold in brick-and-mortar shops. At the end of 2018, the chain consisted of almost 250 shops. The expansion of the chain results from a development strategy in both online and offline sales channels. Organised outbound tourism is characterised by high ROPO (Research Online Purchase Offline). The integration of sales channels enables WP's tourist brands to be close to consumers, including those who are not yet ready to buy holidays online.
Wakacje.pl has expanded its portfolio by the Parklot.pl brand. It is a marketplace that has been operating since September 2016 and enables to book places at almost 50 car parks at the main airports in Poland. Today, Parklot.pl is the top portal in its category in terms of the number of users.

Fashion

The mission to support our users in their everyday decisions is also demonstrated by the services offered in the two largest fashion search engines in Poland: domodi.pl and allani.pl. These portals offer several hundred thousand products from hundreds of online shops. Additionally, user can find advice on current fashion trends in articles available on these portals and on the YouTube channel.

Interior design and house design

Homebook.pl is a modern platform for interior design professionals and enthusiasts. It offers users the possibility to search among hundred thousand products from hundreds of shops in the home and interior category. It also has an extensive inspiration section where interior design, advice and trends are presented, and a database of interior design specialists.

In 2018, the WP Group was expanded by Extradom.pl, a company specialising in online sales of architectural projects, aggregating over 18 thousand construction designs. The acquisition enabled the integration of consumers' purchasing journey from the house design, through building materials, up to the interior design. Apart from the sale of architectural designs, the company has created the first social portal in Poland for people building houses, being a source of inspiration and practical information about the construction process.

Financial services

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

Health

Digitalisation of healthcare is one of the most important trends on the market that becomes increasingly visible in Poland. Wirtualna Polska would also like to become a part of this trend. The editorial team of WP abcZdrowie publishes materials created in participation with recognised specialists dealing with health, lifestyle and proper nutrition, also offering an extensive module of expert questions and answers. We make easier reaching the database of doctors throughout Poland and making appointments directly on the portal or by phone.

Automotive sector

Purchasing and financing a car is another segment of e-commerce that expanded WP's offer in 2018. WP Holding became the majority shareholder of the company Superauto24.com. The portal presents a wide range of new cars from authorised dealers of different brands. The highest standard of services provided by a team of experienced consultants enables individual and corporate customers to finance purchase of a new car without leaving home, by way of lease, rental or credit.

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

No	Name	Real Users (mln)	Page views (bln)	Time spent (mln h)
1	Google Group	26,8	6,5	203
2	facebook.com	22,4	3,8	122
3	**Wirtualna Polska Group**	**22,2**	**2,8**	**120**
4	RAS Group Poland	21,1	2,1	72
5	youtube.com	19,9	0,8	39
6	Interia.pl Group	19,0	1,3	58
7	Allegro Group	18,0	2,0	31
8	Polska Press Group	17,3	0,6	4
9	Gazeta.pl Group	17,3	0,6	14
10	OLX Group	17,2	4,3	51

Source: Gemius/ PBI research, February 2019

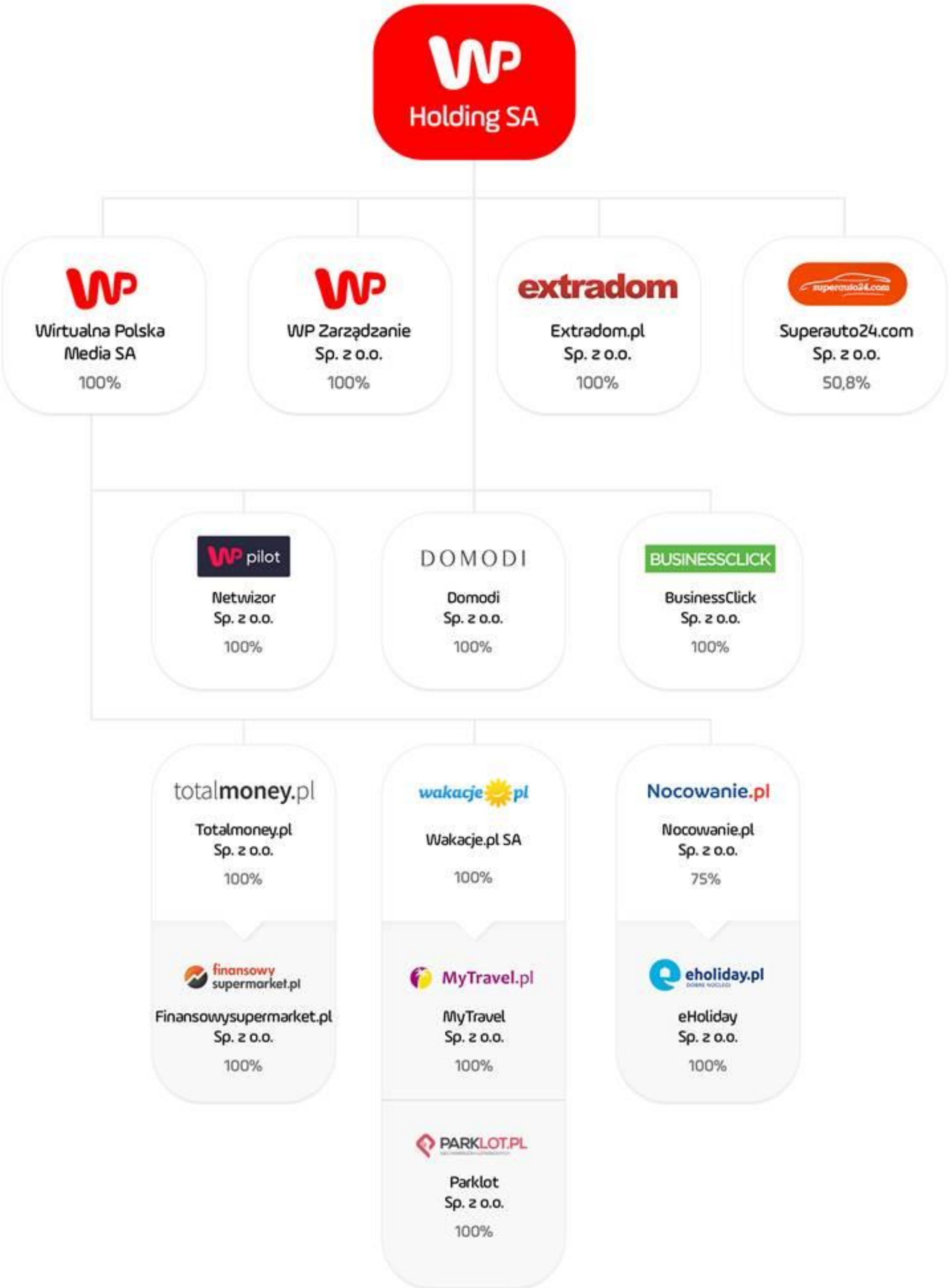
The table below presents the Group's position in various categories, according to published Megapanel PBI/Gemius data of February 2019:

Category	Real Users (RU)	Place
Business, finance, law	8 066 040	1
Lifestyle	12 364 646	1
Gossip, celebrities life	7 201 169	1
New Technologies	6 956 099	1
Sport	6 350 195	1
Tourism	5 540 028	1
Children, family	3 612 386	1
Email services	9 894 843	2
Health and medicine	6 296 518	3
Motorization	3 717 749	3
Culture and Entertainment	7 477 442	4
Information and journalism	8 778 011	5
E-commerce	5 094 502	7

Source: Gemius/ PBI research, February 2019

Structure of the Wirtualna Polska Holding Capital Group

The following diagram presents the structure of the Group as of 31 December 2018, including the percentage of voting rights at the General Shareholders' Meeting to which the shareholder is entitled



Changes in the Group's structure in 2018

On 15 March 2018, Wirtualna Polska Holding SA and shareholders of Domodi Sp. s o.o. concluded with the participation of Wirtualna Polska Media SA a share purchase agreement on the basis of which the Company acquired a total of 918 shares, representing approximately 35% of the share capital of Domodi and entitling to exercise about 35% of votes at the shareholders' meeting of Domodi.

On 4 September 2018, the Company concluded with the minority shareholders of Domodi a sales agreement under which the Company acquired a total of 364 shares with a par value of PLN 200 each, representing approximately 14% of the share capital of Domodi and entitling to exercise approximately 14% of votes at the Shareholders' Meeting of Domodi. After the settlement of both transactions, the Group owns 100% of shares in Domodi entitling to exercise 100% of votes at the shareholders' meeting.

On 22 March 2018, Wirtualna Polska Holding SA and shareholders of Dobreprogramy Sp. z o.o. concluded a share purchase agreement on the basis of which the Company acquired a total of 980 shares, representing approximately 49% of the share capital of Dobreprogramy.pl and entitling to exercise about 49% of votes at the shareholders' meeting of Domodi. Prior to the transaction, the Group had a controlling stake of 51% of shares in Dobreprogramy.pl. As a result of the transaction, a total of 100% of Dobreprogramy.pl shares are owned by the companies of the WPH Capital Group.

On 17 May 2018 Wakacje.pl SA acquired 100% of shares in My Travel Sp. z o.o.

On 4 October 2018 Wakacje.pl SA acquired 100% of shares in Parklot Sp. z o.o.

On 29 October 2018 Wirtualna Polska Holding SA concluded with ASP Capital Sp. z o.o. a share purchase agreement under which the Company acquired a total of 14.163 shares in Extradom.pl Sp. z o.o. representing 100% of share capital and entitling to exercise 100% of votes at the shareholders' meeting.

On 19 December 2018 Wirtualna Polska Holding concluded with two natural persons, Superauto24.com Sp. z o. o ., Grupa Super Auto sp. o.o. and Super Auto sp.j. B. Chojnacki, K. Makula a promised sale agreement of 20 shares in Superauto24.com sp. o.o. and took 11 shares in the increased share capital of Superauto24.com. As a result of the Transaction, after registering the share capital increase of Superauto24.com by the registry court, the Issuer will own 50.8% of Superauto24.com shares entitling to exercise 50.8% of votes at the Shareholders Meeting of Superauto24.com.

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

Mergers in 2018

The following mergers took place in 2018, all pursuant to article 492 section 1 item 1 of the Polish Commercial Companies Code:

- On 6 February 2018 Money.pl Sp. z o.o. and Brand New Media Sp. z o.o. merged by transferring all assets of Brand New Media Sp. z o.o. to Money.pl Sp. z o.o.
- On 31 July 2018, dobreprogramy.pl Sp. z o.o., http Sp. z o.o Wirtualna Polska Media S.A.. merged by transferring all assets of dobreprogramy.pl Sp. z o.o. and http Sp. z o.o to Wirtualna Polska Media S.A.

On 16 March 2018 Money.pl Sp. z o.o. changed its name to Totalmoney.pl Sp. z o.o.

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

On 26 February 2019 Wakacje.pl SA acquired 100% of shares in Travel Network Solutions, a franchise network of Wakacyjny Świat. The purchase price amounted to PLN 6.8 million.

On 18 March 2019 Wirtualna Polska Holding SA acquired 13,11% of shares in Teroplan SA, the owner of e-podróżnik.pl.

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

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

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

- The continuing growth in the share of online advertising in the total expenditure on advertising in Poland;
- The fastest growing segments of online advertising in Poland will include video advertising, which is an element of modern display, 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 purchases via the Internet and the greater number and value of transactions concluded by such people on the Internet as well as development of modern mobile payment systems and development of logistics infrastructure- in particular deliveries in less than 2 hours (food, local purchases) and 48 hours (for traditional e-commerce), as well as pick-ups in parcel machines and kiosks.
- Increase in sales due to 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 as well as presenting to the clients ready general or individually targeted consumer segments;
- The largest traditional marketers and, to an increasing extent, e-commerce entities (large e-stores) from advertising ecosystems (platforms) such as WP Group, expect comprehensive, packaged activities - from image formats through engaging special actions to the so-called performance campaigns (settled based on the effect). The WP Group is ready today (in terms of technology and people) and plays the role of the so-called one-stop shop (a place to handle all your needs) and sees yourself as a beneficiary of the growing requirements of advertisers as to the effectiveness of the campaign measured by sales;
- The more intensive use of a real-time automated purchase model of advertising space on the Polish online market, which is currently having a positive effect on the Group's revenues;
- Raising conversions on Group's e-commerce websites due to development of recommendation and personalization mechanisms (big data, machine learning). The scale of the Group's activity in individual vortals allows to increase investments in solutions, the cost of which is prohibitive for small and medium-sized players. The development of these tools is also one of the synergies in the Group.
- The positive effect of the revenue and cost synergies expected by the Group as a result of its acquisitions;
- An increase in costs, especially wages and salaries, resulting from an improvement in the quality of content provided to users and the increased number of video adverts and their improving quality.

The Group's primary objective is to achieve the position of the leading, lifestyle and entertainment medium in Poland. This objective can be achieved through following strategic goals and development paths:

- **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 by the use of internal investments and external purchases;
- **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 i.e. different data on consumer behaviour of Poles;
- **Acquisitions** – Reinforcement of the Group's organic growth through the acquisition of other entities.

In 2018, the Group consistently implemented the strategic objectives described above and plans to continue them in subsequent periods. Below is a description of the main achievements in the individual strategic areas of the Group and plans for them in subsequent periods:

- **Modern display** – in 2018, the implementation of advertising technology of the marketing automation class was continued, enabling comprehensive building of return on investment in online campaigns for the Group's advertising clients. The Group's offer has been enriched with the possibility of targeting up to 500 new audience segments from, among others, Business, Automotive, Household, Interests and Lifestyle. In subsequent periods, further development of the advertising offer supported by segmented data about users is planned. The Group also plans to develop display advertising technologies enabling full online communication to users of plug-in blocking solutions ("adblocks") and strengthening the leading position in the delivery of content on the Internet in

Poland in the most important thematic categories while developing advanced technologies for targeting and personalization of advertising;

- **E-mail services** – in 2018, the process of migration of all user accounts to the new postal system NEWHOPE was completed, which is to ensure the improvement of stability, security and provide the basis for further functional development of the product. At the same time, the new postal system is designed in a way that allows huge savings in equipment and energy consumption. In subsequent periods, based on a stable technological base, a dynamic development of the service in the product layer is planned, including increasing the security level of the mailbox, introducing new mail functionality, aimed at making it a tool for organizing everyday tasks. Further projects are also planned, aimed at the aggregation and use of data about users and continuous improvement of maintenance processes and optimization of resource consumption;
- **Mobile** - development initiatives for mobile in the area of a media, communication, advertising and marketing product have been developed by a previously established interdisciplinary multi departments mobile group. Product initiatives aimed at activating the sale of video and performance advertising products in the mobile channel have been implemented, with particular emphasis on the e-commerce area. In subsequent periods, the Group plans to continue its activities in the area of one-login and use of device-matching as a distinguishing feature of the WPM offer. Activities will focus on acquiring knowledge about the activity of one user on many devices and reaching content (including advertising) to the user on different devices at the right time;
- **Wideo online** – in 2018 the number of intentional video was increased by 70%. Over a dozen permanent video formats have been introduced. Particular attention should be paid to daily live programs - "Tłit" and "Money .To się liczy." Each of the programs generates over 17 million streams every month. In subsequent periods, the Group plans to continue its video strategy based on investments in own productions and purchase of quality foreign libraries;
- **E-commerce and Acquisitions**–through acquisitions carried out in 2018, the Group expanded its activities a number of new e-commerce market segments. Details of completed transactions are described in Note 20 to the consolidated financial statements. In subsequent periods, the Group will continue its acquisition strategy;
- **Big data -** in 2018, the Group's activities in the big data area were particularly focused on adapting data processing systems to the newly introduced provisions on personal data protection (GDPR). The Group has also completed the implementation of the mechanisms of personalized content recommendation on the main page of the WP this year. Further activities will be carried out in the directions of implementation and optimization of content recommendation systems (also personalized) on the majority of WPM websites. An important issue in the next periods will also be a project to unify the rules and method of data acquisition and access to data about users at the Group level.

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

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

The financial data for the twelve months ending 31 December 2018 and 31 December 2017 was audited by an independent auditor, whereas the financial information for the fourth quarter of 2018 and 2017 was not subject to any audit or review. The information presented in the following table should be read in conjunction with the information included in the consolidated financial statements.

Selected financial data from the consolidated income statement

The following table presents the main positions of the income statement for the year ending 2018 and 2017.

PLN'000	Twelve months ending 31 December 2018	Twelve months ending 31 December 2017	Change	Change %
ONLINE segment				
Sales	550 816	457 482	93 334	20,4%
Cash sales	526 254	424 502	101 752	24,0%
Adjusted EBITDA	178 721	150 580	28 141	18,7%
EBITDA	168 726	142 192	26 534	18,7%
TV segment				
Sales	16 500	8 131	8 369	102,9%
Cash sales	16 500	8 131	8 369	102,9%
Adjusted EBITDA	(5 721)	(12 195)	6 474	(53,1%)
EBITDA	(5 833)	(12 556)	6 723	(53,5%)
Segments total				
Sales	567 316	465 613	101 703	21,8%
Cash sales	542 754	432 633	110 121	25,5%
Adjusted EBITDA	173 000	138 385	34 615	25,0%
EBITDA	162 893	129 636	33 257	25,7%
Amortization and depreciation of fixed assets and intangibles	(55 622)	(51 007)	(4 615)	9,0%
Operating profit	107 271	78 629	28 642	36,4%
Result on financial activities	(13 833)	(24 340)	10 507	(43,2%)
Profit before tax	93 438	54 289	39 149	72,1%
Net profit	75 997	40 032	35 965	89,8%

The following table presents the main positions of the income statement for the third quarter of 2018 and 2017:

PLN'000	Three months ending 31 December 2018	Three months ending 31 December 2017	Change	Change %
ONLINE segment				
Sales	167 703	134 112	33 591	25,0%
Cash sales	159 121	124 661	34 460	27,6%
Adjusted EBITDA	51 373	45 740	5 633	12,3%
EBITDA	46 571	41 553	5 018	12,1%
TV segment				
Sales	5 760	3 456	2 304	66,7%
Cash sales	5 760	3 456	2 304	66,7%
Adjusted EBITDA	311	(1 549)	1 860	(120,1%)
EBITDA	265	(1 581)	1 846	(116,8%)
Segments total				
Sales	173 463	137 568	35 895	26,1%
Cash sales	164 881	128 117	36 764	28,7%
Adjusted EBITDA	51 684	44 191	7 493	17,0%
EBITDA	46 836	39 972	6 864	17,2%
Amortization and depreciation of fixed assets and intangibles	(14 954)	(13 661)	(1 293)	9,5%
Operating profit	31 882	26 311	5 571	21,2%
Result on financial activities	(3 555)	(11 529)	7 974	(69,2%)
Profit before tax	28 327	14 782	13 545	91,6%
Net profit	26 601	9 679	16 922	174,8%

The consolidated results of the Group for the year 2018 and 2017 included the results of the following subsidiaries:

No.	Name of subsidiary	Date of taking control	% of shares held	Period covered by consolidation	
				31 December 2018	31 December 2017
1	Wirtualna Polska Media S.A.	22 December 2010	100%	full period	full period
2	http Sp. z o.o.	23 March 2009	-	full period	full period
3	Totalmoney.pl Sp. z o.o. (former Money.pl Sp. z o.o.)	1 December 2014	100%	full period	full period
4	Businessclick Sp. z o.o.	1 December 2014	100%	full period	full period
5	Brand New Media Sp. z o.o[(1)]	1 December 2014	-	-	full period
6	Dobreprogramy.pl Sp. z o.o.	14 November 2013	-	full period	full period
7	Domodi Sp. z o.o.	12 September 2014	100%	full period	full period
8	Finansowysupermarket.pl Sp. z o.o.	16 September 2015	100%	full period	full period
9	Wakacje.pl S.A.	23 December 2015	100%	full period	full period
10	Nocowanie.pl Sp. z o.o.	7 June 2016	75%	full period	full period
11	Netwizor Sp. z o.o.	13 December 2016	100%	full period	full period
12	eHoliday.pl Sp. z o.o.	18 October 2017	75%	full period	since 18 October 2017
13	WP Zarządzanie Sp. z o.o.	29 December 2017	100%	full period	-
14	My Travel Sp. z o.o.	17 May 2018	100%	since 17 May 2018	-
15	Parklot Sp. z o.o.	4 October 2018	100%	since 4 October 2018	-
16	Extradom.pl Sp. z o.o.	28 October 2018	100%	since 28 October 2018	-
17	Superauto24.com Sp. z o.o.	20 December 2018	51%	since 20 December 2018	-

(1) On 6 February 2018 Money.pl Sp. z o.o. and Brand New Media Sp. z o.o. merged by transferring all assets of Brand New Media Sp. z o.o. to Money.pl Sp. z o.o.

(2) On 31 July 2018, dobreprogramy.pl Sp. z o.o., http Sp. z o.o Wirtualna Polska Media S.A.. merged by transferring all assets of dobreprogramy.pl Sp. z o.o. and http Sp. z o.o to Wirtualna Polska Media S.A.

ONLINE SEGMENT

The sales of services in the online segment increased in the twelve months of 2018 by PLN 93,334 thousand i.e. by 20.4% compared to the sales for the corresponding period of the previous year, whereas the cash sales increased by PLN 101,752 thousand, i.e. by 24.0%.

The revenue growth in the fourth quarter alone amounted to PLN 33.591 thousand, i.e. 25.0% compared to sales for the corresponding period of 2017. At the same time cash sales increased by PLN 34,460 thousand, i.e. 27.6%

In both periods, cash-settled transactions represented the majority of the Group's sales and amounted to 95.5% of the Group's sales in 2018 and 92.8% in 2017.

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

In the period of twelve months of 2018 the adjusted EBITDA of the online segment amounted to PLN 178,721 thousand which was by PLN 28,141 thousand (i.e. by 18.7%) higher compared to the value of this ratio in the previous year.

In the analysed period, the total costs normalizing the Group's EBITDA of the online segment amounted to PLN 10 million and was by PLN 1.6 million higher than in the same period of the previous year. The Group's EBITDA of the online segment in 2018 was adjusted by, among other things, restructuring and integration costs (PLN 8 million), non-cash employee option scheme costs (PLN 1.3 million) and costs of revaluation and liquidation of non-financial assets (PLN 0.6 million).

Moreover, EBITDA for the period was adjusted by temporary result on barter transactions (PLN 0.1 million). Due to the equivalence of mutual benefits arising from barter transactions, such transactions are offset over a longer period, although temporarily a positive or a negative result might be recorded.

TV SEGMENT

In the period of twelve months of 2018, the total results of the Group were significantly affected by costs connected with the WP Television, launched in December 2016. In the Management Board's opinion in long-term perspective, the expenditures currently incurred should result in the market share increase, and consequently in revenue and profitability increase of this segment.

In the analysed period, total sales of TV segment of PLN 16,500 thousand comprised of cash sales and were PLN 8,369 thousand, i.e. 102.9% higher than in the previous year. The revenue in the last quarter of 2018 amounted to PLN 5,760 thousand and was by PLN 2,304 thousand i.e. 66.7% higher than the revenue generated in the last quarter of 2017.

The implementation of programming and organizational changes in the last quarter of 2017, the Group reduced the negative results of this segment. The EBITDA amounted to PLN (5,833) thousand, compared to PLN (12.556) thousand in the previous year. In the fourth quarter of 2018 TV segment generated positive EBITDA of PLN 265 thousand.

JOINT PERFORMANCE OF SEGMENTS

Despite the negative operating results of the TV segment, both the total Group's adjusted and unadjusted EBITDA increased by PLN 34,615 thousand and PLN 32,257 thousand respectively.

Operating profit increased by PLN 28,642 despite increase in depreciation and amortization by PLN 4,615 thousand. Additional amortization and depreciation is mainly due to the Group's investment expenditure), as well as additional depreciation and amortization of fixed and intangible assets (including customer relations and trademarks) of entities which joined the Group during the year 2018 and 2017 (a total of PLN 1,478 thousand of additional depreciation).

Explanations regarding the consolidated sales and results of the entities acquired in 2017

The following table presents the financial results of My Travel Sp. z o.o., Extradom.pl Sp. z o.o., Parklot Sp. z o.o. and Superauto24.com Sp. z o.o. – companies acquired in 2018, for the period from the beginning of the year to the acquisition date (not included in the consolidated financial results for 2018) and from the acquisition date till 31 December 2018 (included in the consolidated financial results for 2018).

PLN'000	Since 01.01.2018 to the acquisition date My Travel Sp. z o.o.	Extradom.pl Sp. z o.o.	Parklot Sp. z o.o.	Superauto24.com Sp. z o.o.	Total
Sales	6 370	29 651	2 688	10 168	48 877
Cash sales	6 370	29 651	2 688	10 168	48 877
EBITDA	(387)	4 190	167	4 334	8 304
Adjusted EBITDA	81	5 289	544	4 334	10 248
Net profit	(386)	3 550	115	4 200	7 479

PLN'000	Since acquisition date to 31.12.2018 My Travel Sp. z o.o.	Extradom.pl Sp. z o.o.	Parklot Sp. z o.o.	Superauto24.com Sp. z o.o.	Total
Sales	10 992	6 679	463	-	18 134
Cash sales	10 992	6 679	463	-	18 134
EBITDA	1 342	791	90	-	2 223
Adjusted EBITDA	1 696	903	90	-	2 689
Net profit	1 094	442	69	-	1 605

Financial position of the Group

The following table presents the consolidated statement of the Group's financial position as of the end of December 2018 and 2017.

PLN'000	As of 31 December 2018	As of 31 December 2017	Change PLN'000	Change %
Non-current assets	854 666	752 229	102 437	13,6%
Current assets	208 780	161 428	47 352	29,3%
Long-term liabilities	404 565	307 292	97 273	31,7%
Short-term liabilities	191 121	186 437	4 684	2,5%
Equity attributable to equity holders of the Parent Company	457 080	400 449	56 631	14,1%
Share capital	1 449	1 443	6	0,4%
Non-controlling interests	10 680	19 479	(8 799)	(45,2%)

The analysis of changes in the Group's balance sheet has been prepared as of 31 December 2018 compared to 31 December 2017. The change in Group's assets and liabilities was partially caused the acquisitions concluded during the year.

Changes in the individual balance sheet items are discussed below.

Non-current assets

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

PLN'000	As of 31 December 2018	Structure 2018	As of 31 December 2017	Structure 2017	Change PLN'000	Change %
Property, plant and equipment	58 252	6,8%	63 013	8,4%	(4 761)	(7,6%)
Goodwill	352 090	41,2%	259 594	34,5%	92 496	35,6%
Other intangible assets	406 664	47,6%	380 051	50,5%	26 613	7,0%
Non-current programming assets	5 385	0,6%	8 463	1,1%	(3 078)	(36,4%)
Long-term receivables	501	0,1%	155	0,0%	346	223,2%
Other financial assets	16 612	1,9%	16 031	2,1%	581	3,6%
Deferred tax assets	15 162	1,8%	24 922	3,3%	(9 760)	(39,2%)
Non-current assets	**854 666**	**100,0%**	**752 229**	**100,0%**	**102 437**	**13,6%**

In the analysed period, the net value of the property, plant and equipment decreased by PLN 4,761 thousand. The capital expenditure for the period amounted to PLN 12,014 thousand and were related mainly to equipment for the development of mail and portals infrastructure (PLN 8,539 thousand. The Group entered into new lease agreement for fixed assets worth PLN 298 thousand. The value of fixed assets of the acquired companies at the acquisition date amounted to PLN 1,048 thousand. Depreciation cost in 2018 amounted to PLN 17,233 thousand and the liquidation cost amounted to PLN 591 thousand.

In the analysed period, the Group recorded increase in other intangible assets mainly due to expenditures in the amount of PLN 27,226 thousand. In the twelve months of 2018 the Group mainly incurred expenditures on capitalized development projects (PLN 21,807 thousand) and the purchase of licenses (PLN 1.368 thousand). As a result of purchase price allocation of the new acquisitions the Group recognized new trademarks in the amount of PLN 26,140 thousand and new client relations in the amount of PLN 11,117 thousand. Amortisation cost amounted to PLN 38,389 thousand.

The value of goodwill as at 31 December 2018 increased by PLN 92,496 thousand compared to the end of the proceeding year, mainly due to the recognition of PLN 92,797 thousand of new provisional goodwill on the acquisitions concluded during the year. In 2018 the Group adjusted the provisional goodwill on the acquisition of eHoliday.pl Sp. z o.o.by PLN (301) thousand.

Non-current programming assets decreased by PLN 3,078 thousand mainly due to transferring of the programing rights worth PLN 3,369 thousand to the short-term part of the balance sheet. In the analysed period the Group incurred expenditure of PLN 3,825 thousand and the amortization and depreciation costs of PLN 3,489 thousand.

Current assets

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

PLN'000	As of 31 December 2018	Structure 2018	As of 31 December 2017	Structure 2017	Change PLN'000	Change %
Cash trade receivables	110 752	53,0%	89 531	55,5%	21 221	23,7%
Barter receivables	1 481	0,7%	1 515	0,9%	(34)	(2,2%)
Contract assets	11 248	5,4%	8 885	5,5%	2 363	26,6%
State receivables	8 153	3,9%	6 371	3,9%	1 782	28,0%
Other current assets	7 114	3,4%	8 684	5,4%	(1 570)	(18,1%)
Current programming assets	3 369	1,6%	-	0,0%	3 369	-
Cash and cash equivalents	66 663	31,9%	46 442	28,8%	20 221	43,5%
Current assets	**208 780**	**100,0%**	**161 428**	**100,0%**	**47 352**	**29,3%**

The increase in the value of current assets resulted mainly from the increase in net cash receivables, mainly due to the increase in sales in the last quarter of 2018.

The balance of barter receivables remains at a level similar compared the end of the previous year, which is typical for barter settlements. Barter settlements during the financial year usually show higher balances of receivables and liabilities than at the end of the year, when the majority of barter contracts are settled on an annual basis and their settlements are usually offset at the end of the year.

Contract assets including provision on commission on sale of travel services increased by PLN 2,363 thousand due to acquisition of MyTravel Sp. z o.o. as well as to the organic growth of the entities acting as agents in the sale of tourist services.

Other current assets decreased by PLN 1,570 thousand. As of 31 December 2017, those assets included the arrangement fee for the investment loan tranche which was not utilized at that time. As the loan tranche was utilized in March 2018 to finance the acquisition of Domodi shares, the arrangement fee is recognized as part of the bank loan valued at the amortized cost. Public-law receivables increased mainly due to the overpayment of corporate income tax by Wirtualna Polska Holding, which as at 31 December 2018 amounted to PLN 1,283 thousand, while a year earlier the company had a CIT liability.

In the last quarter of 2018 the programing rights worth PLN 3,369 thousand were transferred to the short-term part of the balance sheet as the license period ends within the next twelve months after the balance sheet date.

The detailed analysis of changes in cash level is given in the cash flow part of the report.

Long-term liabilities

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

PLN'000	As of 31 December 2018	Structure 2018	As of 31 December 2017	Structure 2017	Change PLN'000	Change %
Loans and leases	337 220	83,4%	203 507	66,2%	133 713	65,7%
Contingent liabilities related to business combinations	18 395	4,5%	3 618	1,2%	14 777	408,4%
Liabilities with respect to the put option for non-controlling interests	21 764	5,4%	78 763	25,6%	(56 999)	(72,4%)
Liabilities in respect of purchase of property, plant and equipment and intangible assets	8 990	2,2%	10 141	3,3%	(1 151)	(11,3%)
Deferred tax liability	17 719	4,4%	10 879	3,5%	6 840	62,9%
Deferred income	477	0,1%	384	0,1%	93	24,2%
Long-term liabilities	**404 565**	**100,0%**	**307 292**	**100,0%**	**97 273**	**31,7%**

The main transaction resulting in the rise of long-term debt was financing the purchase of 35% stake of Domodi Sp. Z o.o. shares by drawing PLN 85,484 thousand of additional investment loan, as well as utilisation of PLN 59,475 thousand of investment loan in October and December of 2018 to finance the acquisition of Extradom.pl Sp. z o.o. Additionally, the Group also utilised PLN 8.420 thousand of investment loan to refinance part of its CAPEX expenditures.

At the same time, due to the final settlement of both options for minority stake in Domodi, the value of liabilities with respect to the put option for non-controlling interests decreased significantly and as of 31 December 2018 it comprises only of the put option for the non-controlling shares in Nocowanie.pl Sp. z o.o.

A corresponding change took also place regarding the earn-out liability related to the acquisition of Allani shares, which as at the balance sheet date is completely settled. As a result of Superauto24.com Sp. z o.o. and Extradom.pl Sp. z o.o. acquisition the Group recognised liabilities related to business combinations of PLN 18,395 thousand.

In March 2018 the Group repaid the third instalment of the liability for the television broadcasting licence. In January 2016 the Group recognised liability related to the television broadcasting licence binding from 14 January 2016 to 13 January 2026. The total liability amounts to PLN 13,545 thousand and is paid in ten equal annual instalments, PLN 1,355 thousand each. As at 31 December 2018, with three instalments paid, the value of the liability calculated at the amortised cost equals PLN 10,507 thousand, PLN 8,990 thousand of which is recognised as long-term.

Short-term liabilities

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

PLN'000	As of 31 December 2018	Structure 2018	As of 31 December 2017	Structure 2017	Change PLN'000	Change %
Loans and leases	31 939	16,7%	13 341	7,2%	18 598	139,4%
Cash trade and other payables	55 894	29,2%	36 525	19,6%	19 369	53,0%
Barter trade and other payables	1 792	0,9%	1 935	1,0%	(143)	(7,4%)
Contract and refund liabilities	32 566	17,0%	27 489	14,7%	5 077	-
State liabilities	8 582	4,5%	6 028	3,2%	2 554	42,4%
Wages and salaries payables	9 554	5,0%	6 649	3,6%	2 905	43,7%
Liabilities in respect of purchase of property, plant and equipment and intangible assets	9 478	5,0%	13 300	7,1%	(3 822)	(28,7%)
Other short term payables	9 006	4,7%	6 741	3,6%	2 265	33,6%
Provision for employee benefits	3 828	2,0%	3 244	1,7%	584	18,0%
Other provisions	1 988	1,0%	1 845	1,0%	143	7,8%
Contingent liabilities related to business combinations	5 849	3,1%	3 571	1,9%	2 278	63,8%
Liabilities related to business combinations (other than earn-out)	18 694	9,8%	1 200	0,6%	17 494	1457,8%
Liabilities with respect to the put option for non-controlling interests		1,0%	58 616	0,0%	(39 922)	(68,1%)
Current income tax liabilities	1 951		5 953	3,2%	(4 002)	(67,2%)
Short-term liabilities	**191 121**	**100,0%**	**186 437**	**100,0%**	**4 684**	**2,5%**

The drop in the short-term liabilities was mainly due to the final settlement of the Domodi options, which valuation as of 31 December 2017 amounted to PLN 58,616 thousand. At the same time, liabilities related to the acquisition of Superauto24.com. Sp. z o.o. and Extradom.pl Sp. z o.o. were recognised in the amount of PLN 18,694 thousand.

Liabilities in respect of purchase of property, plant and equipment and intangible assets decreased significantly by PLN 3,822 thousand compared to December 2017.

On the other hand, short-term loans and leases increased by PLN 18,598 thousand. In accordance with the repayment schedule the liability comprises four tranches of principal repayment (one tranche as of 31 December 2017) which resulted in the increase by PLN 13,014 thousand. At the same time, as the next loan tranche for the purchase of Domodi and Extradom shares was utilized, the value of interest to be paid within the next 12 months increased as well.

At the same time trade liabilities increased significantly. The Group recognised liabilities of companies acquired during 2018 in the amount of PLN 3,833 thousand. In addition, during the acquisition processes, Wirtualna Polska Holding SA used the services of transaction advisors, which increased the Company's liabilities.

The increase was also observed in contract liabilities. The value of prepaid subscriptions and positioning points increased as a result of the sales volume growth in the companies providing services in this area.

The short term part of the contingent liabilities related to business combinations comprises mainly of the earn-out related to the acquisition of My Travel Sp. z o.o., which discounted value amounts to PLN 5,462 thousand. In 2018 the Group repaid its contingent liabilities related to business combination with Allani.

Equity

PLN'000	As of 31 December 2018	Structure 2018	As of 31 December 2017	Structure 2017	Change PLN'000	Change %
Equity attributable to equity holders of the Parent Company, including:	457 080	97,7%	400 449	95,4%	56 631	14,1%
Share capital	1 449	0,3%	1 443	0,3%	6	0,4%
Supplementary capital	320 895	68,6%	318 759	75,9%	2 136	0,7%
Revaluation reserve	55	0,0%	(546)	(0,1%)	601	(110,1%)
Other reserves	(3 774)	(0,8%)	(36 984)	(8,8%)	33 210	(89,8%)
Retained earnings	138 455	29,6%	117 777	28,0%	20 678	17,6%
Non-controlling interests	10 680	2,3%	19 479	4,6%	(8 799)	(45,2%)
Equity	**467 760**	**100,0%**	**419 928**	**100,0%**	**47 832**	**11,4%**

During the twelve months of 2018, the equity attributable to the parent company's shareholders increased by PLN 56,631 thousand in total. The change in equity attributable to the parent company's shareholders resulted from the following events:

- Increase by PLN 2,142 thousand due to registration, admission to trading and issuing shares under share option plans, out of which PLN 6 thousand increased share capital and the remaining part - PLN 2,136 thousand was booked as supplementary capital
- increase by PLN 601 thousand due to the downward valuation of interest rate swap liability, hedging the interest payments to the bank increased the capital;
- the increase in other reserves of PLN 1,357 thousand due to vesting of the rights to the consecutive tranche of share options under the existing incentive scheme;
- the net profit attributable to the parent company's shareholders for the twelve months ending 31 December 2018 of PLN 73,921 thousand.
- decrease by PLN 5,901 thousand due to change in accounting policy resulting from the adoption of MSSF9
- increase by PLN 12,259 resulting from the transfer of part of the equity attributable to the non-controlling interest as a result of the acquisition of additional 49% shares in Domodi Sp. z o.o. and the remaining 49% of shares in Dobreprogramy.pl Sp. z o.o.
- decrease by PLN 27,748 due to the resolution of the Ordinary Shareholders Meeting to pay dividend to shareholders, of which PLN 7,576 thousand is the total net profit recognised in the standalone financial statements for the fiscal year 2017, and PLN 20.172 thousand comes from the company's profits from previous years.
- As a result of the settlement of the options for the acquisition of non-controlling shares of Domodi the Group reclassified the reserve capital resulting from the initial recognition of this option to retained earnings in the amount of PLN 31,853 thousand. This change did not affect the total value of equity attributable to the shareholders of the parent company.

In 2018 the non-controlling interests decreased by PLN 8,799 thousand. The allocation to the non-controlling shareholders of an appropriate part of the result for the period earned by Domodi Sp. z o.o., Dobreprogramy.pl Sp. z o.o. and Nocowanie.pl Sp. z o.o. amounted to PLN 2,076 thousand. At the same time, the dividend assigned to those shareholders amounted to PLN 4,506 thousand. As a result of the acquisition of additional 49% of shares in Domodi Sp. z o.o. and 49% of shared in Dobreprogramy.pl Sp. z o.o. the non-controlling interested decreased by PLN 13,729 thousand. In 2018 the Group adjusted the provisional purchase price allocation for eHoliday.pl Sp. z o.o. which resulted in the increase by PLN 100 thousand of the non-controlling interest.

Cash flows of the Group

PLN'000	Twelve months ending 31 December 2018	Twelve months ending 31 December 2017
Net cash flows from operating activities	155 714	113 639
Net cash flows from investing activities	(239 350)	(67 795)
Net cash flows from financing activities	103 990	(43 757)
Total net cash flows	**20 354**	**2 087**

During twelve months of 2018, the EBITDA generated by the Group of PLN 162,893 thousand contributed to generating a positive cash flow of PLN 155,714 thousand from operating activities.

Cash flows from investing activities were negative and amounted to PLN (239,350) thousand in the analysed period which was mainly due to acquisition of 49% of shares in Domodi Sp. z o.o. (PLN 85,484 thousand in March 2018 and PLN 33,397 thousand in September 2018) and 100% shares in My Travel Sp. z o.o. (PLN 7,943 thousand decreased by cash and cash equivalents of My Travel at the acquisition date in the amount of PLN 1,084 thousand and increased by first earn-out payment of PLN 2,692 thousand). In fourth quarter of 2018 the Group acquired 100% of shares in Extradom.pl Sp. z o.o. (PLN 59,475 thousand decreased by cash and cash equivalents of Extradom at the acquisition date in the amount of PLN 3,401 thousand), 51% of shares in Superauto24.com Sp. z o.o. and 100% of shares in Parklot Sp. z o.o.

Moreover, investing cash flows resulted from repayment of contingent liability related to the acquisition of Allani Sp. z o.o. (PLN 5,608 thousand), repayment of deferred purchase price for eHoliday.pl Sp. z o.o. (PLN 1,200 thousand), early settlement of contingent liability related to acquisition of Netwizor Sp. z o.o. (PLN 1,325 thousand), the acquisition of 49% of shares in Dobreprogramy.pl Sp. z o.o. (PLN 1,102 thousand) and expenditure incurred (CAPEX) on the purchase of intangibles and fixed assets (PLN 42,699 thousand).

Cash flows from financing activities in 2018 amounted to PLN 103,990 thousand mainly due to the new investment loan tranches utilized to finance the acquisition of Domodi Sp. z o.o. (PLN 85,484 thousand), Extradom Sp. Z o.o. (PLN 59,475 thousand) and to refinance part of the Group's CAPEX expenditures (PLN 8,420 thousand). At the same time, the Group repaid its interest and bank commissions in the amount of PLN 13,788 thousand. As part of financing activities the Group recognized payments due to share capital increased under share option plans (PLN 2,142 thousand), the financial lease repayment of PLN (651) thousand and the dividend payment to its shareholders in the amount of PLN (27,748) thousand and to the non-controlling interest in the amount of PLN 4,506 thousand.

Selected financial ratios of the online segment

Financial ratios ONLINE SEGMENT	Twelve months ending 31 December 2018	Twelve months ending 31 December 2017
Sales (PLN'000)	550 816	457 482
Sales (YoY increase)	20,4%	10%
Cash sales	526 254	424 502
Cash sales (YoY increase)	24,0%	13%
Adjusted EBITDA margin (on cash sales)	34%	35%
Financial leverage ratio (Net debt//Adjusted Ebitda LTM)	1,69	1,13

The main financial ratios analysed by the Group's Management Board comprise cash proceeds from sales and their growth, the adjusted EBITDA margin and adjusted gross margin. The cash sales for the 2018 were 24% higher than the sales calculated on the basis of the financial data for the corresponding period of the previous year.

In the analysed period, the adjusted EBITDA margin of the online segment remained at comparable level to the corresponding period of the previous year.

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

The Group does not present and analyse the financial ratios of the TV segment. Due to the early stage of its development, the ratios of the segment would be difficult to analyse and would be prone to high volatility.

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

The financial data for the twelve months ending 31 December 2018 and 31 December 2017 was audited by an independent auditor, whereas the financial information for the fourth quarter of 2018 and 2017 was not subject to any audit or review. The information presented in the following table should be read in conjunction with the information included in the standalone financial statements.

Selected financial data from standalone income statement

The following table presents the main positions of the standalone income statement for the twelve months of 2018 and 2017.

in PLN'000	For the year ending 31 December 2018	For the year ending 31 December 2017	Change	Change %
Sales	-	6 907	(6 907)	(100,0%)
Dividends received	-	238	(238)	(100,0%)
Operating loss	(7 946)	(2 430)	(5 516)	227,0%
Finance income	9 763	12 032	(2 269)	(18,9%)
Finance costs	(959)	(1)	(958)	95 800,0%
Profit/(loss) before tax	858	9 601	(8 743)	(91,1%)
Net profit/(loss)	408	7 577	(7 169)	(94,6%)

The following table presents the main positions of the standalone income statement for the fourth quarter of 2018 and 2017:

in PLN'000	3 months ending 31 December 2018	3 months ending 31 December 2017	Change	Change %
Sales	-	1 250	(1 250)	(100,0%)
Operating loss	(3 028)	(1 550)	(1 478)	95,4%
Finance income	1 634	2 927	(1 293)	(44,2%)
Finance costs	(890)	-	(890)	-
Profit/(loss) before tax	(2 284)	1 377	(3 661)	(265,9%)
Net profit/(loss)	(2 103)	1 060	(3 163)	(298,4%)

The Company provided management services to other entities of the capital group in previous years. From January 2018, the Company no longer renders such services, and consequently does not show any sales revenues in 2018. Termination of the management service also meant a decrease in the cost of remuneration in 2018 by PLN 3,384 thousand. At the same time, the Company used the services of transaction advisors, which had an impact on the costs of external services, which in total increased by PLN 3,188 thousand.

In 2018, the Company's financial income decreased due to the repayment of a significant portion of loans granted to subsidiaries. At the same time, the acquisition activities carried out were largely financed from bank loans, thus the financial costs increased by PLN 958 thousand.

Financial position of the Company

The following table presents the standalone statement of the Company's financial position as of the end of December 2018 and 2017.

in PLN'000	As of 31 December 2018	Structure 2018	As of 31 December 2017	Structure 2017	Change	Change %
Non-current assets	513 635	99,1%	465 940	99,5%	47 695	10,2%
Current assets	4 765	0,9%	2 204	0,5%	2 561	116,2%
Long-term liabilities	74 821	14,4%	-	-	74 821	-
Short-term liabilities	6 872	1,3%	7 049	1,5%	(177)	(2,5%)
Equity	436 707	84,2%	461 095	98,5%	(24 388)	(5,3%)

The main events affecting the Company's balance sheet were: acquisition of shares in Domodi Sp. z o.o., Superauto24.com Sp. z o.o. and Extradom.pl Sp. z o.o.; dividend payment to shareholders and partial repayment of interest and capital part of loan granted to Wirtualna Polska Media SA The impact of these events on the individual lines of the statement of financial position has been discussed in the analysis of these lines.

Standalone non-current assets

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

in PLN'000	As of 31 December 2018	Structure 2018	As of 31 December 2017	Structure 2017	Change	Change %
Other intangible assets	18	0,0%	32	0%	(14)	(43,8%)
Investments in subsidiaries	427 623	83,3%	203 402	44%	224 221	110,2%
Loans granted	85 869	16,7%	262 202	56%	(176 333)	(67,3%)
Deferred tax asset	125	0,0%	304	0%	(179)	(58,9%)
Non-current assets	**513 635**	**100%**	**465 940**	**100%**	**47 695**	**10,2%**

Non-current assets increased in 2018 by PLN 47,695 thousand, mainly due to acquisitions conducted during the year. The Company purchases shares with a total value of PLN 222,827 thousand. The value of investments was furtherly increased by PLN 1,394 thousand as result of the additional share-based payment settlements.

The general increase in non-current assets was offset by a the repayment of PLN 180,082 thousand of capital part and PLN 7,137 thousand of interest on loans granted to subsidiaries. At the same time, in the current year the Company granted a loan to an affiliate Domodi Sp. z o.o. in the amount of PLN 3,998 thousand and calculated interest on all loans granted in the total amount of PLN 7,112 thousand.

Standalone current assets

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

in PLN'000	As of 31 December 2018	Structure 2018	As of 31 December 2017	Structure 2017	Change	Change %
Trade receivables net	215	4,5%	702	32%	(487)	(69,4%)
State receivables	1 286	27,0%	-	0%	1 286	n/a
Other current assets	10	0,2%	11	0%	(1)	(9,1%)
Cash and cash equivalents	3 254	68,3%	1 491	68%	1 763	118,2%
Current assets	**4 765**	**100,0%**	**2 204**	**100%**	**2 561**	**116,2%**

The only current assets that changed significantly were state receivables due to overpayment of current tax during the year. At the same time trade receivables decreased by PLN 487 thousand due to termination of management services conducted by the Company in previous periods.

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

Standalone long-term liabilities

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

in PLN'000	As of 31 December 2018	Structure 2018	As of 31 December 2017	Structure 2017	Change	Change %
Loans	56 426	75%	-	-	56 426	-
Liabilities due to business combinations	18 395	25%	-	-	18 395	-
Long-term liabilities	**74 821**	**100%**	**-**	**-**	**74 821**	**-**

The company conducted several acquisitions, part of which was financed with bank loans. During the year the Company financed with a bank loan part of the purchase price for the shares in Extradom.pl Sp. z o.o. (c.a. PLN 60 mln), PLN 56.426 thousand is presented as long-term loan .

At the same time, part of the share sale price of Extradom.pl Sp. z o.o. in the amount of PLN 15,525 thousand was retained by the Company in order to hedge the standard risks in this type of transactions and will be paid in subsequent periods, of which PLN 13,999 thousand PLN presented as long-term.

Furthermore, the Company recognised PLN 4,396 PLN earn-out liability on the purchase of shares in Superauto24.com Sp. z o.o.

Standalone short-term liabilities

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

in PLN'000	As of 31 December 2018	Structure 2018	As of 31 December 2017	Structure 2017	Change	Change %
Loans	2 196	32,0%	-	0%	2 196	-
Trade payables	1 557	22,7%	218	3%	1 339	614,2%
Liabilities due to business combinations	1 603	23,3%	7	0%	1 596	-
State liabilities	413	6,0%	277	4%	137	49,5%
Wages and salaries payables	933	13,5%	880	12%	53	6,0%
Liabilities due to financing activities	170	2,5%	-	0%	170	-
Income tax liability	-	0,0%	5 667	81%	(5 667)	(100,0%)
Short-term liabilities	**6 872**	100,0%	**7 049**	**100%**	**(176)**	**(2,5%)**

The decrease in short-term liabilities results among all others from the repayment of income tax liability in the amount of PLN 5,667 thousand.

Other categories, mainly loans received to finance the acquisition of Extradom described in detail in the explanations to changes in long-term liabilities, increased in 2018. Trade payables increased by PLN 1,339 thousand mainly due to transaction advisory services in the last quarter of the year provided in connection with acquisition activities. Investment liabilities increased by PLN1,603 thousand due to the first tranche of deferred payment for shares in Extradom.pl Sp. z o.o.

Standalone equity

in PLN'000	As of 31 December 2018	Structure 2018	As of 31 December 2017	Structure 2017	Change	Change %
Share capital	1 443	0,0%	1 434	0%	9	1,0%
Supplementary capital	318 759	69,0%	315 830	66%	2 929	1,0%
Other reserves	6 439	1,0%	5 113	1%	1 326	26,0%
Retained earnings	134 454	29,0%	158 568	33%	(24 114)	(15,0%)
Equity	**461 095**	**100,0%**	**480 945**	**100%**	**(19 850)**	**(4,0%)**

During the twelve months of 2018, the equity decreased by PLN 24,388 thousand in total. The change in equity resulted from the following events:

- Increase by PLN 2,142 thousand due to registration, admission to trading and issuing shares under share option plans, out of which PLN 6 thousand increased share capital and the remaining part - PLN 2,136 thousand was booked as supplementary capital
- the increase in other reserves of PLN 1,362 thousand due to vesting of the rights to the consecutive tranche of share options under the existing incentive scheme;
- the net profit for the twelve months ending 31 December 2018 of PLN 408 thousand.
- decrease by PLN 552 thousand due to change in accounting policy resulting from the adoption of MSSF9

- decrease by PLN 27,748 due to the resolution of the Ordinary Shareholders Meeting to pay dividend to shareholders, of which PLN 7,576 thousand is the total net profit recognised in the standalone financial statements for the fiscal year 2017, and PLN 20.172 thousand comes from the company's profits from previous years.

Standalone Cash Flow analysis

in PLN'000	For the year ended 31 December 2018	For the year ended 31 December 2017	Change	Change %
Net cash flows from operating activities	(13 051)	(2 031)	(11 020)	542,6%
Net cash flows from investing activities	(102 994)	30 996	(133 990)	(432,3%)
Net cash flows from financing activities	117 808	(28 747)	146 554	(509,8%)
Total net cash flows	**1 763**	**218**	**1 545**	**708,7%**

Cash flows from operating activities in 2018 were negative and amounted to PLN (13,051) thousand.

Cash flows from investing activities were negative as well and amounted to PLN (102,994) thousand, resulting from expenditures on acquisition of the shares in Domodi Sp. z o.o., Extradom.pl Sp. z o.o and Superauto24.com Sp. z o.o. in the total amount of PLN (202,913) thousand. Cash flows from investing activities also included loans and interests repaid by subsidiaries in the total amount of PLN 101,735 thousand and the payment received for the loan guarantee provided by the Company to the subsidiary Wirtualna Polska Media SA in the amount of PLN 2,182 thousand.

Cash flows from financing activities in 2018 amounted to PLN 117,808 thousand which was caused mainly by the loans granted to the Company to finance the acquisitions during the year (PLN 144,958 thousand). Inflows due to the increase in equity resulting from the share option scheme amounted to PLN 2,141. Cash outflows resulted mainly from the dividend payment of PLN (27,748) thousand and repayment of bank interest and provisions on the loan (PLN 1,329 thousand).

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

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

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

- **Material acquisitions made by the Group in the previous periods**

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

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

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

Having a large number of service and content users gives the Group access to information on user behaviour, within the limits set by the provisions of the law. Thanks to access to a large amount of data on user behaviours (in particular on the content and services used by users) and the progress in the ability to analyse extensive data resources over recent years (tools for analysis of large and diverse data sets, generated with high frequency, so called big data), the Group has a significant potential for increasing its operating effectiveness, among other things, through the personalization of content, and personalization of advertisements which are more effective, by eliminating the advertisements of products in which a given user is not interested.

- **Borrowings related to the acquisitions**

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

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

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

As of 31 December 2018 the balance of the Group's liability resulting from loan agreement amounted to PLN 364 million.

During the twelve months of 2018, the Group's interest and commissions expenses, the bulk of which resulted from interest on the bank loan, amounted to PLN 13,955 thousand. The amount of these costs in consecutive periods will depend on WIBOR 3M which amounted to 1.72% as at 31 December 2018.

- **The launch of activities in the television advertising market**

In 2017 and 2018, the results of the Capital Group were significantly influenced by costs connected to the development of the WP Television launched in December 2016. In the opinion of the Management Board, the expenditures currently incurred should result in the increase in market share in the long-term perspective, and consequently into the increase in the value of revenues and the increase in profitability of this segment.

In the analysed period television advertising revenue amounted to PLN 16,500 thousand. At the same time, this segment generated a negative EBITDA of PLN 5,833 thousand.

- **Events significantly affecting the operations and financial results of the parent company**

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

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

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

- **Economic situation in Poland**

The Group conducts operations in Poland in the advertising 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.

- **Competition on the Polish market**

Both globally and in Poland, the internet advertising market is characterized by fierce competition. The Group's direct competition includes entities which own domestic 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.

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 popularization 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 on the Internet than is the average for the European Union; nevertheless, internet spending is increasing year on year. The development of e-commerce also has an impact on the Group's results.

The Group is exposed to the advertising e-commerce market via activities of e.g. Wakacje.pl S.A., Nocowanie.pl Sp. z o.o., eHoliday.pl Sp. z o.o , Domodi Sp. z o.o. and Money.pl Sp. z o.o. companies, and also partially via e-commerce advertising activities of the Wirtualna Polska website. Therefore, the development of the electronic market in Poland will have a positive impact on the Group's operations.

Active acquisition activities

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

Continuing the activity in the TV advertising market

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

7. SIGNIFICANT CONTRACTS AND EVENTS WHICH TOOK PLACE IN 2018

Purchase of minority stakes in Domodi

On March 15, 2018, by way of an Annex, the parties to the shareholder agreement decided to change the conditions for the option to purchase a minority stake in Domodi shares, which originally assumed the purchase of shares in two equal tranches of 24.5% each, after the end of the 2017 and 2019 financial years. Before the annex was signed the estimated discounted value of the Group's liabilities on put option amounted to PLN 59.3 million with respect to the first option after the end of 2017 and PLN 60.3 million with respect to the second option after the end of 2019.

The amended Shareholders' Agreement gives Wirtualna Polska Media SA or Wirtualna Polska Holding SA the option to purchase 35% of shares in Domodi in 2018 and the right to exercise options for the remaining 14% of shares for the next ten years, with the first possibility to exercise the option after the end of 2018.

At the same time, as a result of the implementation of Option I on March 15, 2018, the Company and Domodi Shareholders concluded with the participation of a subsidiary - WPM a share purchase agreement on the basis of which the Company acquired a total of 918 shares in the share capital of Domodi representing approximately 35% of the share capital of Domodi and entitling to exercise about 35% of votes at the shareholders' meeting of Domodi. Prior to the transaction, Wirtualna Polska Media SA had a controlling stake of 51% of shares in Domodi. As a result of the transaction, a total of approximately 86% of Domodi shares entitling to exercise approximately 86% of votes at the Domodi shareholders' meeting are owned by the Group's companies.

The sale price for all the purchased Shares is PLN 85,484 thousand. The transfer of rights to shares took place on March 22,2018 upon payment of the price on the terms specified in the agreement. The acquisition of shares was financed from a loan granted to Wirtualna Polska Holding SA by Wirtualna Polska Media SA with funds from the tranche of the Capex Loan under the loan agreement of 12 December 2017.

In connection with the signed annex, the value of the liability due to the modified option for the remaining 14% of shares in Domodi was estimated by the Management Board at discounted value of approximately PLN 36 million. The difference in the discounted valuation of liabilities in the amount of approximately PLN 1,7 million was recognized in the Group's result as an additional financial cost in the first quarter of 2018.

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

After the settlement of the transaction, the Group owns 100% of shares in Domodi entitling to exercise 100% of votes at the shareholders' meeting.

The selling price for all shares purchased is approximately PLN 33.4 million.

The value of the option liability for the purchase of the minority stake in Domodi on the previous balance sheet date amounted to PLN 36.2 million and was PLN 2.8 million higher than the final exercise price. Therefore, in the third quarter of 2018, the Group's consolidated financial statements showed gain of PLN 2.8 million on the revaluation of the liability to buy out non-controlling shares.

The purchase of shares was financed from the Group's own funds.

Acquisition of My Travel Sp. z o.o.

On May 17, Wakacje.pl S.A., a subsidiary of WPH concluded with three natural persons and EVG Invest sp. o.o. a shares purchase agreement under which Wakacje.pl will acquire a total of 700 shares with a par value of PLN 500 each, in the share capital of My Travel sp. z o.o representing 100% of the share capital and entitling to exercise 100% of votes at the shareholders' meeting of MyTravel. Detailed information of the transaction is described in Note 20 of the consolidated financial statements.

Acquisition of Extradom.pl Sp. z o.o.

On 29 October 2018, the Company and ASP Sp. z o.o. and two natural persons concluded sales purchase agreement of 14,163 shares in the share capital of Extradom.pl sp. z o.o. representing a total of 100% of all shares in the Extradom share capital and entitling to exercise 100% of votes at the shareholders' meeting of Extradom.
Extradom is the market leader in the sales of architectural projects online with a dozen percent share in the entire architectural design market. Marketplace run by Extradom aggregates over 18.000 projects from leading Polish architectural studios, giving the user a wide range of professional advice during the selection process. Among the architectural studios Extradom has a strong recognizable brand and is their trusted partner that gives easy access to the online market.
The selling price for the shares is PLN 75.0 million.
The sale price will be paid in instalments. The first instalment in the amount of PLN 52.9 million was paid on 8 November 2018 and was financed with a bank loan. The second tranche was paid on 11 December 2018 and was refinanced with a bank loan.
Ownership of 12,603 shares in Extradom, representing approximately 88.99% of all shares in Extradom's share capital and entitling to exercise about 88.99% of votes at the shareholders meeting of Extradom was transferred to the company after the payment of the First Instalment. Ownership of 1.560 shares in Extradom, representing approximately 11.01% of all shares in Extradom's share capital and entitling to exercise about 11.01% of votes at the Shareholders Meeting of Extradom was transferred to the Company after the payment of the Second Instalment .

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

- PLN 1,526 thousand no later than 10 January 2019,
- PLN 2,094 thousand no later than 10 January 2020;
- PLN 2,163 thousand no later than 10 January 2021;

- PLN 2,680 thousand no later than 10 January 2022;
- PLN 4,734 thousand no later than 10 January 2023;
- PLN 2,328 thousand no later than 10 January 2024.

The above mentioned tranches will be increased by the interest calculated on the unpaid amount of the retained amount.

Annex to the Group's loan agreement

On 29 October 2018, Wirtualna Polska Holding S.A., Wirtualna Polska Media S.A and other subsidiaries concluded an amending agreement to the loan agreement of 12 December 2017 concluded with mBank SA with headquarters in Warsaw, as a lender, financing organizer, agent and security agent, and ING Bank Śląski SA based in Katowice as a creditor and Powszechna Kasa Oszczędności Bank Polski SA with its registered office in Warsaw as the lender. Pursuant to the Amendment Agreement, the value of the CAPEX Loan Tranche will be increased by PLN 100 million, and Wirtualna Polska Holding will enter into a loan agreement as the only borrower authorized to continue using the entire available CAPEX Loan Tranche.

Acquisition of 51% of shares in Superauto24.com Sp. z o.o.

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

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

As a result of the Transaction, after registering the share capital increase of Superauto24.com by the registry court, the Issuer will own 50.8% of Superauto24.com shares entitling to exercise 50.8% of votes at the Shareholders Meeting of Superauto24.com.
Superauto24.com is an aggregator of new cars from authorized dealers and an expert in financing the purchase of a car cooperating with the largest banks and leasing companies in Poland.
The part of the issue price in the amount of PLN 16.650 thousand will be allocated to the acquisition by SuperAuto24.com of companies from Grupa Super Auto sp. o.o. and Super Auto sp.j. B. Chojnacki, K. Makula as part of the consolidation of Superauto24.com, and the remaining part of the issue price in the amount of PLN 4,000 thousand will be used to finance the development of Superauto24.com.
The parties also agreed that the sale price may be increased by no more than PLN 5,000 thousand subject to the implementation of the financial objective set out in the agreement for the financial year 2019.

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

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

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

Other

Additionally, in 2018 there were some changes in the group structure due to mergers and other acquisitions (described in detail in point 2 of this report).

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

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

Risks related to market environment

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

The Group's success depends on the development of services and technology, and on the number of Internet users, which in turn drives the development of the online advertising market and e-commerce. The development of the Internet depends primarily on the development of online infrastructure and technological changes. In 2018, 84.2% of households (an increase of 2.3 p.p. compared with 2017) and 95.6% of enterprises in Poland had access to the Internet (source: Społeczeństwo Informacyjne 2018 – 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. It can be assumed that the development shell be more related to broadband, mobile as well as other advanced internet access technologies. The weakening of the Internet growth rate in the future may negatively impact the outlook for the Group's development and the execution of its strategy.

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 (both the both entrepreneurs cooperating with the Group and the users of the Group's services). Therefore, the Group's operations are affected by macroeconomic factors which determine the economic situation on the Polish market, which in turn is significantly affected by the economic situation in the region, the European Union and the global economy. Changes in macroeconomic factors such as, e.g. the GDP growth rate, the unemployment rate, salary levels, consumption or interest rate levels – which are beyond the Group's control – affect the purchasing power of the Group's clients and the consumers of the Group's products and services, as well as their propensity to spend or save, 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 advertising market

Both globally and in Poland, the online advertising and e-commerce markets are highly competitive. The Group's direct competitors include national web portals and websites, including, in particular, Onet.pl Group, Interia.pl Group and Gazeta.pl Group. In addition, the Group competes with entities offering various web-based services (e.g. Google, Facebook, Twitter), including in particular electronic mail services (e.g. Yahoo!, Gmail, Hotmail, AOL). Moreover, although not directly, the Group's competition also includes other entities operating on what is widely understood as the advertising market, including in particular TV channels, newspapers and radio station. 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 report date, the Group is one of two leaders among national web portal and websites in terms of real users and range. A leading position is important because of the so-called leader's bonus, i.e. the propensity of advertisers to place their advertisements with the portals and websites which enjoy leading market positions in terms of access to Internet users, which has a material impact on the revenues generated. Many factors affect the Group's ability to strengthen its current competitive position, including mainly the Group's brand recognition and reputation, the attractiveness and quality of the content published on its portals and websites, its user base and the ability to analyse and process user data. It cannot be precluded that as a result of many factors, the majority of which are beyond the Group's control, the Group will be unable to strengthen its current position as one of the two leading national web portals and providers of websites or that it will lose its current position. Increased competition on the markets on which the Group operates could result in higher pressure on the Group to lower the prices of the products and services it offers, especially various forms of online advertising, and could result in a need to increase expenditures on marketing activities or research and development activities and the development and implementation of new products and services and the improvement thereof, and other innovative solutions.

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 or a deterioration in the relations with such clients 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

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

The risk related to external debt financing

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

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

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

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. It should also be noted that there are emerging initiatives (also involving significant market participants), which aim to set new standards for online advertising . They may result in restrictions on available content and advertising forms and consequently influence the revenues from advertising activities.

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. In addition, the Group in order to maintain or strengthen its competitive position needs to constantly maintain, expand and modernize existing IT systems.

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

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

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

- **The 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 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. 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, 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 on 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 development through acquisitions**

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

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

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

- **The attractiveness of WP Television content**

We may not be able to select and purchase content that the viewer will find attractive. Achieving the desired level of audience highly depends on the ability to select, produce or purchase the programming content that will be positively received by the audience and yield viewers, which in turn will attract potential advertisers and allow us to offer competitive prices. We may not be able to achieve the desired audience in case our expectations regarding viewer preferences are wrong or less accurate than those of the competition. The higher level of competition may lead to higher cost of content. All expenditure increases may have a negative effect on our operations, financial situation, income level and cash flows.

The achievement of the expected audience and market share also depends on the coverage of the WP TV, i.e. from the actual number of potential viewers who can receive the WP TV signal. This circumstance does not depend on the Group, but to a large extent on other entities - including owners of digital TV platforms, cable networks, entities responsible for the technical service of terrestrial television broadcasting, as well as the adaptation of viewers' antennas to the reception of the WP TV signal.

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 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 as well as possible changes in the labour law may have a material adverse effect on the business conducted by the Group. The volatility of the legal system and regulatory environment increases the risk of incurring material, additional and unexpected expenses as well as the costs of the adjustment of business to the changing legal environment.

Risk of the broadcasting license being revoked

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

Risk of breaching the Broadcasting Law

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

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 of breaching the personal data protection rules

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

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

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

Risk involved in executing agreements with related parties

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

Supervisory measures of UOKiK, UKE and KRRiTV

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

The 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 introduction of the principle of Internet neutrality will not be sufficient to ensure the neutrality of the Internet network.

9. SHARES AND SHAREHOLDERS

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

As of 31 December 2018 and as of the date of preparing this report the composition of the Management Board was as follows

Management Board WP Holding S.A.

- Jacek Świderski
  CEO
- Elżbieta Bujniewicz-Belka
  CFO
- Michał Brański
  VP Product Strategy
- Krzysztof Sierota
  VP Engineering

As of 31 December 2018 the composition of Supervisory Board was as follows :

Supervisory Board WP Holding S.A.

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

There were no changes in the composition of either the Management or the Supervisory Board in 2018.

Structure of share capital

As of 31 December 2018 the share capital of the Company consisted of 28,955.568 shares with a par value of PLN 0.05 each, entitling 40,245,277 votes at the General Meeting, including:

- 11,289,709 A series registered preference shares; preference of 11,289,709 A series shares relates to voting rights at the General Meeting in such way that one share gives two votes;
- 1,100,000 A series ordinary bearer shares;
- 12,221,811 B series ordinary bearer shares;
- 301,518 C series ordinary bearer shares;
- 605,767 D series ordinary bearer shares;
- 3,339,744 E series ordinary bearer shares;
- 97,019 F series ordinary bearer shares.

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

Dividend policy

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

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

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

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

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

Shareholders with at least 5% of the total voting rights

In accordance with notifications received by the Company Wirtualna Polska Holding SA and to the best of its knowledge, as of 31 December 2018 the structure of shareholders who hold, directly or indirectly by their subsidiaries, at least 5% of the total voting rights at the General Shareholders' Meetings of the Company is as follows:

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

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

On 9 March 2018 the Management Board obtained a notification from AVIVA Powszechne Towarzystwo Emerytalne Aviva BZ WBK SA concerning a change in shareholding of the Companies' shares by Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK. As a result of a transaction of aquring shares of the Company concluded on 2 March 2018, Aviva OFE holds 2,033,159 shares of the Company which constituted 5.05% of the total number of votes.

Changes in the share capital after the balance sheet date

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

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

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

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

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

- Jacek Świderski is indirectly entitled to exercise voting rights attached to 3,763,237 series A registered shares in the Company, held by Orfe S.A., having preferential rights as to voting, so that one share entitles two votes at the general meeting and 13,927 ordinary bearer shares held by Bridge20 Enterprises Limited, which constitute a 13.09% interest in the Company's share capital, representing 7,540,401 votes at the general shareholders meeting of the Company and constituting 18.78% of the overall number of votes;
- Krzysztof Sierota is indirectly entitled to exercise voting rights attached to 3,763,236 series A registered shares in the Company, held by Albemuth Inwestycje S.A., having preferential rights as to voting, so that one share entitles two votes at the general meeting and 13,928 ordinary bearer shares held by Highcastle Sp. z o.o., which constitute a 13.09% interest in the Company's share capital, representing 7,540,000 votes at the general shareholders meeting of the Company and constituting 18.78% of the overall number of votes; and
- Michał Brański is indirectly entitled to exercise voting rights attached to 3,763,236 series A registered shares in the Company, held by 10X S.A., having preferential rights as to voting, so that one share entitles two votes at the general meeting and 13,928 ordinary bearer shares held by Now2 Sp. z o.o., which constitute a 13.09% interest in the Company's share capital, representing 7,540,000 votes at the general shareholders meeting of the Company and constituting 18.78% of the overall number of votes.
- In addition, under the first phase of the implementation of the incentive plan, Elżbieta Bujniewicz-Belka (Member of the Management Board) acquired 18,664 (nominal value of PLN 933) ordinary bearer shares of the new C series issued based on the resolution approving the issue of C series shares. In the next phase of the implementation of the incentive plan Elżbieta Bujniewicz-Belka acquired 83,466 D series ordinary bearer shares issued based on the resolution approving the issue of D series shares. Elżbieta Bujniewicz-Belka owns additional 564 shares purchased in September 2017.

Additional information on the structure and changes in equity and voting rights are described in note 21 to the consolidated financial statements.

Information on agreements concerning changes in the shareholding structure

Incentive scheme – share-based payments and its control system

First incentive scheme

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

Detailed information on the first incentive scheme is described in note 26 to the consolidated financial statements of the Group for the period of twelve months ending 31 December 2018.

Second incentive scheme

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

Detailed information on the second incentive scheme is described in note 26 to the consolidated financial statements of the Group for the period of twelve months ending 31 December 2018.

Purchase of own shares

As of the date of preparing this report, neither Wirtualna Polska Holding nor any other any other company belonging to the Group does not hold any own shares.

Analysts

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

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

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

Zbigniew Porczyk, Trigon TFI SA, http://www.trigontfi.pl/index.php

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

Łukasz Kosiarski, Pekao Investment Banking SA, http://pekaoib.pl/

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

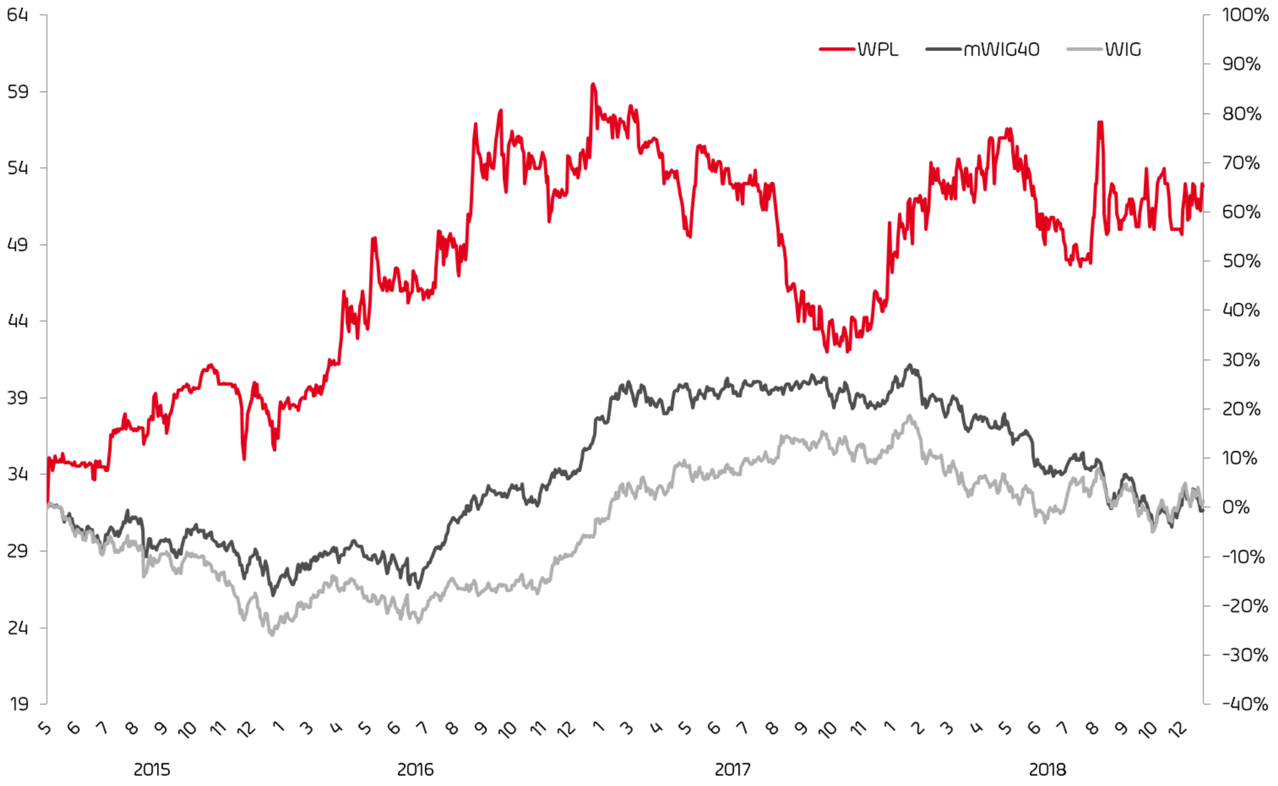
Małgorzata Żelazko, PKO BP SA, http://www.pkobp.pl/

Listing of shares

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

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

The chart shows the development of the share price of the Wirtualna Polska Holding SA from the day of its IPO to 31 December 2018 against the WIG20 and WIG indexes.



10. ADDITIONAL INFORMATION

Remuneration of key management and supervisory personnel

Remuneration of the Members of the Management Board

The remuneration of the Management Board is paid only by Wirtualna Polska Holding SA The table below presents the remuneration payable or paid to the Members of the Management Board in 2018.

in PLN'000	Salaries and related benefits	Incentive scheme – share-based payments
Jacek Świderski	1 833	-
Krzysztof Sierota	1 218	-
Michał Brański	1 199	-
Elżbieta Bujniewicz - Belka	1 272	-
Total	**5 522**	-

Remuneration of the Members of the Supervisory Board

The table below presents the remuneration payable or paid to the Supervisory Board members in 2018.

in PLN'000	Salaries and related benefits	Incentive scheme – share-based payments
Krzysztof Krawczyk	212	-
Jarosław Mikos	40	
Beata Barwińska-Piotrowska	40	-
Aleksander Wilewski	40	-
Piotr Walter	40	-
Mariusz Jarzębowski	40	-
Razem	**412**	**-**

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

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

Events after the balance sheet date

Detailed information of post- balance sheet events is provided in note 41 to the consolidated financial statements for the period of 12 months ending 31 December 2018.

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

The Group did not publish any forecasts of results for the year 2018.

Products provided by the Wirtualna Polska Capital Group

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

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

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

in PLN'000	For the year ending 31 December 2017		
	Online Advertising	TV Advertising	Total
Sales of services settled in cash	424 502	8 131	432 633
Sales of services settled in barter	32 980	-	32 980
Total	**457 482**	**8 131**	**465 613**

Online advertising

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

TV advertising

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

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

In 2018 Wirtualna Polska Holding SA did not generate any revenues from operating activities.

Sales markets and sources of supply

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

in PLN'000	For the year ending 31 December 2018	Share %	For the year ending 31 December 2017	Share %
Domestic sales	448 532	79%	364 071	78%
Export sales	118 784	21%	101 542	22%
European Union	101 809	18%	89 762	19%
Outside European Union	16 975	3%	11 780	3%
Total	**567 316**	**100%**	**465 613**	**100%**

The Group manages a well-diversified portfolio of customers and suppliers. In both 2018 and 2017 there was one customer whose turnover exceeded 10% of the Group's consolidated revenue and amounted to 11% in both years. This customer is in a stable financial situation and there were no payment delays during the long-term cooperation. Therefore, the Management Board sees no risk of excessive concentration of income.

In 2018 Wirtualna Polska Holding SA did not generate any revenues from operating activities.

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

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

During 2018 the provision for court proceedings increased by PLN 143 thousand.

Information on transactions with related entities

All transactions with related entities are concluded on an arm's length basis. Detailed information on transactions with related entities are presented in note 38 of the consolidated financial statements for the 12 months ending 31 December 2018.

Information on financial instruments

Information regarding financial instruments related to:

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

are described in note 37 of the consolidated financial statements for the 12 months ending 31 December 2018 as well as in note 18 of the standalone financial statements of Wirtualna Polska Holding SA

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

Guarantees granted to third-party entities

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

Inter-company guarantees

The companies: Money.pl Sp. z o.o., Domodi Sp. z o.o., Wakacje.pl SA and Nocowanie.pl Sp. z o.o. are guarantors of the bank loan agreement concluded by and between Wirtualna Polska Media S.A., Wirtualna Polska Holding SA, mBank S.A., PKO BP and ING Bank Śląski.

The total guarantee amount corresponds to the current balance of the debt of Wirtualna Polska Media SA and Wirtualna Polska Holding SA of the credit agreement.

Loans granted

As of 31 December 2018 Wirtualna Polska Holding SA and Grupa Wirtualna Polska SA have granted loans to other Group members in order to finance their acquisitions and current operations. The Parent Company does not have any loans granted by related companies.

Details regarding loans granted and received by Wirtualna Polska Holding SA are described in note 11 to the separate financial statements of the company for the year ended 31 December 2018.

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

Loans granted by financial institutions

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

The detailed description of the bank loan received and changes during the year are further described in note 30 to the financial statements and point 7 of this report.

Loans granted by non-controlling shareholder

On 11 October 2017 the non-controlling shareholders granted a loan in the amount of PLN 2,162 thousand to finance the acquisition of eHoliday.pl Sp. z o.o. shares. The loan bears interest at the WIBOR rate for 3-month deposits plus a margin set in the contract. The principal may be repaid at any time, no later than 16 October 2020, but interest on the loan is repaid on a quarterly basis. As of 31 December 2018 the loan balance equals PLN 1,662 thousand.

Inter-company loans

As of 31 December 2018 Wirtualna Polska Holding SA and Wirtualna Polska Media SA have granted loans to other Group members in order to finance their acquisitions and current operations. The Parent Company does not have any loans granted by other Group's entities.

Evaluation of the financial resources management

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

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

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

In 2018, the Wirtualna Polska Holding Capital Group had the full ability to repay its liabilities as due.

Assessment of the possibilities to carry out investment plans

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

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

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

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

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 on the initiative of the Company, members of the Management Board are entitled to severance, except for the circumstances indicated below:

1) circumstances entitling the employer to terminate the employment agreement without notice on grounds of 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,
2) 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 contract of employment with the member of the Management Board – Elżbieta Bujniewicz-Belka may be terminated by each of the parties upon 6 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, 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

In 2018 Jacek Świderski, Michał Brański, Krzysztof Sierota and Elżbieta Bujniewicz – Belka constituted also the Management Board of Wirtualna Polska Media SA – a 100% subsidiary. The appointment to the Management Board of Wirtualna Polska Media SA entitled them to remuneration, based on Shareholders Meeting resolution. The resolution entitled them to basic pay, bonuses and severance pay. As of the date of this report Jacek Świderski, Michał Brański, Krzysztof Sierota and Elżbieta Bujniewicz – Belka are no longer members of the Management Board of Wirtualna Polska Media SA and are not entitled to any remuneration.

Members of the Management Board are required to observe non-competition restrictions, on the terms provided in the respective contracts (including the notice period) and for 12 months after the termination date (in case of Mrs

Elżbieta Bujniewicz-Belka – during the whole period of employment, the 6-month termination notice and also 6 months after the termination of the agreement). In exchange for observance of the non-competition restrictions within 12 months after discontinuation of the contract (in case of Mrs Elżbieta Bujniewicz-Belka – during 6 months after the termination of the employment contract), members of the Management Board have the right to compensation to 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 during 12 months preceding the date of termination of the agreement (in case of Mrs Elżbieta Bujniewicz-Belka – during last 6 months). 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.

Research and development

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

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

Detailed information about the entity authorised to perform the audit of the financial statements and information about its remuneration are presented in note 42 of these consolidated financial statements for the period of 12 months ending 31 December 2018. As for the audit of standalone financial statements, the information on the entity authorised to perform the audit and its remuneration is presented in note 22 of the standalone financial statement for the year ending 31 December 2018.

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

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

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

Management's representation on Corporate Governance for the year ending 31 December 2018

CORPORATE GOVERNANCE STATEMENT REGARDING THE YEAR ENDING 31 DECEMBER 2018

This corporate governance statement of Wirtualna Polska Holding SA ("Company") regarding the year 2018 was prepared on the basis of art. 91 section 5 point 4 of the Regulation of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and on conditions under which such information may be recognised as being equivalent to information required by the regulations of law of a state which is not a member state (Journal of laws of 2014, item 133) and the resolution of the Management Board of the Warsaw Stock Exchange no. 1309/2015 of 17 December 2015.

1. CORPORATE GOVERNANCE PRINCIPLES REGULATING THE OPERATIONS OF THE COMPANY IN 2017

In 2018 the Company was subject to the set of principles of the corporate governance for joint-stock companies issuing shares, convertible bonds, or senior bonds that are admitted to trade on the stock exchange. The principles of corporate governance in the form of the Best Practices of WSE Listed Companies ("Best Practices") were set out by the Warsaw Stock Exchange ("WSE") as an appendix to the resolution No. 26/1413/2015 of the Supervisory Board of WSE of 13 October 2015. The contents of the document, adopted by the WSE, is publicly available at the seat of the Warsaw Stock Exchange (WSE) and on the website of WSE dedicated to those issues available at http://corp-gov.gpw.pl.

INFORMATION ON THE APPLICATION OF THE CORPORATE GOVERNANCE PRINCIPLES

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

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

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

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

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

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

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

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

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

- monitoring:
    - financial reporting process;
    - effectiveness of internal control systems and risk management systems and internal audit, including financial reporting;
    - performing financial auditing activities, in particular conducting an audit by the audit firm, including all applications and findings of the Audit Oversight Commission resulting from audits carried out in the audit firm.

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

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

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

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

ENTITY AUTHORISED TO REVIEW THE FINANCIAL STATEMENTS OF THE COMPANY

PricewaterhouseCoopers sp. z o.o., with its registered seat in Warsaw (00-683 Warsaw, Polna 11 Street) ("PWC") is an entity authorised to review the financial statements of the Company for the year 2018. Moreover, PWC carried out in 2018 an interim review of financial report and consolidated financial report of the Company for the 6 months ending 30 June 2018.

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.

In 2018, PricewaterhouseCoopers Sp. z o.o to provided to the Group's Companies allowed non-audit services. Therefore, the Company assessed the independence of this auditing company and the Audit Committee agreed to provide these services.

3. SHARE CAPITAL AND SHAREHOLDERS

STRUCTURE OF THE SHARE CAPITAL

As of 31 December 2018, the share capital of the Company amounted to PLN 1,447,778.40 and consisted of 28,955,568 shares with a par value of PLN 0.05 each, entitling 40,245,277 votes at the General Meeting, including:

- 11,289,709 A series registered preference shares; preference of 11,289,709 A series shares relates to voting rights at the General Meeting in such way that one share gives two votes;
- 1,100,000 A series ordinary bearer shares;
- 12,221,811 B series ordinary bearer shares;
- 301,518 C series ordinary bearer shares;
- 605,767 D series ordinary bearer shares;
- 3,339,744 E series ordinary bearer shares;
- 97,019 F series ordinary bearer shares.

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

On 29 June 2018 the Company's share capital was increased from the amount of 1,442,761.20 PLN to 1,445,199.00 PLN, ie. by amount of 2,437,.800 PLN. The share capital increase took place in relation to admission to the deposit of the securities and of the National Depository of Securities ("KDPW") of 48,756ordinary bearer shares of the Company with a nominal value of PLN 0.05 each, and their introduction to trading on the primary market by WSE, as a part of employee stock ownership plan.

On 19 September 2018 the Company's share capital was increased from the amount of 1,445,199.00 PLN to 1,447,062.80 PLN, ie. by amount of 1,863.80 PLN. The share capital increase took place in relation to admission to the deposit of the securities and of the National Depository of Securities ("KDPW") of 37.276 ordinary bearer shares of the Company with a nominal value of PLN 0.05 each, and their introduction to trading on the primary market by WSE as a part of employee stock ownership plan.

On 14 December 2018 the Company's share capital was increased from the amount of 1,447,062.80 PLN to 1,447,778.40 PLN , i.e. by amount of 715,60 PLN. The share capital increase took place in relation to admission to the deposit of the securities and of the National Depository of Securities ("KDPW") of 14.312 ordinary bearer shares of the Company with a nominal value of PLN 0.05 each, and their introduction to trading on the primary market by WSE as a part of employee stock ownership plan.

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

- **First stock option plan**

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

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

Second stock option plan

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

SHAREHOLDERS WITH AT LEAST 5% OF THE TOTAL VOTING RIGHTS

In accordance with notifications received by the Company and to the best of its knowledge, as of 31 December 201, the structure of shareholders who hold, directly or indirectly by their subsidiaries, at least 5% of the total voting rights at the General Shareholders' Meetings of the Company are as follows:

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

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

On 9 March 2018, the Company received from AVIVA Powszechne Towarzystwo Emerytalne Aviva BZ WBK SA a notice regarding the change in the Company's share ownership by Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK. Aviva OFE, in connection with the transaction of acquisition of shares of Wirtualna Polska Holding SA with its registered office in Warsaw concluded on March 2, 2018, acquired 2,033,159 shares of the Company, which gave it the right to 5.06% of the total number of votes.

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

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

OWNERS OF SECURITIES PROVIDING SPECIAL CONTROL RIGHTS

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

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

Preferred shares are owned by:

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

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

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

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

LIMITATION CONCERNING THE SHARES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

AMENDMENTS OF THE ARTICLES OF ASSOCIATION

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

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

MANAGEMENT BOARD OF THE COMPANY

GENERAL INFORMATION

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

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

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, the Company is represented by the President of the Management Board alone or two members of the Management Board acting jointly or one member of the Management Board acting jointly with a registered proxy.

MANAGEMENT BOARD MEMBERS

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

As of 31 December 2018 the composition of the Management Board was as follows:

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

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

Jacek Świderski - President of the Management Board, CEO

Jacek Świderski commenced his professional career by conducting business activity as a sole trader from 1997 to 1998 while still studying at university. In 1999, together with Michał Brański and Krzysztof Sierota, he established an Internet portal under the name go2.pl (later o2.pl), and in 2000, he incorporated MediaOne sp. z o.o. (later, o2.pl sp. z o.o.), and, subsequently, Grupa o2 sp. z o.o., which, in 2011, was transformed into a joint stock company, Grupa o2 SA (currently, Wirtualna Polska Holding SA). Since the creation of the portal, Jacek Świderski has developed the business of the Company and its Subsidiaries on the Polish Internet market as, currently the President of the Management Board of the Company and of the following Subsidiaries: Wirtualna Polska Media SA. In 2009, he was appointed as a member of the management board of Bridge20 Enterprises Limited and continues to perform such a function today. Since 2014, he has been the president of the management board of: Orfe SA, Eurydyka Sp. z o.o. (since 2015) . Additionally, Jacek Świderski is a member of the supervisory boards of the subsidiaries Jacek Świderski graduated the Warsaw School of Economics in 2002 with a magister degree in management.

Michał Brański - Member of the Management Board/ VP Product Strategy

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

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

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

Krzysztof Sierota - Member of the Management Board/ VP Engineering

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

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

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

Elżbieta Bujniewicz-Belka - Member of the Management Board/ CFO / 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 member of the supervisory boards of the subsidiaries.

Elżbieta Bujniewicz-Belka also is the member of the management board of Orfe SA, 10X SA, Albemuth Inwestycje SA.

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

POWERS OF THE MANAGEMENT BOARD

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

In particular, the powers of the Management Board include:

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

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

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

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

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

COMPOSITION AND ELECTION OF THE MANAGEMENT BOARD

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

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

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

SUPERVISORY BOARD

GENERAL INFORMATION

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

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

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

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

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

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

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

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

MEMBERS OF THE SUPERVISORY BOARD

Currently the Supervisory Board consists of six members.

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

As of 31 December 2018 the composition of the Supervisory Board was as follows:

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

In2018, there were no changes to the composition of the Supervisory Board.

Jarosław Mikos - Chairman of Supervisory Board

Since 1 April 2015 Chairman of the Supervisory Board.

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

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

Krzysztof Krawczyk - Vice – chairman of the Supervisory Board

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

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

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

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

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

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

Beata Barwińska-Piotrowska – Member of the Supervisory Board

Since February 10, 2014 Member of the Supervisory Board.

Beata Barwińska-Piotrowska commenced her professional career in 1997 at the law office of Kancelaria Żebrowski i Wspólnicy, where she worked until 1998. From 1998 to 2001 she was an attorney at the law office of Kancelaria Adwokacka Wardyńscy i Wspólnicy, and from 2001 to 2004 at the law office of Linklaters. Subsequently, until 2005, Beata Barwińska-Piotrowska ran her own law firm, Indywidualna Kancelaria Adwokacka Beaty Barwińskiej. In 2005, she commenced cooperation as a senior attorney with the law firm of Weil, Gotshal & Manges. Since 2010 she was an Of Counsel at the Warsaw office of the law firm of CMS Cameron McKenna. Since November 2017 r. she has been a Partner at Jedwabny & Brzozowska law firm. Moreover she is a Managing Partner in Brzozowska & Barwińska law firm.

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

Beata Barwinska – Piotrowska 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 of a venture assistance firm in Warsaw. He holds MS and MBA degrees from the Warsaw University of Technology Business School in partnership with London Business School.

Piotr Walter – Member of the Supervisory Board

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

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

Aleksander Wilewski – Member of the Supervisory Board

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

MEMBERS OF THE SUPERVISORY BOARD WHO SATISFY THE INDEPENDENCE CRITERIA

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

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

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

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

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

POWERS OF THE SUPERVISORY BOARD

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

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

STRUCTURE AND METHOD OF ELECTION OF THE SUPERVISORY BOARD

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

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

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

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

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

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

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

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

THE SUPERVISORY BOARD'S COMMITTEES

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

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

A committee shall consist of 3 to 5 members.

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

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

THE AUDIT COMMITTEE

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

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

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

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

The Audit Committee is chaired by a Chairman.

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

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

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

As at December 31, 2018, the following members of the Supervisory Board were members of the Audit Committee:

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

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

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

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

In 2018 four meetings of the Audit Committee were held.

In 2018, PricewaterhouseCoopers Sp. z o.o to provide to the Group's Companies allowed non-audit services. Therefore, the Company assessed the independence of this auditing company and the Audit Committee agreed to provide these services.

The Audit Committee of the Supervisory Board prepared and adopted:

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

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

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

- Inquiry for the selection of an audit firm for statutory audit of the Company's financial statements and statutory audit of the consolidated financial statements of the Group is prepared by the Member of the Management Board /Chief Financial Officer by the end of March of the year subject to examination and consulted with the Audit Committee and then sent to selected entities providing services audit. The inquiry contains documentation enabling to learn about the Company's and the Company's Capital Group's operations as well as selection criteria defined in a transparent and non-discriminatory manner.
- The collected offers of audit firms together with the report containing the conclusions of the selection procedure are submitted to the Audit Committee and the Supervisory Board of the Company. The report is approved by the Audit Committee.
- The members of the Audit Committee of the Company analyse the submitted offers of audit firms, set the dates of meetings with representatives of those audit firms that submitted offers and on the basis of these activities make a recommendation to choose an audit firm. Unless it concerns the renewal of a audit order, the recommendation includes justification and at least two possibilities of an audit firm, with the Audit

Committee expressing preference for one of them. The Audit Committee states in the recommendation that it is free from the influence of a third party and no clause limiting the selection of an audit firm has been imposed on it.

- Members of Audit Committee when selecting an audit firm operating in an international network should be guided by its impartiality, independence, the highest quality of auditing work, knowledge of the business branch in which the Company and it subsidiaries operate.
- The selection of an audit firm takes place pursuant to a resolution of the Company's Supervisory Board, after considering the recommendations of the Audit Committee.
- The contract with the entity providing auditing services may be concluded for a minimum period of 2 years. The inquiry is not prepared in the case when the Company has a valid contract for the provision of audit services in a given year.
- Maximum periods of cooperation with the entity authorized to conduct the audit and mandatory rotation of the key certified auditor:
  - the maximum period of uninterrupted duration of statutory audits referred to in art. 17 sec. the second paragraph of Article 1 (2) of Regulation No 537/2014, carried out by the same audit firm or an audit firm related to that audit firm or any member of the network operating in the European Union countries to which these audit firms belong, may not exceed five years;
  - a key certified auditor may not conduct a statutory audit in the same public interest entity for a period longer than 5 years;
  - a key certified auditor may re-conduct the statutory audit in the entity referred to in par. 2, after at least 3 years from the end of the last statutory audit.

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

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

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

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

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

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

The Management Board of Wirtualna Polska Holding SA confirms that, to the best of their knowledge, the annual consolidated financial statements together with comparative figures, have been prepared according to all applicable accounting standards and reflect a true and fair view of the state of affairs and the financial results of the issuer's Capital Group for the period in question. Moreover, the Management Board of Wirtualna Polska Holding SA confirms that the combined report of the management board on the activities of the Company and its Capital Group shows a true view of the development and achievements and state of affairs of the Company and its Capital Group, including an evaluation of dangers and risks.

II. The representation regarding the entity authorised to perform audit

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

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

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

The Supervisory Board confirms that:

- On 15 February 2016 the Supervisory Board of the Company acting according to provisions of law, professional rules and the opinion of the Audit Committee elected an auditor authorised to review and audit the financial statements and consolidated financial statements of the Company for the years 2016-2018,
- The auditing company and the members of the audit team met the conditions for preparing an impartial and independent audit report on the annual financial statements in accordance with applicable regulations, professional standards and professional ethics,
- The Company complies with the applicable regulations related to the rotation of the auditing company and the key statutory auditor and mandatory grace periods,
- The company has a policy regarding the selection of an audit firm and a policy for providing the issuer by an auditing company, an entity related to the auditing company or a member of its network of additional non-audit services, including conditionally exempt services from the audit company,
- The requirements regarding the appointment, composition and operation of the Audit Committee are met, including the compliance of most of its members with independence criteria, as well as requirements regarding knowledge and skills in the industry in which the Company operates, and in the field of accounting or auditing,
- The Audit Committee performed its tasks provided for in the applicable regulations.

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

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

- Management's Report on the activities of Wirtualna Polska Holding for the period of 3 and 12 months ending 31 December 2018,
- Consolidated financial statements of Wirtualna Polska Holding SA for the year ended 31 December 2018, including,
- Consolidated income statement and other comprehensive income, showing for the year ended 31 December 2018 net profit in the amount of PLN 75,997 thousand,
- Consolidated statement of the financial position, showing total assets as of 31 December 2018 in the amount of PLN 1,063,446 thousand,
- Consolidated statement of changes in equity showing increase in equity in the amount of PLN 47,832 thousand and total value of equity in the amount of PLN 467,760 thousand as of 31 December 2018,
- Consolidated cash flow statement showing increase in cash and cash equivalents in the amount of PLN 20,354 thousand and total value of cash and cash equivalents of PLN 66,663 thousand as of 31 December 2018 ,
- Notes to the consolidated financial statements.

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

Management's Report on activities of Wirtualna Polska Holding SA for the period of 3 and 12 months ending 31 December 2018 and consolidated financial statements of Wirtualna Polska Holding SA for the year ended 31 December 2018 have been prepared in a manner consistent with the accounting records and documents as well as with the actual state and in accordance with the law, in particular the Accounting Act dated 29 September 1994, taking into account the principles of International Financial Reporting Standards and International Accounting Standards.

Consolidated financial statements for the year ending 31 December 2018

CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME

PLN'000	Note	Twelve months ending 31 December 2018	Twelve months ending 31 December 2017
Sales	8	**567 316**	**465 613**
Cost of goods sold		(4 220)	-
Amortization and depreciation		(55 622)	(51 007)
Amortization and depreciation of acquired programming rights		(3 489)	(2 883)
Materials and energy used		(6 192)	(5 877)
Costs related to public offering, acquisitions of subsidiaries and restructuring, including:	9,10	(8 189)	(4 053)
External services	9,10	(5 551)	(1 184)
Salary and employee benefit expense	9,10	(373)	(2 639)
Other operating expenses	9,10	(2 265)	(230)
Costs of the employee option scheme	26	(1 357)	(1 326)
Other external services		(206 030)	(176 545)
Other salary and employee benefit expenses		(164 920)	(134 248)
Other operating expenses	13	(11 426)	(12 033)
Other operating income/gains	12	1 400	988
Operating profit		**107 271**	**78 629**
Finance income	14	2 359	620
Finance costs	15	(17 963)	(19 641)
Revaluation of commitments to purchase non-controlling interests and other liabilities on business combinations		1 771	(5 319)
Profit before tax		**93 438**	**54 289**
Income tax	16	(17 441)	(14 257)
Net profit		**75 997**	**40 032**
Other comprehensive income/(losses) re-classifiable to profit and loss	27	**611**	**238**
The effective part of gains and losses on the cash flow hedges		611	296
Profit or loss on revaluation of financial assets classified as held for sale		-	(58)
Other comprehensive income/(losses) non re-classifiable to profit and loss		**(10)**	**55**
Comprehensive income		**76 598**	**40 325**
Net profit attributable to:			
Equity holders of the Parent Company		73 921	35 325
Non-controlling interests		2 076	4 707
Comprehensive income attributable to:			
Equity holders of the Parent Company		74 532	35 618
Non-controlling interests		2 076	4 707
Net profit attributable to equity holders of the Parent Company per share (in PLN)			
Basic	17	2,56	1,23
Diluted	17	2,54	1,22

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

PLN'000	Note	As of 31 December 2018	As of 31 December 2017 RESTATED
Non-current assets			
Property, plants and equipment	18	58 252	63 013
Goodwill	19, 20	352 090	259 594
Trademarks	19, 20	178 544	157 073
Homepage and WP mail	19	120 961	127 445
Other intangible assets	19	107 159	95 533
Non-current programming assets	22	5 385	8 463
Long-term receivables		501	155
Other financial assets		16 612	16 031
Deferred tax assets	29	15 162	24 922
		854 666	**752 229**
Current assets			
Current programming assets	22	3 369	-
Trade and other receivables	24	138 748	114 986
Cash and cash equivalents		66 663	46 442
		208 780	**161 428**
TOTAL ASSETS		**1 063 446**	**913 657**
Equity			
Equity attributable to equity holders of the Parent Company			
Share capital	25	1 449	1 443
Supplementary capital		320 895	318 759
Revaluation reserve	27	55	(546)
Other reserves		(3 774)	(36 984)
Retained earnings		138 455	117 777
		457 080	**400 449**
Non-controlling interests		***10 680***	***19 479***
		467 760	**419 928**
Long-term liabilities			
Loans and leases	30	337 220	203 507
Other long-term liabilities	33	49 626	92 906
Deferred tax liability	29	17 719	10 879
		404 565	**307 292**
Short-term liabilities			
Loans and leases	30	31 939	13 341
Trade and other payables	33	151 415	162 054
Provisions for employee benefits	32	3 828	3 244
Other provisions	32	1 988	1 845
Current income tax liabilities		1 951	5 953
		191 121	**186 437**
TOTAL EQUITY AND LIABILITIES		**1 063 446**	**913 657**

WP Holding SA

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

PLN'000	Note	Equity attributable to equity holders of the Parent Company: Share capital	Supplementary capital	Revaluation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Equity
Equity as of 1 January 2018		**1 443**	**318 759**	**(546)**	**(36 984)**	**117 777**	**400 449**	**19 479**	**419 928**
Change of accounting policy						(5 901)	(5 901)		(5 901)
Equity adjusted		**1 443**	**318 759**	**(546)**	**(36 984)**	**111 876**	**394 548**	**19 479**	**414 027**
Net profit/ (loss)		-	-	-	-	73 921	73 921	2 076	75 997
Other comprehensive income	27	-	-	601	-	-	601	-	601
Total comprehensive income		**-**	**-**	**601**	**-**	**73 921**	**74 522**	**2 076**	**76 598**
Option scheme	26	6	2 136	-	1 357	-	3 499	-	3 499
Acquisition of non-controlling interest	32,28	-	-	-	31 853	(19 594)	12 259	(13 729)	(1 470)
Acquisition of a subsidiary	20,28	-	-	-	-	-	-	7 260	7 260
Adjustment to minority recognition on acquisition	21	-	-	-	-	-	-	100	100
Dividend paid	25	-	-	-	-	(27 748)	(27 748)	(4 506)	(32 254)
Equity as of 31 December 2018		**1 449**	**320 895**	**55**	**(3 774)**	**138 455**	**457 080**	**10 680**	**467 760**

PLN'000	Note	Equity attributable to equity holders of the Parent Company: Share capital	Supplementary capital	Revaluation reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Equity
Equity as of 1 January 2017		**1 434**	**315 830**	**(839)**	**(38 310)**	**114 143**	**392 258**	**16 467**	**408 725**
Net profit/ (loss)		-	-	-	-	35 325	35 325	4 707	40 032
Other comprehensive income		-	-	293	-	-	293	-	293
Total comprehensive income		**-**	**-**	**293**	**-**	**35 325**	**35 618**	**4 707**	**40 325**
Option scheme		9	2 929	-	1 326	-	4 264	-	4 264
Dividend paid		-	-	-	-	(31 691)	(31 691)	(2 591)	(34 282)
Acquisition of a subsidiary		-	-	-	-	-	-	896	896
Equity as of 31 December 2017		**1 443**	**318 759**	**(546)**	**(36 984)**	**117 777**	**400 449**	**19 479**	**419 928**

WP Holding SA

CONSOLIDATED CASH FLOW STATEMENT

PLN'000	Note	Twelve months ending 31 December 2018	Twelve months ending 31 December 2017 RESTATED
Cash flows from operating activities			
Profit before tax		**93 438**	**54 289**
Adjustments for:		**70 246**	**76 596**
Amortization and depreciation		55 622	51 007
Amortization and depreciation of acquired programming rights		3 489	2 883
Payments for programming rights		(5 929)	(6 850)
Losses on the sale /liquidation/revaluation of property, plant and equipment and intangible assets		647	3 179
Finance costs		17 963	19 641
Financial income on financial asset revaluation		(1 040)	(319)
Revaluation of contingent liabilities arising from business combinations and commitments to purchase non-controlling interests		(1 771)	5 661
Costs of the employee option scheme		1 357	1 326
Other adjustments		(92)	68
Changes in working capital		**2 900**	**(10 848)**
Change in trade and other receivables	39	(18 527)	(28 416)
Change in trade and other payables	39	20 814	17 225
Change in provisions	39	613	343
Income tax paid		(12 623)	(8 412)
Income tax refunded		1 753	2 014
Net cash flows from operating activities		**155 714**	**113 639**
Cash flows from investing activities			
Sale of intangible assets and property, plant and equipment		116	216
Purchase of intangible assets and property, plant and equipment		(42 699)	(41 983)
Repayment of liabilities arising from business combinations		(10 825)	-
Acquisition of subsidiary (less cash acquired)	20	(67 061)	(10 403)
Exercising of the option to acquire non-controlling interest	32	(118 881)	-
Acquisition of financial assets classified as available for sale		-	(15 625)
Net cash flows from investing activities		**(239 350)**	**(67 795)**
Net cash flows from financing activities			
Payments due to share capital increase		2 142	2 938
Loans received		153 379	22 111
Repayment of finance leases		(651)	(893)
Repayment of bank commissions		(2 649)	(4 335)
Interest paid		(11 139)	(7 601)
Repayment of loans received		(4 838)	(20 199)
Dividends paid to the shareholders of the parent company		(27 748)	(31 691)
Dividends to non-controlling shareholders		(4 506)	(2 591)
Net cash flows from financing activities		**103 990**	**(43 757)**
Total net cash flows		**20 354**	**2 087**
Cash and cash equivalents at the beginning of the period		**46 442**	**45 150**
Impact of exchange differences on cash and cash equivalents		(133)	(795)
Cash and cash equivalents at the end of the period		**66 663**	**46 442**

Notes to consolidated financial statements

1. GENERAL INFORMATION

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

As of 31 December 2018 Wirtualna Polska Holding Capital Group composed of the Parent Company and 14 consolidated subsidiaries.

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

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

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 2018.

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

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

NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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

- **IFRS 9 „Financial instruments"**

IFRS 9 replaces IAS 39. The standard introduces one model providing for only two categories of classification of financial assets: measured at fair value and measured at amortized cost. The classification is made at the moment of initial recognition and depends on the model of management of financial instruments adopted by the entity and the characteristics of contractual cash flows from these instruments. IFRS 9 introduces a new model in the area of determining revaluation write-offs - the model of expected credit losses. With regard to the hedge accounting policy, the Group remains in compliance with the rules in force under IAS 39.

The Group adopted IFRS 9 from 1 January 2018, which resulted in changes in accounting policies and adjustments to amounts recognized in the financial statements. The Group applied the standard retrospectively but used the option not to transform the comparative data. As a result comparative data is based on accounting principles used and described by the Group in the financial statements for the year ended 31 December 2017.

First adoption of IFRS 9

Impairment allowances determined by the expected loss method - trade receivables

As at 1 January 2018, in accordance with the accounting policy described in note 17, the Group recalculated its allowances for trade receivables, which resulted in an increase in the impairment loss by PLN 345 thousand.

The amount of this adjustment, net of deferred tax in the amount of PLN 66 thousand, was applied to the retained earnings as at 1 January 2018 and decreased its value by PLN 279 thousand.

Impairment allowances determined by the expected loss method - cash and cash equivalents

In accordance with IFRS 9, from 1 January 2018, the Group classifies cash and cash equivalents as financial assets measured at amortized cost, taking into account impairment losses determined in accordance with the expected credit loss model. In order to estimate write-downs on cash and cash equivalents, the Group assessed the default risk, in particular the assessment of reliability, i.e. the probability of banks' default, on whose accounts cash is deposited. This probability was established on the basis of the external ratings of these banks and the publicly available information of the credit rating agencies on the probability of default.

The analysis determined that these assets have a low credit risk. The Management Board refrained from creating a revaluation write-off due to immateriality.

Valuation of a financial liability due to a change in the terms of the loan agreement in 2017

The effects of changing the terms of the loan agreement (Note 30), which are recognized in the financial statements for the year 2017 by adjusting the effective interest rate on the liability in order to settle the difference between the carrying amount and the discounted value of modified future payments over the expected financing period, under IFRS 9 are recognized in profit or loss .

As of 1 January 2018, a recalculation was made using the effective interest rate before the change in the terms of the contract, which resulted in an increase in loan liabilities from PLN 211,650 thousand up to PLN 218,615 thousand. Adjustment of PLN 6,940 thousand, net of deferred tax in the amount of PLN 1,318 thousand, was recognized in the retained earnings as at 1 January 2018 and decreased its value by PLN 5,622 thousand.

The total impact of the above adjustments on retained earnings on 1 January 2018 amounted to PLN 5,901 thousand.

Introduction of IFRS 9 did not change the method of valuation of financial assets and liabilities. Items measured at amortized cost in accordance with IAS 39 are also measured at amortized cost after applying IFRS 9.

IFRS 15 "Revenue from contracts with customers"

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

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

In accordance with the requirements of the standard, the Group recognizes sales revenues when it passes control over the promised goods or services to the client and in the amount of the transaction price to which it is expected to be entitled, taking into account adjustments resulting from variable remuneration elements such as rebates and the right to return the goods. Depending on the fulfilment of certain criteria, revenues are recognized over time in a way that illustrates the degree of performance of the contract, or recognized once, when the control over the goods or services is transferred to the customer.

The Group applied IFRS 15 from 1 January 2018. The Group has analysed its main revenue streams, namely:

- Revenue from the sale of online advertising;
- Revenues from intermediation in the sale of tourist services;
- Revenue from the sale of TV advertising;

The Group analysed the structure and characteristics of transactions that are carried out within the above revenue streams. Based on the analysis, the Group concluded that as at the date of first application, the IFRS 15 standard did not have a material impact on the recognition date, the amount and type of revenue presented in the financial statements.

The Group adopted IFRS 15 from 1 January 2018, which resulted in the change of accounting principles and exclusively presentation adjustments of amounts recognized in the financial statements. The Group applied IFRS 15 retrospectively, did not use the option of not converting data for comparative periods.

First adoption of IFRS 15

In connection with the implementation of IFRS 15, the Group introduced changes in the presentation method of selected balance sheet items and took into account the requirements for additional disclosures applicable to annual financial statements.

Annual rebates due to clients

The estimated liabilities due to annual rebates due to clients that were previously presented after being offset against receivables from a given entity in "Trade receivables" or "Trade payables" respectively (depending on the final balance of the entity) are now presented under "Contract and refund liabilities. " The above change resulted in the increase of the Group's balance sheet total as at 31 December 2017 by PLN 19,751 thousand.

The right to remuneration for commission on tourist services

The right to remuneration for commissions on tourist services, which so-far was recognized as "Trade receivables", is currently recognized under "Contract assets". The above change did not change the Group's balance sheet total.

Received prepayments for services and goods that were not carried out and delivered as at the balance sheet date

The received prepayments for services which, as at the balance sheet date, have not been performed or delivered to the client and will be realized in subsequent periods, which so far has been recognized under "Deferred income", are now recognized under "Contract and refund liabilities". The above change did not change the balance sheet total of the Group.

The table below presents the impact of the application of IFRS 15 on the statement of financial position of the Group as at 31 December 2017.

PLN'000	As of 31 December 2017	MSSF15 Adjustment	As of 31 December 2017 RESTATED
Non-current assets	**752 229**	**-**	**752 229**
Current assets	**141 677**	**19 751**	**161 428**
Current programming assets	-	-	-
Trade and other receivables	95 235	19 751	114 986
Cash and cash equivalents	46 442		46 442
	893 906	**19 751**	**913 657**
Equity	**419 928**	**-**	**419 928**
Long-term liabilities	**307 292**	**-**	**307 292**
Short-term liabilities	**166 686**	**19 751**	**186 437**
Loans and leases	13 341	-	13 341
Trade and other payables	142 303	19 751	162 054
Provisions for employee benefits	3 244	-	3 244
Other provisions	1 845	-	1 845
Current income tax liabilities	5 953	-	5 953
TOTAL EQUITY AND LIABILITIES	**893 906**	**19 751**	**913 657**

The table below presents the impact of the application of IFRS 15 on the statement of financial position of the Group as at 1 December 2017.

PLN'000	As of 31 December 2017	MSSF15 Adjustment	As of 31 December 2017 RESTATED
Non-current assets	**729 742**	**-**	**729 742**
Current assets	**122 454**	**9 665**	**132 119**
Current programming assets	-	-	-
Trade and other receivables	77 304	9 665	86 969
Cash and cash equivalents	45 150	**-**	45 150
TOTAL ASSETS	**852 196**	**9 665**	**861 861**
Equity	**408 725**	**-**	**408 725**
Long-term liabilities	**330 132**	**-**	**330 132**
Short-term liabilities	**113 339**	**9 665**	**123 004**
Loans and leases	39 202	-	39 202
Trade and other payables	68 845	9 665	78 510
Provisions for employee benefits	3 276	-	3 276
Other provisions	1 511	-	1 511
Current income tax liabilities	505	-	505
TOTAL EQUITY AND LIABILITIES	**852 196**	**9 665**	**861 861**

The table below presents the impact of the application of IFRS 15 on the cash flow statement for the twelve months ended 31 December 2017:

PLN'000	Twelve months ending 31 December 2018	MSSF15 Adjustment	Twelve months ending 31 December 2018 RESTATED
Cash flows from operating activities			
Profit before tax	**54 289**		**54 289**
Adjustments in operating activity	**76 596**		**76 596**
Changes in working capital	**(10 848)**		**(10 848)**
Change in trade and other receivables	(18 330)	(10 086)	(28 416)
Change in trade and other payables	7 139	10 086	17 225
Change in provisions	343		343
		-	
Income tax paid	(8 412)		(8 412)
Income tax refunded	2 014		2 014
Net cash flows from operating activities	**113 639**		**113 639**
			-
Cash flows from investing activities	**(67 795)**		**(67 795)**
Net cash flows from financing activities	**(43 757)**		**(43 757)**
Total net cash flows	**2 087**		**2 087**
			-
Cash and cash equivalents at the beginning of the period	**45 150**		**45 150**
Impact of exchange differences on cash and cash equivalents	(795)		(795)
Cash and cash equivalents at the end of the period	**46 442**		**46 442**

The application of IFRS 15 did not affect the statement of income and other comprehensive as well as the Group's capitals.

Explanations to IFRS 15 "Revenue from contracts with customers"

Explanations to IFRS 15 "Revenues from contracts with customers" were published on 12 April 2016 and apply to financial statements prepared after 1 January 2018.

The explanations provide additional information and explanations regarding the main assumptions adopted in IFRS 15, including on the identification of separate duties, determining whether the entity acts as an intermediary (agent), or is the main supplier of goods and services (principal) and the method of recording revenue from licenses.

In addition to the additional explanations, exemptions and simplifications were introduced for units applying the new standard for the first time.

The Group applied the Notes to IFRS 15 from 1 January 2018.

In these consolidated financial statements, the Group has not decided to adopt the following published standards, interpretations or amendments to existing standards before their effective date.

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 is going to apply IFRS 16 from 1 January 2019. The Management Board has appointed a project team wo conducted a detailed analysis of the company's agreements with respect to their recognition in accordance with the new standard and to assess the impact of this change on the consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

PLN'000	As of 1 January 2019	MSSF 16 impact	As of 1 January 2019 (adjusted)
Fixet assets	58 252	15 270	73 522
Including: right of use of an asset	-	15 270	15 270
Other non-current assets	796 414	-	796 414
Non-current assets	**854 666**	**15 270**	**869 936**
Current Assets	**208 780**	**(140)**	**208 640**
TOTAL ASSETS	**1 063 446**	**15 130**	**1 078 576**
Equity	**467 760**	**-**	**467 760**
Loans and leases	337 220	10 193	347 413
Other long term liabilities	67 345	-	67 345
Long term liabilities	**404 565**	**10 193**	**414 758**
Loans and leases	31 939	7 839	39 778
Other short- term liabilities	159 182	(2 901)	156 281
Short-term liabilities	**191 121**	**4 938**	**196 059**
TOTAL EQUITY AND LIABILITIES	**1 063 446**	**15 130**	**1 078 576**

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

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

Discount rates adopted by the Company for the purpose of valuation in accordance with IFRS 16 were based on WIBOR and EURIBOR rates, adjusted for the margin used by companies of the group to incur debt. Discount rates include the maturity and currency of contracts and are not differentiated by type of asset.

- **IFRIC 23: Uncertainty related to the recognition of income tax**

IFRIC 23 clarifies the recognition and measurement requirements in IAS 12 in a situation of uncertainty related to the recognition of income tax. The guidelines are valid for annual periods beginning on 1 January 2019 or after that date.

Annual changes to IFRS 2015 - 2017

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

IFRS 3 "Business combinations"

As a result of the amendment to IFRS 3, the definition of "venture" has been modified. The currently introduced definition has been narrowed down and is likely to result in more acquisitions as a purchase of assets. Amendments to IFRS 3 are effective for annual periods beginning on 1 January 2020 or after that date. As at the date of preparation of these consolidated financial statements, this change has not yet been approved by the European Union.

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

The Council has published a new definition of the term 'materiality'. Amendments to IAS 1 and IAS 8 clarify the definition of materiality and increase consistency between standards, but are not expected to have a significant impact on the preparation of financial statements. The change is mandatory for annual periods beginning on 1 January 2020 or after that date. As at the date of preparation of these consolidated financial statements, these changes have not yet been approved by the European Union.
The previously issued and non-binding amendments to standards and interpretations will not have a material impact on the consolidated financial statements of the Group.

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

CONSOLIDATION

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.

NON-CONTROLLING INTERESTS AND TRANSACTIONS WITH NON-CONTROLLING SHAREHOLDERS

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

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

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

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

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

ASSOCIATES

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

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

OPERATING SEGMENTS REPORTING

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

MEASUREMENT OF ITEMS DENOMINATED IN FOREIGN CURRENCIES

FUNCTIONAL AND PRESENTATION CURRENCIES

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

TRANSACTIONS AND BALANCES

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

PROPERTY, PLANT AND EQUIPMENT

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

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

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

	Period:
• 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 2.19).

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

INTANGIBLE ASSETS

GOODWILL

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

COPYRIGHTS

Purchased copyrights relating to the contents of the websites operated by the Group are carried at the amounts corresponding to the costs incurred on their purchase. These costs are amortised over the estimated useful lives of 2–10 years. The useful life estimates and amortisation method are verified at the end of each financial year.

COMPUTER SOFTWARE

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

TRADEMARKS AND CLIENT RELATIONS AND INTERNET DOMAINS

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

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

Period:

- Trademarks 2-20 years or indefinite period;
- Client relations 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.

OWNERSHIP RIGHTS – INTERNALLY GENERATED DEVELOPMENT PROJECTS

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

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

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

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

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

PROGRAMMING ASSETS

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

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

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

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

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

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

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

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

FINANCIAL ASSETS

The Group has financial assets belonging to the following categories:

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

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

- **Financial assets at amortized cost**

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

- assets are maintained as part of a business model whose purpose is to maintain assets in order to obtain cash flows resulting from the contract;
- its contractual terms give rise to cash flows at specified times, only repayment of principal and interest on the principal outstanding ('SPPI').

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

- **Financial assets at fair value through other comprehensive income**

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

Financial assets at fair value through profit or loss

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

LOSS OF VALUE OF FINANCIAL ASSETS

The Group's policy regarding the impairment of financial assets is in line with the requirements of IFRS 9, which requires estimation of the expected loss, regardless of whether or not there were any reasons to create such a write-off. The standard provides for a 3-stage classification of financial assets in terms of their impairment:

(i) the first degree of risk, i.e. balances for which there has been no significant increase in credit risk since the initial recognition and for which the expected loss is determined based on the probability of default within 12 months;
(ii) second degree of risk - balances for which there has been a significant increase in credit risk since the initial recognition and for which an expected loss is determined based on the probability of default throughout the entire loan period;
(iii) the third degree of risk - the balance with the identified impairment.

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

The Group performed a portfolio analysis of receivables based on the existing credit classification of contractors and applied a simplified matrix of write-offs in individual age ranges based on expected loan losses over the entire lifetime of receivables for individual receivables portfolios. The analysis was made based on the indicators of expected non-performance of liabilities determined based on historical data.

OPTION-RELATED COMMITMENTS TO PURCHASE NON-CONTROLLING INTEREST

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

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

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

NON-CURRENT ASSETS (DISPOSAL GROUP) HELD FOR SALE

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

TRADE RECEIVABLES

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

CASH AND CASH EQUIVALENTS

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

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

SHARE CAPITAL

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

DIVIDEND DISTRIBUTION

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

LOANS AND BORROWINGS

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred. Loans and borrowings are subsequently shown at amortised cost. Any differences between the proceeds (net of transaction costs) and the redemption value are recognised in the income statement over the period of the relevant agreements using the effective interest method.

Fees for availability of loan are recorded as transaction costs to an extent to which it is probable that the loan shall be used in whole or in part in the future. In this case, the fees are deferred until the time the loan is actually used. Where it is not probable that a loan would be used in whole or in part, the fee is capitalised as an advance payment for liquidity-related services and amortised over the period of the loan to which it relates.

BORROWING COSTS

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

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

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

TRADE PAYABLES

Trade payables are obligations to pay for goods and services acquired in the course of normal business activities. Trade payables are classified as short-term liabilities if their settlement is expected within one year (or in the normal business cycle of the enterprise, if longer). Otherwise, they are shown as long-term.

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

CURRENT AND DEFERRED INCOME TAX

Corporate income tax for a reporting period comprises current and deferred tax. Current income tax is calculated on the basis of taxable income (tax base) for a given financial year and the binding tax rate, based on the binding tax regulations.

Deferred income tax liabilities and assets are recorded on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax is not recorded if it arose on initial recognition of goodwill or initial recognition of an asset or a liability as part of a transaction other than a business combination, which does not affect profit or loss or taxable income (tax loss).

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

Deferred income tax is determined using tax rates (and laws) that were enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax is recognised in profit or loss, except for situations when it relates to items recorded in other comprehensive income or directly in equity. Deferred tax is then also recorded in other comprehensive income or in equity.

Deferred tax assets and liabilities can be balanced off when the entity has an enforceable title to balance off its current income tax receivables and liabilities and when the deferred tax assets and liabilities relate to income tax imposed on the same tax-payer by the same tax authorities.

INCENTIVE SCHEME – SHARE BASED PAYMENTS

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

Equity settled share-based incentive schemes

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

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

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

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

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

Cash settled share-based incentive schemes

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

PROVISIONS

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

REVENUE RECOGNITION

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

- **Revenue from online advertisements**

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

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

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

- **Revenue from TV advertisements**

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

- **Income and costs from barter transactions**

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

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

CONTRACT ASSETS AND LIABILITIES

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

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

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

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

LEASES – THE GROUP AS A LESSEE

A lease agreement where a considerable part of the 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 substantially bears all the risks and substantially draws all the benefits of ownership – is classified as a finance lease. Assets and liabilities relating to a finance lease are recorded upon 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 25 March 2019.

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 2017.

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

Deferred tax asset

Deferred tax asset on contributing to the business

In 2011, the Parent Company contributed its business with a fair value of PLN 311,000 thousand to the subsidiary Wirtualna Polska Media SA (formerly Grupa Wirtualna Polska S.A.). As a result of this transaction, a temporary difference arose in the consolidated financial statements between the tax and carrying value of the contributed business's assets of PLN 265,195 thousand. A deferred tax asset was recorded on this difference which as of 31 December 2018 amounted to PLN 12,534 thousand (PLN 16,855 thousand as of 31 December 2017).

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

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

In December 2016, Wirtualna Polska Media SA sold all of its shares in WP Shopping Sp. z o.o. to an external entity Nextfield Investments Limited. The tax loss on the sale of shares in WP Shopping as per individual accounting books of Wirtualna Polska Media SA amounted to PLN 377,652 thousand. The Company has prepared detailed tax and financial projections for the following years, showing the estimated taxable income on the basis of which the Management Board has decided to recognize in 2016 an additional asset on the tax loss in GWP of PLN 54,996 thousand. The company updated its financial and tax forecasts for the following years, and recognised additional tax loss in 2018 in the amount of PLN 6,292. The total value of deferred tax asset recognized on tax losses as of 31 December 2018 amounted to PLN 41,022 thousand.

Recovery of the deferred tax asset

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

Amortisation and depreciation rates

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

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

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.

Approach to barter transactions

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

Litigation

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

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

Commitments in respect of put options for non-controlling interests are subsequently measured at the amount being the best present estimate of the discounted purchase price (the commitments are presented as other liabilities; see note 32).

As of the date of preparing these financial statements the Group has option-related commitment to purchase non-controlling interests in Nocowanie.pl Sp. z o.o. The final settlement of the Domodi put option libilitiy is decribed in the note 32.

Nocowanie.pl Sp. z o.o.

The basic assumptions being the basis for the options' valuation are as follows: forecasted EBITDA and its average annual growth rate, which are the basis for the calculation of the option exercise price and discount rate of 5,02%. An increase in the forecasted growth dynamics of revenues by 1 p.p. per annum in the years 2019–2020 increases the value of liabilities by 1.2%. An increase in the forecasted EBITDA margin by 1 p.p. per annum in the years 2019-2020 increases the value of the liabilities by 2.8%. An increase in the discount rate of 1 p.p. decreases the liability by 1.7%.

The commitment was initially estimated at PLN 11,571 thousand. As of 31 December 2018 the value of these commitments amounted to PLN 21,763 thousand and as of 31 December 2017 amounted to PLN 19,194 thousand.

Details concerning changes of value of these commitments during 2018 are described in note 32 to the consolidated financial statements for the year 2018.

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

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

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

Impairment tests

Goodwill and intangible assets were subject to an impairment test as of 31 December 2018. Details of the test are discussed in Note 19.

Allowances for trade receivables

The Group creates allowance based on expected credit loss in the entire life of the receivables for each receivables portfolio. The Group conducted a portfolio analysis of receivables based on current credit ratings of clients and used simplified matrix of allowances in particular ageing segments. The analysis was conducted based on expected credit loss ratios determined on historical data (note 24).

Estimate of the annual rebates liability

As a part of cooperation with clients, the Group grants annual rebates. These rebates are granted to clients individually or in groups based on turnover value or percentage achieved. During the year the Group estimates annual rebates liabilities based on current turnover forecast and recognizes them as a reduction of revenues for the period. The annual rebates are a variable consideration recognized to the extent to which it is highly probable that there will be no reversal of a significant part of revenues The final amounts of rebates are known after the end of the financial year.

Estimate of liabilities due to contingent consideration related to business combinations

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

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

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

5. INFORMATION ON SEASONALITY IN GROUP'S OPERATIONS

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

6. INFORMATION ON SEGMENT REPORTING

Starting from 2016, after obtaining the final decision of the National Broadcasting Council and after the launch of the television program in Multiplex 8, the Management Board re-segmented its activities and analyses Capital Group's activity regarding revenue streams and the EBITDA operating result, divided into two segments – i.e. Online and TV. The main operating segment continues to be Online – i.e. the Group's activity on the Internet. Although the TV segment did not meet the requirements of IFRS 8 as to its separation in 2018 and 2017, however, due to the significant difference in its character and perspective, the Management Board decided to present information regarding this segment from 2016.

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

Twelve months ending 31 December 2017 (PLN'000)	Online Segment	TV Segment	Total
Sales	457 482	8 131	465 613
including cash sales	424 502	8 131	432 633
EBITDA (NOTE 9)	142 192	(12 556)	129 636
Adjusted EBITDA (NOTE 9)	150 580	(12 195)	138 385

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

7. THE GROUP'S STRUCTURE

As of 31 December 2018 the Capital Group represented: the parent company Wirtualna Polska Holding SA and 14 subsidiaries. The consolidated financial statements of the Group comprise the Company and the following subsidiaries:

No.	Name of subsidiary	Location	% of shares	
			31 December 2018	31 December 2017
1	Wirtualna Polska Media S.A.	Poland, Warsaw	100%	100%
2	http Sp. z o.o.[(2)]	Poland, Warsaw	-	100%
3	Totalmoney.pl Sp. z o.o.	Poland, Wroclaw	100%	100%
4	Businessclick Sp. z o.o.	Poland, Warsaw	100%	100%
5	Brand New Media Sp. z o.o.[(1)]	Poland, Wroclaw	-	100%
6	Dobreprogramy.pl Sp. z o.o.[(2)]	Poland, Wroclaw	-	51%
7	Finansowysupermarket.pl Sp. z o.o.	Poland, Wroclaw	100%	100%
8	Domodi Sp. z o.o.	Poland, Wroclaw	100%	51%
9	Wakacje.pl S.A.	Poland, Gdansk	100%	100%
10	Nocowanie.pl Sp. z o.o.	Poland, Lublin	75%	75%
11	Netwizor Sp. z o.o.	Poland, Warsaw	100%	100%
12	eHoliday.pl Sp. z o.o.	Poland, Warsaw	75%	75%
13	WP Zarządzanie Sp. z o.o.	Poland, Warsaw	100%	100%
14	My Travel Sp. z o.o.	Poland, Warsaw	100%	-
15	Extradom.pl Sp. z o.o.	Poland, Wroclaw	100%	-
16	Parklot Sp. z o.o.	Poland, Warsaw	100%	-
17	Superauto24.com Sp. z o.o.	Poland, Chorzow	51%	-

(1) On 6 February 2018 Money.pl Sp. z o.o. and Brand New Media Sp. z o.o. merged by transferring all assets of Brand New Media Sp. z o.o. to Money.pl Sp. z o.o.

(2) On 31 July 2018, dobreprogramy.pl Sp. z o.o., http Sp. z o.o Wirtualna Polska Media S.A.. merged by transferring all assets of dobreprogramy.pl Sp. z o.o. and http Sp. z o.o to Wirtualna Polska Media S.A.

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

Changes in the Group's structure in 2018

On 15 March 2018, Wirtualna Polska Holding SA and shareholders of Domodi Sp. s o.o. concluded with the participation of Wirtualna Polska Media SA a share purchase agreement on the basis of which the Company acquired a total of 918 shares, representing approximately 35% of the share capital of Domodi and entitling to exercise about 35% of votes at the shareholders' meeting of Domodi.

On 4 September 2018, the Company concluded with the minority shareholders of Domodi a sales agreement under which the Company acquired a total of 364 shares with a par value of PLN 200 each, representing approximately 14% of the share capital of Domodi and entitling to exercise approximately 14% of votes at the Shareholders' Meeting of Domodi. After the settlement of both transactions, the Group owns 100% of shares in Domodi entitling to exercise 100% of votes at the shareholders' meeting.

On 22 March 2018, Wirtualna Polska Holding SA and shareholders of Dobreprogramy.pl Sp. z o.o. concluded a share purchase agreement on the basis of which the Company acquired a total of 980 shares, representing approximately 49% of the share capital of Dobreprogramy.pl and entitling to exercise about 49% of votes at the shareholders' meeting of Domodi. Prior to the transaction, the Group had a controlling stake of 51% of shares in Dobreprogramy.pl. As a result of the transaction, a total of 100% of Dobreprogramy.pl shares are owned by the companies of the WPH Capital Group.

On 17 May 2018 Wakacje.pl Sp. z o.o. acquired 100% of shares in My Travel Sp. z o.o.

On 4 October 2018 Wakacje.pl SA acquired 100% of shares in Parklot sp. z o.o.

On 29 October 2018 Wirtualna Polska Holding SA concluded with ASP Capital Sp. z o.o. a share purchase agreement under which the Company acquired a total of 14.163 shares in Extradom.pl Sp. z o.o. representing 100% of share capital and entitling to exercise 100% of votes at the shareholders' meeting.

On 19 December 2018 Wirtualna Polska Holding concluded with two natural persons, Superauto24.com Sp. z o. o ., Grupa Super Auto sp. o.o. and Super Auto sp.j. B. Chojnacki, K. Makula a promised sale agreement of 20 shares in Superauto24.com sp. o.o. and took 11 shares in the increased share capital of Superauto24.com. As a result of the Transaction, after registering the share capital increase of Superauto24.com by the registry court, the Issuer will own 50.8% of Superauto24.com shares entitling to exercise 50.8% of votes at the Shareholders Meeting of Superauto24.com.

Mergers in 2018

The following mergers took place in 2018, all pursuant to article 492 section 1 item 1 of the Polish Commercial Companies Code:

- On 6 February 2018 Money.pl Sp. z o.o. and Brand New Media Sp. z o.o. merged by transferring all assets of Brand New Media Sp. z o.o. to Money.pl Sp. z o.o.
- On 31 July 2018, dobreprogramy.pl Sp. z o.o., http Sp. z o.o Wirtualna Polska Media S.A.. merged by transferring all assets of dobreprogramy.pl Sp. z o.o. and http Sp. z o.o to Wirtualna Polska Media S.A.

On 16 March 2018 Money.pl Sp. z o.o. changed its name to Totalmoney.pl Sp. z o.o.

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

On 26 March 2019 Wakacje.pl SA acquired 100% of shares in Travel Network Solutions, a franchise network of Wakacyjny Świat. The purchase price amounted to PLN 6.8 million.

On 18 March 2019 Wirtualna Polska Holding SA acquired 13,11% of shares in Teroplan SA, the owner of e-podróżnik.pl.

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

8. SALES

PLN'000	Twelve months ending 31 December 2018	Twelve months ending 31 December 2017
Sales in ONLINE segment, including:	**550 816**	**457 482**
Sales of services settled in cash	526 254	424 502
Sales of services settled in barter	24 562	32 980
Sales in TV segment, including:	**16 500**	**8 131**
Sales of services settled in cash	16 500	8 131
Sales of services settled in barter	-	-
Total	**567 316**	**465 613**

PLN'000	Twelve months ending 31 December 2018	Twelve months ending 31 December 2017
Domestic sales	448 532	364 071
Export sales	118 784	101 542
European Union	101 809	89 762
Outside European Union	16 975	11 780
Total	**567 316**	**465 613**

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

PLN'000	As of 31 December 2018	As of 31 December 2017
Contract asstes	**11 248**	**8 885**
Accrued provision income on sale of touristic services	11 248	8 885
Contract and refund liabilities	**32 566**	**27 489**
Refund liabilty	23 318	21 025
Contract liabilities, including:	9 248	6 464
Pre-paid subscriptions and positioning points	7 536	5 258
Other	1 712	1 206

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

In 2018, there was a change in the amount of the accrual for the commission for tourist services, which was caused by the acquisition of My Travel Sp. z o.o. as well as by the organic growth of companies acting as tourist agents.. Liabilities due to pre-paid subscriptions and positioning points increased as a result of an increase in the sales volume of companies providing services in this area.

9. EBITDA AND ADJUSTED EBITDA

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

PLN'000	Twelve months ending 31 December 2018	Twelve months ending 31 December 2017
Profit before tax	**93 438**	**54 289**
Finance costs	17 963	19 641
Finance income	(2 359)	(620)
Revaluation of commitments to purchase non-controlling interests	(1 771)	5 319
Operating profit	**107 271**	**78 629**
Amortization and depreciation of fixed assets and intangibles	55 622	51 007
EBITDA	**162 893**	**129 636**
Adjustments including:		
Restructuring and transaction costs - external services	5 551	1 184
Restructuring and transaction costs – salary and employee benefits	373	2 639
Restructuring and transaction costs -other operating activity	2 265	230
Costs of the employee option scheme	1 357	1 326
Net result on barter transactions settlement	(58)	267
Revaluation and liquidation of non-financial assets	647	3 140
Other	(28)	(37)
Adjusted EBITDA	**173 000**	**138 385**

10. ADJUSTED PROFIT BEFORE TAX

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

PLN'000	Twelve months ending 31 December 2018	Twelve months ending 31 December 2017
Profit before tax	**93 438**	**54 289**
Adjustments including:		
Restructuring and transaction costs - external services	5 551	1 184
Restructuring and transaction costs – salary and employee benefits	373	2 639
Restructuring and transaction costs -other operating activity	2 265	230
Costs of the employee option scheme	1 357	1 326
Gain/loss on disposal of other financial assets	-	-
Net result on barter transactions settlement	(58)	267
Revaluation and liquidation of non-financial assets	647	3 140
Revaluation of commitments to purchase non-controlling interests and other liabilities related to business combinations	(1 771)	5 319
Other	(28)	(37)
Total adjustments	**8 336**	**14 068**
Adjusted profit before tax	**101 774**	**68 357**

11. BARTER TRANSACTIONS

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

PLN'000	Twelve months ending 31 December 2018	Twelve months ending 31 December 2017
Sales	24 562	32 980
External services	(24 375)	(32 966)
Other operating expenses	(129)	(281)
Net result on barter transactions settlement	**58**	**(267)**

12. OTHER OPERATING INCOME/GAINS

The following table presents other operating income/gains:

PLN'000	Twelve months ending 31 December 2018	Twelve months ending 31 December 2017
Revenues from grants	475	530
Liabilities expired and forgiven	75	190
Repayment of receivables previously written off	-	37
Other	850	231
Total	**1 400**	**988**

13. OTHER OPERATING EXPENSES

The following table presents the other operating expenses incurred by the Group in the years 2018 and 2017:

PLN'000	Twelve months ending 31 December 2018	Twelve months ending 31 December 2017
Representation and other costs by type, including:	4 342	3 629
Representation	2 172	1 600
Other costs by type	2 170	2 029
Write-downs of receivables	368	898
Podatki i opłaty	2 818	2 365
Taxes and charges	953	535
Revaluation of provisions	528	3 140
Revaluation and liquidation of non-financial assets	119	39
Other costs by type	2 298	1 427
Costs related to acquisitions of subsidiaries and restructuring	2 265	230
Total	**13 691**	**12 263**
including:		
Restructuring related costs	2 265	230
Other operating expenses	11 426	12 033

14. FINANCE INCOME

The following table presents the financial income incurred by the Group in the years 2018 and 2017:

PLN'000	Twelve months ending 31 December 2018	Twelve months ending 31 December 2017
Interest income	341	301
Currency exchange differences	968	-
Other	1 050	319
Total	**2 359**	**620**

15. FINANCE EXPENSES

The following table presents the financial expenses incurred by the Group in the years 2018 and 2017:

PLN'000	Twelve months ending 31 December 2018	Twelve months ending 31 December 2017
Interest and commissions	13 955	9 556
Reversal of discount on investment liabilities	3 566	6 948
Revaluation of financial assets	88	2 324
Other	354	813
Total	**17 963**	**19 641**

16. CURRENT AND DEFERRED INCOME TAX

The following table presents the current and deferred tax for 2018 and 2017.

PLN'000	Twelve months ending 31 December 2018	Twelve months ending 31 December 2017
Current income tax	**5 926**	**11 334**
For the financial year	5 926	11 334
Adjustments to previous year	-	-
Deferred tax	**11 515**	**2 923**
Temporary differences arising and reversed	11 515	2 923
Total income tax	**17 441**	**14 257**

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

PLN'000	Twelve months ending 31 December 2018	Twelve months ending 31 December 2017
Profit before tax	**93 438**	**54 289**
Corporate income tax at the statutory rate of 19%	**17 753**	**10 315**
Tax effects of the following items:		
Revenues and costs non-taxable permanent differences	2 915	937
Revaluation of commitments to purchase non-controlling interests	(337)	1 011
The reversal of the discount on commitments to purchase non-controlling interest	655	1 172
Unrecognized tax assets	2 173	537
Activated portion of tax loss on the sale of WP Shopping	(6 292)	-
Other	574	285
Total income tax	**17 441**	**14 257**

Tax settlements and other regulated areas of activities (for example, customs or foreign currency issues) may be subject to inspections by administrative bodies which are entitled to impose high penalties and sanctions. The lack of reference to established legal regulations in Poland results in ambiguities and inconsistencies in the binding regulations. Frequent differences of opinion as to the legal interpretation of tax regulations, both internally within the state bodies and between the state bodies and enterprises, result in areas of uncertainty and conflict. Due to these factors the tax risk in Poland is considerably higher than in countries with more precisely developed tax systems. Tax settlements may be subject to inspections within five years from the end of the year in which tax was paid. As a result of inspections, the Group's tax settlements may be increased by additional tax liabilities. The Group is of the opinion that as of 31 December 2018 there were no premises to record a provision against identifiable and measurable tax risk.

As a result of the General Anti-Avoidance Rule (GAAR), effective July 15, 2017, which aims to prevent the creation and use of artificial legal structures created to avoid taxation in Poland, the Parent Entity's Management has carried out a comprehensive analysis of the tax situation of the Group's entities, identified and evaluated transactions and operations that could potentially be covered by GAAR and considered their impact on deferred tax, tax value of assets, and tax risk. In the opinion of the Management Board, the analysis did not indicate the need to adjust the current and deferred income tax items. Nevertheless, in the opinion of the Management Board, in case of GAAR there is an inherent uncertainty as to the interpretation of the tax law adopted by the Company that may affect the ability to realize deferred tax assets in future periods and the payment of additional tax for past periods.

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 26).

PLN'000	Twelve months ending 31 December 2018	Twelve months ending 31 December 2017
Net profit attributable to equity holders of the Parent Company	**73 921**	**35 325**
Weighted average number of shares shown for the purpose of calculating basic earnings per share (no. of units)	28 891 220	28 770 241
Effect of diluting the number of ordinary shares	182 410	212 857
Weighted average number of ordinary shares shown for the purpose of calculating diluted earnings per share (no. of units)	29 073 630	28 983 098
Basic (in PLN)	2,56	1,23
Diluted (in PLN)	*2,54*	*1,22*

18. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Description	Buildings, structures and leasehold improvements	Servers, machines and other devices	Vehicles	Other property, pland and equipment items	Fixed assets under construction	Total
Gross carrying amount as of 1 January 2018	**14 856**	**86 471**	**1 280**	**5 378**	**9 629**	**117 614**
Additions due to:	***451***	***11 005***	***1 361***	***792***	***(546)***	***13 063***
- purchases and transfers	439	10 934	554	633	(546)	12 014
- business combinations (Note 20)	12	71	807	159		1 049
Disposals due to:	***(32)***	***(8 481)***	***(344)***	***(224)***	***-***	***(9 081)***
- liquidation	(32)	(8 481)	(344)	(224)	-	(9 081)
Gross carrying amount as of 31 December 2018	**15 275**	**88 995**	**2 297**	**5 946**	**9 083**	**121 596**
Accumulated depreciation as of 1 January 2018	**3 446**	**48 375**	**405**	**2 168**	**-**	**54 394**
Additions due to:	***2 562***	***13 416***	***276***	***979***	***-***	***17 233***
- depreciation	2 562	13 416	276	979	-	17 233
Disposals due to:	***(27)***	***(7 983)***	***(274)***	***(206)***	***-***	***(8 490)***
- liquidation	(27)	(7 983)	(274)	(206)	-	(8 490)
Accumulated depreciation as of 31 December 2018	**5 981**	**53 808**	**407**	**2 941**	**-**	**63 137**
Impairment loss as of 1 January 2018	**-**	**207**	**-**	**-**	**-**	**207**
Impairment loss as of 31 December 2018	**-**	**207**	**-**	**-**	**-**	**207**
Net carrying amount as of 31 December 2018	**9 294**	**34 980**	**1 890**	**3 005**	**9 083**	**58 252**

Description	Buildings, structures and leasehold improvements	Servers, machines and other devices	Vehicles	Other property, pland and equipment items	Fixed assets under construction	Total
Gross carrying amount as of 1 January 2017	**13 100**	**74 330**	**1 862**	**4 038**	**6 896**	**100 226**
Additions due to:	***6 282***	***12 798***	***282***	***1 888***	***2 765***	***24 015***
- purchases and transfers	6 282	12 798	276	1 865	2 765	23 986
- business combinations (Note 21)	-	-	6	23	-	29
Disposals due to:	***(4 526)***	***(657)***	***(864)***	***(548)***	***(32)***	***(6 627)***
- transfers	-	-	-	-	(32)	(32)
- liquidation	(4 526)	(657)	(864)	(548)	-	(6 595)
Gross carrying amount as of 31 December 2017	**14 856**	**86 471**	**1 280**	**5 378**	**9 629**	**117 614**
Accumulated depreciation as of 1 January 2017	**3 364**	**36 355**	**664**	**1 736**	**-**	**42 119**
Additions due to:	***2 142***	***12 610***	***284***	***863***	***-***	***15 899***
- depreciation	2 142	12 610	284	863	-	15 899
Disposals due to:	***(2 060)***	***(590)***	***(543)***	***(431)***	***-***	***(3 624)***
- liquidation	(2 060)	(590)	(543)	(431)	-	(3 624)
Accumulated depreciation as of 31 December 2017	**3 446**	**48 375**	**405**	**2 168**	**-**	**54 394**
Impairment loss as of 1 January 2017	**-**	**208**	**-**	**-**	**-**	**208**
Impairment loss as of 31 December 2017	**-**	**207**	**-**	**-**	**-**	**207**
Net carrying amount as of 31 December 2017	**11 410**	**37 889**	**875**	**3 210**	**9 629**	**63 013**

As of 31 December 2018 and 31 December 2017 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 2018, the net value of property, plant and equipment under finance leases was PLN 3,501 thousand, including vehicles of PLN 1,486 thousand and IT equipment of PLN 1,978 thousand.

As of 31 December 2018 bank loans are secured with property, plant and equipment to the carrying amount of PLN 56,905 thousand.

19. INTANGIBLE ASSETS

PLN'000	Goodwill	Trademarks	Other intangible assets			Total
			Homepage and WP mail	Client relations	Copyrights and other intangible assets	
Gross carrying amount as of 1 January 2018	**259 774**	**165 365**	**152 300**	**49 789**	**107 079**	**734 307**
Additions due to:	**92 496**	**26 140**	**-**	**11 117**	**27 917**	**157 670**
- purchases	-	-	-	-	27 226	27 226
- business combinations (Note 20)	92 797	26 140	-	11 117	79	130 133
- other	(301)	-	-	-	612	311
Disposals due to:	**-**	**-**	**-**	**-**	**(2 660)**	**(2 660)**
- liquidation	-	-	-	-	(2 660)	(2 660)
Gross carrying amount as of 31 December 2018	**352 270**	**191 505**	**152 300**	**60 906**	**132 336**	**889 317**
Accumulated depreciation as of 1 January 2018	**-**	**8 292**	**24 855**	**19 177**	**42 146**	**94 470**
Additions due to:	**-**	**4 669**	**6 484**	**8 302**	**18 934**	**38 389**
- depreciation	-	4 669	6 484	8 302	18 934	38 389
Disposals due to:	**-**	**-**	**-**	**-**	**(2 488)**	**(2 488)**
- liquidation	-	-	-	-	(2 488)	(2 488)
Accumulated depreciation as of 31 December 2018	**-**	**12 961**	**31 339**	**27 479**	**58 592**	**130 371**
Impairment loss as of 1 January 2018	**180**	**-**	**-**	**-**	**12**	**192**
Impairment loss as of 31 December 2018	**180**	**-**	**-**	**-**	**12**	**192**
Net carrying amount as of 31 December 2018	**352 090**	**178 544**	**120 961**	**33 427**	**73 732**	**758 754**

PLN'000	Goodwill	Trademarks	Homepage and WP mail	Client relations	Copyrights and other intangible assets	Total
			Other intangible assets			
Gross carrying amount as of 1 January 2017	**246 652**	**162 755**	**152 300**	**46 646**	**90 418**	**698 771**
Additions due to:	**13 122**	**2 610**	**-**	**3 143**	**21 514**	**40 389**
- purchases	-	-	-	-	21 286	21 286
- business combinations (Note 21)	9 764	2 610	-	3 143	228	15 745
- other	3 358	-	-	-	-	3 358
Disposals due to:	**-**	**-**	**-**	**-**	**(4 853)**	**(4 853)**
- liquidation	-	-	-	-	(4 853)	(4 853)
Gross carrying amount as of 31 December 2017	**259 774**	**165 365**	**152 300**	**49 789**	**107 079**	**734 307**
Accumulated depreciation as of 1 January 2017	**-**	**4 784**	**18 371**	**11 200**	**29 336**	**63 691**
Additions due to:	**-**	**3 508**	**6 484**	**7 977**	**17 139**	**35 108**
- depreciation	-	3 508	6 484	7 977	17 139	35 108
Disposals due to:	**-**	**-**	**-**	**-**	**(4 329)**	**(4 329)**
- liquidation	-	-	-	-	(4 329)	(4 329)
Accumulated depreciation as of 31 December 2017	**-**	**8 292**	**24 855**	**19 177**	**42 146**	**94 470**
Impairment loss as of 1 January 2017	**180**	**-**	**-**	**-**	**160**	**340**
Impairment loss as of 31 December 2018	**180**	**-**	**-**	**-**	**12**	**192**
Net carrying amount as of 31 December 2018	**259 594**	**157 073**	**127 445**	**30 612**	**64 921**	**639 645**

The Group capitalises salary expense as part of development projects. In the years covered by these financial statements, capitalised salary expense amounted to PLN 21,807 thousand in 2018 and PLN 18,262 thousand in 2017. The main projects completed, whose expenditure was capitalised in 2018 were: the new WP e-mail project, new CRM system for Wakacje.pl SA, development of WP Pilot and Program TV services.

As of 31 December 2018 and 31 December 2017, bank loans are secured with intangible assets to the carrying amount of PLN 360,947 thousand in 2018 and PLN 331,462 thousand in 2017.

Goodwill

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

PLN'000	Cash generating unit	As of 31 December 2018	As of 31 December 2017
Wirtualna Polska Media SA	Publishing and Advertising activities	92 040	92 040
Grupa Kapitałowa Money.pl Sp. z o.o.	Publishing and Advertising activities	11 550	11 550
Grupa Kapitałowa Money.pl Sp. z o.o.	Financial lead generation	7 808	7 808
NextWeb Media Sp. z o.o.	Publishing and Advertising activities	19 072	19 072
Finansowy supermarket.pl sp. z o.o.	Financial lead generation	6 148	6 148
Dobreprogramy.pl Sp. z o.o.	Publishing and Advertising activities	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	9 497
Wakacje.pl SA	International travel	62 888	62 888
TotalMoney.pl Sp. z o.o.	Financial lead generation	8 820	8 820
Nocowanie.pl Sp. z o.o.	Domestic travel	16 793	16 793
Netwizor.pl Sp. z o.o.	Publishing and Advertising activities	2 272	2 272
eHoliday.pl Sp. z o.o.	Domestic travel	9 463	9 764
My Travel Sp. Z o.o.	International travel	15 372	-
Extradom.pl Sp. z o.o.	Extradom	58 317	-
Parklot Sp. z o.o.	International travel	1 168	-
Superauto24.com Sp. z o.o.	Superauto24	17 940	-
http Sp. z o.o.	Publishing and Advertising activities	180	180
Goodwill (gross book value)		**352 270**	**259 774**
Impairment allowance			
http Sp. z o.o.	Publishing and Advertising activities	(180)	(180)
Goodwill (net book value)		**352 090**	**259 594**

In the case of the acquisition of My Travel Sp. z o.o, Extradom.pl Sp. z o.o., Parklot Sp. z o.o. and Superauto24.com Sp. z o.o. the goodwill presented above is based on the provisional settlement of the purchase price as of 31 December 2018.

The cash generating unit of the Grupa Wirtualna Polska SA holds the trademark "WP.pl" with a carrying amount of PLN 102,500 thousand, which has been attributed with an unspecified useful life and is tested for impairment.

Impairment tests

The Management Board analysed for impairment of intangible assets as part of the following cash generating units (according to the table above):

- Publishing and Advertising activities;
- Domestic travel;
- International travel
- Extradom;
- Lead Generation fashion/interior;
- Superauto24;
- Financial Lead Generation.

Impairment test were conducted as of 31 December 2018.

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 2018, past results and expectations of the Management Board for the development of the market in 2020-2023, based on the available market sources. Due to the limited scope of long-term forecasts as to the development of the advertising market in Poland, it was assumed for the purposes of the tests that the cash flow growth rate in the residual period exceeding the five-year forecast period would be equal to the inflation target of the NBP of 2.5%. The pre-tax discount rate was estimated based on the macroeconomic and market data for the individual cash generating units.

The impairment tests conducted with the following assumptions and taking into account probable changes in these assumptions did not show a need to record impairment allowances in respect of the tested assets.

	Period of forecast	Annual growth rate in the residual period	Discount rate
Extradom	5 years	2,5%	10.8%
Publishing and Advertising activities	5 years	2,5%	10.8%
Lead Generation fashion/interior	5 years	2,5%	10.8%
Financial lead generation	5 years	2,5%	10.8%
International travel	5 years	2,5%	10.8%
Domestic travel	5 years	2,5%	10.8%

20. ACQUISITION AND BUSINESS COMBINATIONS in 2018

My Travel Sp. z o.o.

On 17 May 2018 Wakacje.pl SA concluded with three natural persons and EVG Invest sp. o.o. a shares purchase agreement under which Wakacje.pl acquired a total of 700 shares with a par value of PLN 500 each, in the share capital of My Travel sp. z o.o. representing 100% of the share capital and entitling to exercise 100% of votes at the shareholders' meeting of MyTravel.

The final sale price was determined as the product of the normalized MyTravel EBITDA for the financial year 2018 and the multiplier established by the parties. The sale price will be paid in three instalments. The Management Board of WPH expects that the final settlement of the sale price will take place in the third quarter of 2019. The parties agreed that the sale price will not be lower than PLN 10,000 thousand and will not be higher than PLN 19,000 thousand .

The first sale price tranche was set at approximately PLN 7,943 thousand. The second tranche amounted to PLN 2,692 thousand. The payment of both tranches took place in the reporting period and was financed from Wakacje.pl own funds.

My Travel operates a franchise network for the sale of tours and other tourist services. As part of the network, there are 116 stationary salons, which ensures its position as the largest agency network on the Polish market.

Goodwill on the acquisition of PLN 15,372 thousand is attributable to 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 amounted to PLN 4,236thousand (including PLN 3,919 thousand of trade receivables). As of the date of the control takeover, receivables in the amount of PLN 1,005 were considered as uncollectible.

Costs related to the purchase transaction in the amount of PLN 280 thousand were recognized in the consolidated statement of profit or loss and other comprehensive income for the year 2018 as "Costs related to purchases of subsidiaries and restructuring".

Extradom.pl Sp. z o.o.

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

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

The selling price for the Shares is PLN 75.0 million.

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

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

At the same time, the Parties agreed that a part of the Sale Price in the amount of PLN 15.525 thousand will be withheld by the Company in order to hedge the standard risks in such transactions and will be payable as below:

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

The above mentioned tranches will be increased by the interest calculated on the unpaid amount of the retained amount.

Goodwill in the amount of PLN 58,317 thousand is attributable to the acquired customer base and economies of scale expected from the merger of the Group's operations with the business of the acquired entity. No part of the goodwill recognized will be deductible for income tax purposes. The fair value of trade receivables and other receivables is PLN 1,771 thousand (including 881 thousand PLN of trade receivables). As at the date of taking over control, receivables worth PLN 46 thousand PLN were considered unrecoverable.

Costs related to the purchase transaction in the amount of PLN 537 thousand were recognized in the consolidated financial result and other comprehensive income for 2018 as "Costs related to the purchase of subsidiaries and restructuring".

- **Superauto24.com Sp. z o.o.**

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

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

As a result of the Transaction, after registering the share capital increase of Superauto24.com by the registry court, the Issuer will own 50.8% of Superauto24.com shares entitling to exercise 50.8% of votes at the Shareholders Meeting of Superauto24.com.
Superauto24.com is an aggregator of new cars from authorized dealers and an expert in financing the purchase of a car cooperating with the largest banks and leasing companies in Poland. The part of the Iissue price in the amount of PLN 16.650 thousand will be allocated to the acquisition by SuperAuto24.com of companies from Grupa Super Auto sp. o.o. and Super Auto sp.j. B. Chojnacki, K. Makula as part of the consolidation of Superauto24.com, and the remaining part of the issue price in the amount of PLN 4,000 thousand will be used to finance the development of Superauto24.com.
The parties also agreed that the sale price may be increased by no more than PLN 5,000 thousand subject to the implementation of the financial objective set out in the agreement for the financial year 2019.

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

- in the period from 1 January 2022 to 31 December 2022 - up to 33% of shares held by each of the sellers at the time of submitting a declaration on the Company's exercise of options;
- in the period from 1 January 2023 to 31 December 2023 - up to 33% of shares held by each of the sellers at the moment of submitting the performance statement, and in the event of non-performance of the call

option in accordance with item above - up to 66% of the shares held by each of the Sellers at the time of the WP statement on the exercise of the option;

- in the period from 1 January 2024 to 31 December 2030 - all shares held by each of the Sellers at the time of filing the statement on the exercise of options in the period from 2024 to 2030.

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

Goodwill in the amount of PLN 17,940 thousand is attributable to the acquired customer base and economies of scale expected from the merger of the Group's operations with the business of the acquired entity. No part of the goodwill recognized will be deductible for income tax purposes. The fair value of trade receivables and other receivables is PLN 1,240 thousand (including 1,183 thousand PLN of trade receivables). As at the date of taking over control, there are no receivables that are considered unrecoverable.

Costs related to the purchase transaction in the amount of PLN 550 thousand were recognized in the consolidated financial result and other comprehensive income for 2018 as "Costs related to the purchase of subsidiaries and restructuring".

- **Parklot Sp. z o.o.**

On 4 October 2018, a subsidiary of Wakacje.pl SA acquired 100% shares in Parklot Sp. z o.o. with headquarters in Warsaw.

Parklot is a marketplace acting as an intermediary in booking parking spaces at the largest airports in Poland. The website can boast the largest number of users in its category, and its offer includes almost 50 parking lots at airports.

The final purchase price of shares was PLN 2,782 thousand.

Goodwill in the amount of PLN 1,168 thousand due to the takeover is attributable to the acquired customer base and economies of scale expected from the merger of the Group's operations with the business of the acquired entity. No part of the goodwill recognized will be deductible for income tax purposes. The fair value of trade and other receivables is PLN 371 thousand (including PLN 159 thousand of trade receivables). As at the date of taking over control, there were no trade receivables that were considered unrecoverable.

The Group did not incur any significant costs related to this acquisition.

The next table lists the remuneration paid and the fair values of the assets and liabilities taken over as at the acquisition date of individual entities. As at 31 December 2018 all of the following settlements are provisional.

PLN'000	My Travel Sp. z o.o.	Extradom.pl Sp. z o.o.	Parklot Sp. z o.o.	Superauto24.com Sp. z o.o.
Cash and cash equivalents - payment for the shares	7 939	59 475	2 782	450
Cash and cash equivalents - unpaid part of purchase price		15 525	-	-
Share capital increase				20 650
Additional payment - deferred payment	9 751	-	-	4 396
Total	**17 690**	**75 000**	**2 782**	**25 496**
Non-controlling interests measured at the value of share in net assets	-	-	-	7 259
Recognized values of identifiable acquired assets and liabilities				
Cash and cash equivalents	1 084	3 401	224	20 999
Property, plant and equipment	150	96	-	802
Trademark	2 211	16 515	1 012	6 402
Client relations	3 306	569	688	6 554
Copyrights and other intangible assets	72	7	-	-
Trade and other receivables	4 236	1 771	371	1 240
Trade and other payables	(7 874)	(2 353)	(359)	(18 720)
Deferred tax	(840)	(3 247)	(322)	(2 462)
Provisions for employee benefits	(27)	(76)	-	-
Total identifiable net assets	**2 318**	**16 683**	**1 614**	**14 815**
Goodwill	**15 372**	**58 317**	**1 168**	**17 940**

For information purposes, the next table presents unaudited financial results of the acquired companies from 1 January 2018 until the date of taking control and from the date of taking control to 31 December 2018 (data included in these consolidated financial statements). The presented data have not been audited by a certified auditor.

PLN'000	Since 01.01.2018 to the acquisition date				
	My Travel Sp. z o.o.	Extradom.pl Sp. z o.o.	Parklot Sp. z o.o.	Superauto24.com Sp. z o.o.	Total
Sales	6 370	29 651	2 688	10 168	48 877
Cash sales	6 370	29 651	2 688	10 168	48 877
EBITDA	(387)	4 190	167	4 334	8 304
Adjusted EBITDA	81	5 289	544	4 334	10 248
Net profit	(386)	3 550	115	4 200	7 479

PLN'000	Since the acquisition date to 31.12.2018				
	My Travel Sp. z o.o.	Extradom.pl Sp. z o.o.	Parklot Sp. z o.o.	Superauto24.com Sp. z o.o.	Total
Sales	10 992	6 679	463	-	18 134
Cash sales	10 992	6 679	463	-	18 134
EBITDA	1 342	791	90	-	2 223
Adjusted EBITDA	1 696	903	90	-	2 689
Net profit	1 094	442	69	-	1 605

Acquisitions after balance sheet date

In February 2019, a subsidiary of Wakacje.pl SA bought 100% shares in Travel Network Solutions, the owner of the Wakacyjny Świat franchise network. The purchase price for the company amounted to PLN 6.8 million.
The purchase of the Wakcyjny Świat is the second acquisition made by Wakacje.pl on the market of tourist agents. In May 2018, the company bought My Travel, which was then the largest fixed-line network in organized tourism. After the transaction in the Wakacje.pl group there will be over 350 stationary offices operating under three brands - Wakacje.pl, My Travel and Wakacyjny Świat. All of them together constitute 70% of the domestic market of salons operating within the agency networks. As at the date of the report, the Group did not prepare a provisional allocation of the purchase price.

21. ACQUISITION AND BUSINESS COMBINATIONS in 2017

Acquisitions and business combinations in 2017 – eHoliday.pl Sp. z o.o.

On 18 October 2017 Nocowanie.pl Sp. z o.o. acquired 100% of shares in eHoliday.pl Sp. z o.o. with headquarters in Warsaw. The purchased shares represent 100% of votes at the general meeting of the acquired company. The eHoliday.pl Sp. z o.o. is the owner of the eholiday.pl website - one of the national leaders in the accommodation booking market.

The final, non-adjustable purchase price of 100% shares was PLN 11,250 thousand. Nocowanie.pl financed the investment with its own funds and partly with the loan granted by Wirtualna Polska Media SA (in the amount of PLN 6,488 thousand) and by the minority shareholder of Nocowanie.pl Sp. z o.o. (in the amount of PLN 2,162 thousand). The Group was also obliged to pay additional remuneration of PLN 1,200 thousand to some of the previous shareholders.

Goodwill on the acquisition was initially recognized in the amount of PLN 9,764 thousand. In the first quarter of 2018 the Group adjusted the initial valuation by PLN 301 thousand due to recognition of an additional deferred tax asset. The goodwill due to the takeover 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 amounted to PLN 305 thousand (including PLN 64 thousand of trade receivables). As of the date of taking control, there were no receivables considered as uncollectible.

Costs related to the purchase transaction in the amount of PLN 131 thousand were recognized in the consolidated statement of profit or loss and other comprehensive income, of which PLN 96 thousand in the statement for the twelve months ended 31 December 2016 and PLN 35 thousand in the statement for the twelve months ended 31 December 2017, in both years as "Costs related to purchases of subsidiaries and restructuring".

As at 31 December 2018, the acquisition is settled finally.

PLN'000	Purchase price allocation as of 31.12.2017	Adjustement	Purchase price allocation as of 31.12.2018
Cash and cash equivalents - payment for the shares	11 250	-	11 250
Deferred payment	1 200	-	1 200
Total purchase price	**12 450**	-	**12 450**
Non-controlling interests measured at the value of share in net assets	**896**	100	**996**
Cash and cash equivalents	847	-	847
Property, plant and equipment	29	-	29
Trademark	2 610	-	2 610
Client relations	3 143	-	3 143
Copyrights and other intangible assets	228	-	228
Trade and other receivables	305		305
Trade and other payables	(2 481)	-	(2 481)
Deferred tax	(1 094)	(401)	(693)
Provisions for employee benefits	(5)	-	(5)
Total identifiable net assets	**3 582**	**(401)**	**3 983**
Goodwill	**9 764**	**(301)**	**9 463**

22. NON-CURRENT PROGRAMMING ASSET

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

Programming assets is classified as current or non-current, depending on the licence period. Programming rights with a licence period shorter than 1 year are classified as current.

PLN'000	As of 31 December 2018	As of 31 December 2017
Acquired programming rights	8 754	8 463
Advances	-	-
Total	**8 754**	**8 463**
including:		
current programming assets	3 369	-
non-current programming assets	5 385	8 463

PLN'000	Twelve months ending 31 December 2018	Twelve months ending 31 December 2017
Net book value as of 1 January	8 463	5 358
Additions:	3 825	6 019
- purchase of programming assets	3 825	6 019
Amortization and depreciation of acquired programming rights	(3 489)	(2 883)
Impairment allowance recognised	(45)	(31)
Net book value as of 31 December	**8 754**	**8 463**

23. OTHER FINANCIAL ASSETS

eSky.pl SA shares

On 9 June 2017 Wirtualna Polska Media SA concluded a conditional share purchase agreement regarding acquisition of 625,000 ordinary series B bearer shares in a company eSky.pl SA The acquired shares represent 6.31% of the share capital of the company and entitle to 6.31% of votes on the General Meeting of the Company. On 19 June 2017, the suspending condition specified in the agreement has been fulfilled, the transaction has been finalized

The agreement contains provisions relating to the level of guaranteed return on investment (IRR) for the Wirtualna Polska Media SA in the form of irrevocable bids for the acquired shares submitted to the Wirtualna Polska Media SA by the sellers, which may be executed by the Group in the periods indicated in the agreement or upon the fulfilment of the specified (the put option). The put option payment is secured by a registered pledge established on pledged shares. In addition, the agreement includes provisions for the conduct of a possible transaction involving the sale of a controlling interest in the Company's shares in the future and the terms of the Wirtualna Polska Media SA participation in such a process and sets a doubled return on investment (IRR) for Wirtualna Polska Media SA if such transaction has not taken place within a certain period of time (as an execution of the put option).

The total purchase price for the shares and the put option described above amounted to PLN 15,625 thousand out of which PLN 14,526 thousand was attributed to the shares and PLN 1,098 thousand to the put option.

In accordance with IFRS 9, these shares were classified as financial assets at fair value through profit or loss. The company valued the shares held by the market multiples method. As at the balance sheet date, the fair value of shares in eSky.pl SA amounted to PLN 14,725 thousand and the fair value of the put option options for these shares was PLN 1,886 thousand.

24. TRADE AND OTHER RECEIVABLES

PLN'000	As of 31 December 2018	As of 1 January 2018	As of 31 December 2017 RESTATED
Trade receivables	112 172	90 860	90 860
Impairment allowances	1 420	1 674	1 329
Trade receivables net	**110 752**	**89 186**	**89 531**
Barter receivables gross	1 568	1 680	1 680
Impairment allowances	87	165	165
Barter receivables net	**1 481**	**1 515**	**1 515**
Contract assets	11 248	8 885	8 885
State receivables	8 153	6 371	6 371
Settlements with employees	110	43	43
Other	7 004	8 641	8 641
Total	**138 748**	**114 641**	**114 986**

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

The security for the Group loan constitutes the Group's current and future receivables subsequent to trade contracts. To secure the loan, the Borrower and the Additional Guarantors were obliged to make a conditional assignment of receivables from trade contracts with a total value of at least PLN 10,000 thousand. The Group also made the commitment that to secure the loan at any time, 60% of the Group's receivables shall be assigned.

The following table shows the classification of assets valued at amortised cost to 3 impairment degree categories:

PLN'000	As of 31 December 2018			As of 1 January 2018		
	Grade 1	Grade 2	Grade 3	Grade 1	Grade 2	Grade 3
Gross book values	**66 663**	**111 873**	**1 867**	**46 442**	**89 155**	**3 385**
Trade receivables	-	111 873	1 867		89 155	3 385
Cash	66 663	-	-	46 442	**-**	-
Allowance (IFRS 9)	**-**	**362**	**1 145**	**-**	**372**	**1 467**
Trade receivables	-	362	1 145	-	372	1 467
Cash	-	-	-	-	-	-
Net book value (IFRS 9)	**66 663**	**111 511**	**722**	**46 442**	**88 783**	**1 918**

Reconciliation of impairment allowance on trade receivables in the current reporting year is presented in the next table.

PLN'000	Allowance for receivables	
	ECL throughout the entire life without impairment	ECL throughout the entire life with impairment
As at 31 December 2017 (under IAS 39)		1 494
Adjustment for initial recognition of IFRS 9	372	(27)
Allowance for receivables as at 1 January 2018 (IFRS 9)	**372**	**1 467**
Utilization of impairment allowances		(700)
Allowance recognised in profit and loss	(10)	358
Allowance as at 31 December 2018 (IFRS 9)	**362**	**1 125**

The table below presents changes in gross balance sheet value of trade receivables in the current reporting period:

PLN'000	Gross trade receivables	
	ECL throughout the entire life without impairment	ECL throughout the entire life with impairment
Gross receivables as at 1 January 2018	89 155	3 385
Wrote-off		(700
Gross receivables created and repaid	22 718	(818)
Gross receivables as at 31 December 2018	**111 873**	**1 867**

The table below presents the rates of default and the calculation of impairment losses.

PLN'000	Current and expired up to 90 days	Expired above 90 days
Gross receivables as at 1 January 2018	89 155	3 385
Failure ratio	0,42%	43,34%
Expected credit loss	**372**	**1 467**

PLN'000	Current and expired up to 90 days	Expired above 90 days
Gross receivables as at 31 December 2018	111 873	1 867
Failure ratio	0,32%	61,33%
Expected credit loss	**362**	**1 145**

Changes in write-downs of trade receivables in 2017 are presented in the following table were as follows

PLN'000	As of 31 December 2017 RESTATED
Impairment allowances for trade receivables at the beginning of the period	**1 936**
Increases, including:	**1 311**
- allowances recorded	1 311
Decreases, including:	**(1 753)**
- utilization of impairment allowances	(1 340)
- release of allowances due to repayment of receivables	(413)
Impairment allowances for trade receivables at the end of the period	**1 494**

As of 31 December 2017, overdue receivables without impairment amounted to PLN 21,290. The ageing analysis of these receivables was as follows:

PLN'000	As of 31 December 2017 RESTATED
Overdue - up to 3 months	19 597
Overdue - from 3 to 6 months	1 571
Overdue- from 6 to 12 months	92
Overdue - more than 12 months	30
Total	**21 290**

25. SHARE CAPITAL

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

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

As of 31 December 2017, the share capital was composed of 28.855.224 shares with a par value of PLN 0.05 each, including 11,289,709 preferred voting shares and 17.565.515 ordinary shares. The structure of share capital was as follows:

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

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

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

Significant changes of shareholders

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

Share capital increase

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

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

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

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

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

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

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

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

In connection with the above, acquisition of rights stemming from 14,312 ordinary bearer shares of the Company, including 9,227 ordinary bearer series D shares with a nominal value of 0.05 PLN and 5,085 ordinary bearer series F shares with a nominal value of 0.05 PLN has occurred, and increase in the Company's share capital by PLN 715.60, i.e. from PLN 1,447,062.80 0 to PLN 1,447,778.40 took place.

The series D and F shares were taken as a result of exercising the rights acquired through private placement of series B and C subscription warrants of the Company by eligible employees and associates of the Company as part of the Managerial Option .

After registration, admission to trading and issuing of the above mentioned shares, the share capital of the Company amounts to PLN 1,447,778.40 and is divided into 28,955,568 shares with a nominal value of PLN 0.05, entitling to 40,245,277 votes at the General Meeting, including:

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

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

Changes in the share capital after the balance sheet date

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

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

Dividend policy and profit distribution

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

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

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

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

PLN'000	Twelve months ending 31 December 2018	Twelve months ending 31 December 2017
Dividends declared and paid for the current and previous years	27 748	31 691
Dividend per 1 share	0,96	1,10

26. INCENTIVE SCHEMES – SHARE-BASED PAYMENTS

First Incentive Schemes

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

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

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

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

On 20 April 2016, the Ordinary Shareholders Meeting of the Company passed a resolution on changing the existing Incentive Scheme. According to the introduced changes, the vesting period for Managerial Shares has been extended and can take place no later than 14 January 2025. The participants in the scheme are entitled to acquire the subscription warranties and to subscribe to shares within 10 working days from the end of each subsequent quarter of the acquisition of rights specified in the schedule.

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

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

The expected total cost of the scheme as of the balance sheet date to be recognized in the financial statements over the following periods of its validity amounted to PLN 1,161 thousand. The total costs recognized in the financial result for the period ending 31 December 2018 in respect of the scheme amounted to PLN 364 thousand and the total cost recognized in the previous periods amounted to PLN 5,245 thousand.

	Share options (no. of units)
As of 1 January 2018	**203 670**
Awarded	122 312
Non executed	(14 791)
Executed	(53 962)
As of 31 December 2018	**257 229**
Including the number of options vested as of the balance sheet date	39 403

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

Second Incentive Scheme

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

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

The weighted average fair value of the options awarded during the period, determined using the binomial valuation model, amounted to PLN 15.23 per option. The key input data for the model were as follows: the share price as of the date of awarding the options, the exercise price, volatility of rates of return on shares between 18.6%-19.4%, a dividend rate of 0.0%, the expected vesting period and the annual risk-free interest rate of 1.68%-3.18%. The total estimated option value in the scheme amounted to PLN 9,039 thousand. The total expected cost of the scheme as of the balance sheet date to be recognized in the financial statements over the following periods of its validity amounted to PLN 6,851 thousand. The total costs recognized in the financial result for the period ending 31 December 2018 in respect of the scheme amounted to PLN 995 thousand and the total cost recognized in the previous periods amounted to PLN 1,192 thousand.

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

	Share options (no. of units)
As of 1 January 2018	**418 699**
Awarded	50 000
Non executed	(72 917)
Executed	(46 382)
As of 31 December 2018	**349 400**
Including the number of options vested as of the balance sheet date	47 970

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

27. DISCLOSURE OF COMPONENTS OF OTHER COMPREHENSIVE INCOME

PLN'000	Twelve months ending 31 December 2018	Twelve months ending 31 December 2017
Profit or loss on revaluation of financial assets classified as held for sale:	**-**	**- 58**
- Gains arising during the year	-	1 235
- Losses arising during the year	-	(3 616)
- Adjustment due to reclassification to profit or loss for the period	-	2 323
The effective part of gains and losses on the cash flow hedges:	**611**	**296**
- Gains arising during the year	611	912
- Losses arising during the year	-	(453)
- Reversal of deferred tax asset recognised	-	(163)
Actuarial gains and losses on employee benefits provisions:	**(12)**	**44**
- Gains/Losses arising during the year	(12)	44
Income tax related to other comprehensive income/(losses)	**(2)**	**(11)**
Total comprehensive income	**601**	**293**

The following table shows the tax effect of the other comprehensive income:

	As of 31 December 2018		
	Before tax	Tax	After tax
The effective part of gains and losses on the cash flow hedges	611	-	611
Actuarial gains (losses) from defined benefit pension plans	(12)	(2)	(10)
Total comprehensive income	**599**	**(2)**	**601**

	As of 31 December 2017		
	Before tax	Tax	After tax
Gains (losses) on revaluation of available for sale financial assets	(58)	(11)	(47)
The effective part of gains and losses on the cash flow hedges	296		296
Actuarial gains (losses) from defined benefit pension plans	44		44
Total comprehensive income	**282**	**(11)**	**293**

Hedge accounting

As at 31 December 2018 and 31 December 2017 the Group was not a party to active hedging transactions.

With regard to the hedge accounting policy, the Group remains in compliance with the rules in force under IAS 39.

On 28 April 2015 the Group concluded four IRS transactions. The IRS floating to fixed transactions was concluded with creditors in relation to PLN 48.8 million of the A tranche of the loan and PLN 77.2 million of the B tranche of the loan. The key parameters of the instruments (interest periods dates, the reference rate, payment schedules and amortization) were consistent with those deriving from the loan agreement. These financial instruments were treated as hedge accounting and recognized in the financial statements of the Group as cash flow hedge under IAS 39.

The loan agreement concluded by the Group with mBank S.A., PKO BP and ING Bank Śląski on 12 December 2017 forced the Group to close earlier existing hedging instruments. However, as the hedging item (the loan) still exists, the valuation of these terminated hedging transactions is invariably shown in other comprehensive income and is settled with the repayment of interest on the loan.

The valuation of hedging transactions made by the Group as of the date of their dissolution amounted to PLN 865 thousand and this value remained in the revaluation reserve. The surplus of the amount paid for early termination of hedging transactions over the valuation of these instruments as at the settlement date in the amount of PLN 630 thousand is, in the Group's opinion, the cost of arranging additional financing and will be settled over the period of financing.

28. SUBSIDIARIES WITH A NON-CONTROLLING INTEREST

Presented below is a summary of the financial information of the subsidiaries for which the value of non-controlling interests is significant from the Group's perspective. The amounts presented contain adjustments resulting from fair value measurement (Note 20 and 21) and do not contain adjustments eliminating transactions between dobreprogramy Sp. z o.o., DOMODI Sp. z o.o., Allani Sp. z o.o., Nocowanie.pl Sp. z o.o. , eHoliday.pl Sp. z o.o. and other Group companies. As of 31 December 2018, the net asset value attributable to non-controlling interests amounted to PLN 10,680 thousand (as of 31 December 2017 it amounted to PLN 19,479 thousand).

PLN'000	As of 31 December 2018		
Selected information from the statement of financial position:	Nocowanie.pl Sp. z o.o.	eHoliday.pl Sp. z o.o.	Superauto24.pl Sp. z o.o.
Current assets	1 209	2 636	22 239
Short-term liabilities	(6 064)	(4 523)	(18 301)
Long-term liabilities	(6 258)	(29)	(419)
Deferred tax	(10)	(195)	(2 461)
Non-current assets	20 951	5 964	13 758
Net assets	**9 828**	**3 853**	**14 816**
Accumulated non-controlling interests	**2 457**	**963**	**7 260**

PLN'000	As of 31 December 2017			
Selected information from the statement of financial position:	DOMODI Sp. z o.o.	dobreprogramy Sp. z o.o.	Nocowanie.pl Sp. z o.o.	eHoliday.pl Sp. z o.o.
Current assets	16 714	2 375	1 026	1 543
Short-term liabilities	(8 509)	(139)	(4 624)	(3 176)
Long-term liabilities	(5 173)	-	(8 760)	-
Capital from the merger	13 110	-	-	-
Deferred tax	(1 344)	(533)	(437)	(1 032)
Non-current assets	14 608	3 165	20 433	5 763
Net assets	**29 406**	**4 868**	**7 638**	**3 098**
Accumulated non-controlling interests	**14 409**	**2 385**	**1 910**	**775**
Adjustment to purchase price allocation	**-**	**-**	**-**	**100**
Accumulated non-controlling interests post adjustment	**14 409**	**2 385**	**1 910**	**875**

PLN'000	Since 1 January 2018 to the date of acquisition of 100% of shares		Twelve months ending 31 December 2018	
Selected information from the income statement and other comprehensive income:	DOMODI Sp. z o.o.	dobreprogramy Sp. z o.o.	Nocowanie.pl Sp. z o.o.	eHoliday.pl Sp. z o.o.
Sales	50 092	548	12 887	6 615
Profit/(loss) before tax	5 267	(74)	2 356	227
Net profit /(loss) from continuing operations	4 931	(60)	2 186	352
Other comprehensive income	-	-		-
Comprehensive income	**4 931**	**(60)**	**2 186**	**352**
Comprehensive income attributable to non-controlling interests	1 470	(29)	547	88
Dividends paid to non-controlling interests	4 506	-	-	-
Accumulated non-controlling interests transferred to retained earnings attributable to equity holders of the Parent Company		11 373	2 356	-

PLN'000	Since 1 January 2018 to the date of acquisition of 100% of shares		Twelve months ending 31 December 2018	
Selected information from the cash flow statement:	DOMODI Sp. z o.o.	dobreprogramy Sp. z o.o.	Nocowanie.pl Sp. z o.o.	eHoliday.pl Sp. z o.o.
Net cash and cash equivalents on operating activities from the date of acquisition or prior reporting date	7 019	101	6 743	2 335
Net cash and cash equivalents on investing activities from the date of acquisition or prior reporting date	(4 631)	(57)	(3 627)	(1 113)
Net cash and cash equivalents on financing activities from the date of acquisition or prior reporting date	(5 297)	-	(2 504)	(81)
Net cash and cash equivalents as of the date of acquisition or prior reporting date	11 715	1 973	347	1 262
Net cash and cash equivalents as of 31 December 2018 or the date of acquisition of 100% shares	8 806	2 017	959	2 403
Net change in cash and cash equivalents	**(2 909)**	**44**	**612**	**1 141**

The table below presents the impact of transactions on the acquisition of non-controlling shares in Domodi Sp. z o.o. (details in note 32) and dobreprogramy.pl Sp. z o.o. on the value of retained earnings attributable to equity holders of the parent.

PLN'000	DOMODI Sp. z o.o.	dobreprogramy Sp. z o.o.	Total
Accumulated non-controlling interests	14 409	2 385	16 794
Comprehensive income attributable to non-controlling interests	1 470	(29)	1 441
Dividends paid to non-controlling interests	4 506	-	4506
Accumulated non-controlling interests as at the purchase date	**11 373**	**2 356**	**13 729**
Purchase price for non-controlling interest not resulting from the put option	-	(1 470)	(1 470)
Reclassification to retained earnings of the put option liability in the value initially recognized in Other reserve capital	(31 853)	-	(31 853)
Retained earnings attributable to equity holders of the Parent Company	**(20 480)**	**886**	**(19 594)**

29. DEFERRED TAX ASSET AND LIABILITY

Deferred tax in connection with tax losses deductible in the following years is recorded as an asset when the realisation of the tax benefits is probable by reducing future taxable income by the amount of these losses. The amount of the tax losses on which deferred tax was not recognised as of 31 December 2018 amounted to PLN 32,205 thousand (31 December 2017: 52,942 thousand). As of 31 December 2018, tax losses of PLN 6,892 thousand and PLN 5,492 thousand expire in 2022 and 2023 respectively (as of 31 December 2017 tax losses of PLN 155,801 thousand and PLN 1,504 thousand were to expire accordingly in 2021 and 2022).

The following table presents the components of the deferred tax asset and liability.

PLN'000	1 January 2018	Financial result	Change of accounting policy	Other comprehensive income	Business combinations	31 December 2018
Deferred tax assets:						
Change in tax values of assets as a result of internal reorganization of the Group	16 855	(4 321)	-	-	-	12 534
Unutilized tax losses	51 044	(10 022)	-	-	-	41 022
Write-downs of assets	971	(42)	66	-		995
Differences in tax and carrying amounts of liabilities	11 326	(1 096)	1 318	2	1 209	12 759
Other differences	776	(86)	-		-	689
Deferred tax assets	**80 972**	**(15 567)**	**1 384**	**2**	**1 209**	**67 999**
Deferred tax liability:						
Differences in carrying and tax amounts of property, plant and equipment	63 731	(2 834)	-	-	7 078	67 975
Other	3 198	(1 218)	-	-	601	2 581
Deferred tax liability	**66 929**	**(4 052)**	**-**	**-**	**7 679**	**70 556**
Deferred tax assets/liability net	**14 043**	**(11 515)**	**1 384**	**2**	**(6 470)**	**(2 557)**

PLN'000	31 December 2018	31 December 2017
Offsetting of deferred tax liability	(52 837)	(56 050)
Deferred tax assets after offsetting	15 162	24 922
Deferred tax liabilities after offsetting	17 719	10 879

It is expected that deferred tax asset in the amount of PLN 30,823 thousand and deferred tax liability in the amount of PLN 5,581 thousand will be realized in less than 12 months.

30. LOANS AND LEASES

PLN'000	As of 31 December 2018	As of 1 January 2018	As of 31 December 2017
Long-term			
Bank loans	333 436	206 114	199 174
Other borrowings	1 662	2 162	2 162
Finance lease	2 122	2 171	2 171
	337 220	**210 447**	**203 507**
Short-term			
Loans	30 607	12 518	12 518
Finance lease	1 332	823	823
	31 939	**13 341**	**13 341**
Total	**369 159**	**223 788**	**216 848**

Bank loans

On 12 December 2017 Wirtualna Polska Media SA and mBank S.A., PKO BP SA and ING Bank Śląski SA concluded a loan agreement to refinance the current debt, finance capital expenditure and acquisitions, and the bank overdraft. The banks granted to Wirtualna Polska Media SA loans in the total amount of up to PLN 500 million.

Refinancing of the current indebtedness resulting from the loan agreement of 24 March 2015 was made on 20 December 2017.

In accordance with IAS 39, the Group classified refinancing as a modification of existing debt, and not its expiration. The Group carried out a test which showed that the discounted present value of cash flows resulting from the provisions of the new loan agreement, including all paid fees, reduced by fees received and discounted using the original effective interest rate, differs by less than 10% from the discounted present value other cash flows due to current financing. As refinancing is not treated as the expiration of an old liability, all costs and charges incurred adjust the carrying amount of the liability and are depreciated in the period remaining until the maturity date of the modified liability.

The new loan agreement bears an interest rate of 3M WIBOR plus a specified margin depending on the ratio of the Group's net debt to EBITDA.

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

- tranche A in the amount of PLN 86,750 thousand should be repaid in twenty equal quarterly instalments payable over a period of 5 years after a lapse of 12 months from concluding the new loan agreement;
- tranche B in the amount of PLN 127,449 thousand should be repaid on the final maturity date which will fall on the 7th anniversary of the conclusion of the new loan agreement;
- tranche CAPEX 1 should be repaid in twenty equal quarterly instalments with first instalment due in fourth quarter of 2020;
- tranche CAPEX 2 should be repaid on the final maturity date which will fall on the 7th anniversary of the conclusion of the new loan agreement;

Receivables of the new lenders in respect of the loan granted are secured as follows:

- financial and registered pledges on shares in Wirtualna Polska Media S.A., Money.pl Sp. z o.o., Domodi Sp. z o.o., Nocowanie.pl Sp. z o.o. and Wakacje.pl S.A.;
- registered pledges on items and rights of Wirtualna Polska Holding S.A., Wirtualna Polska Media S.A., and Wakacje.pl SA and Domodi Sp. z o.o.;

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

On 1 January 2018, in connection with the first application of IFRS 9, a recalculation was made using the effective interest rate before the change in the terms of the contract, which resulted in an increase in liabilities due to loans from PLN 211,650 thousand. PLN up to PLN 218,615 thousand. Adjustment of PLN 6,940 thousand PLN was recognized in the retained earnings as at 1 January 2018.

On 22 March 2018 the Group utilized PLN 85,484 thousand of CAPEX tranche to finance acquisition of 35% of minority shares in Domodi.

On 9 July 2018 the Group utilized PLN 8,420 thousand of CAPEX tranche to refinance part of its CAPEX expenditures incurred on purchase of tangible and intangible assets.

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

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

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

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

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

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

The Group had the following undrawn credit lines:

PLN'000	As of 31 December 2018	Na dzień 31 grudnia 2017 roku
Expiring after one year	232 421	285 801
Total	**232 421**	**285 801**

Loans

As of 31 December 2018, the Group had an unpaid loan to a minority shareholder of Nocowanie.pl Sp. z o.o. drawn to finance the acquisition of 100% shares in eHoliday.pl Sp. z o.o.

The loan bears interest at the WIBOR rate for 3-month deposits plus a margin set in the contract. The principal may be repaid at any time, no later than 16 October 2020 with interest payable on quarterly basis.

As at 31 December 2018, the loan accounted for PLN 1,662 thousand.

Finance leases

As of 31 December 2018, the Group is a lessee of cars and computer hardware. The lease contracts have been signed for periods not exceeding 5 years. Lease liabilities are effectively secured because the rights to the assets held under lease agreements return to the lessor upon the lessee's default.

In PLN'000	As of 31 December 2018	Na dzień 31 grudnia 2017 roku
Gross finance lease liability (minimum lease payments):		
up to 1 year	834	288
from 1 to 5 years	2 369	621
over 5 years	-	-
Total	**3 203**	**909**
(-) future payments in respect of finance leases	(209)	(80)
Present value of finance lease liabilities	**2 994**	**829**
up to 1 year	823	275
from 1 to 5 years	2 171	554

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

Wyszczególnienie	Bank loans	Other borrowings	Finance leases	Total
Amount as of 1 January 2018	**211 692**	**2 162**	**2 994**	**216 848**
Change of accounting policies	6 940			6 940
Amount as of 1 January 2018 ADJUSTED	**218 632**	**2 162**	**2 994**	**223 788**
Additions due to:	***163 978***	***94***	***1 220***	***165 292***
- loans received	153 379	-	-	153 379
- change in credit cards balance	35	-	-	35
- interest accrued	10 564	94	109	10 767
- new finance lease contracts	-	-	1 111	1 111
Disposals due to:	***(18 567)***	***(594)***	***(760)***	***(19 921)***
- repayment of loan principle	(4 338)	(500)	(651)	(5 489)
- repayment of interest	(10 937)	(94)	(109)	(11 140)
- payment of bank commissions settled effectively	(3 292)			(3 292)
Amount as of 31 December 2018	**364 043**	**1 662**	**3 454**	**369 159**

The following table presents changes in the value of loans and leases during the year 2017:

Description	Bank loans	Other borrowings	Finance leases	Total
Amount as of 1 January 2017	**212 945**	**-**	**829**	**213 774**
Additions due to:	***27 633***	***2 175***	***3 154***	***32 962***
- loans received	19 949	-	-	19 949
- loans received from the non-controlling shareholders	-	2 162	-	2 162
- interest accrued	7 684	13	96	7 793
- new finance lease contracts	-	-	3 058	3 058
Disposals due to:	***(28 886)***	***(13)***	***(989)***	***(29 888)***
- repayment of loan principle	(20 199)	-	(893)	(21 092)
- repayment of interest	(6 886)	(13)	(96)	(6 995)
- payment of bank commissions settled effectively	(1 801)	-	-	(1 801)
Amount as of 31 December 2017	**211 692**	**2 162**	**2 994**	**216 848**

31. PROVISIONS

PLN'000	As of 31 December 2018	As of 31 December 2017
Provision for employee benefits	**3 828**	**3 244**
provision for pension benefits	307	249
holiday pay provision	3 521	2 995
Other provisions, including:	**1 988**	**1 845**
Provisions for litigation	1 988	1 845
Total	**5 816**	**5 089**

PLN'000	As of 31 December 2018	As of 31 December 2017
Provision for employee benefits		
At the beginning of the period	3 276	2 891
Recorded during the year	93	490
Utilized	(60)	-
Released	(72)	(98)
Business combinations	-	22
Sale of subsidiaries	7	(29)
At the end of the period	3 244	3 276
Other provisions:		
At the beginning of the period	1 511	1 661
Recorded during the year	783	794
Utilized	(201)	(460)
Released	(248)	(369)
Business combinations	-	25
Sale of subsidiaries	-	(140)
At the end of the period	1 845	1 511

32. TRADE AND OTHER PAYABLES

The following table presents the structure of trade and other payables as of 31 December 2018 and 31 December 2017.

PLN'000	As of 31 December 2018	As of 31 December 2017
Long-term		
Contingent liabilities related to business combinations	4 396	3 618
Liabilities related to business combinations	13 999	-
Liabilities with respect to the put option for non-controlling interests	21 764	78 763
Liabilities in respect of purchase of property, plant and equipment and intangible assets	8 990	10 141
Other	477	384
	49 626	**92 906**
Short-term:		
Trade payables	55 894	36 525
Contingent liabilities related to business combinations	5 849	3 571
Liabilities due to acquisitions of companies or enterprises	18 694	1 200
Liabilities with respect to the put option for non-controlling interests	-	58 616
Contract and refund liabilities	32 566	27 489
State liabilities	8 582	6 028
Barter liabilities	1 792	1 935
Wages and salaries payables	9 554	6 649
Liabilities in respect of purchase of property, plant and equipment and intangible assets	9 478	13 300
Deferred income		-
Other	9 006	6 741
Total	**151 415**	**162 054**

Liabilities with respect to the put option for non-controlling interests of Domodi Sp. z o.o.

Domodi Sp. z o.o.

Trade and other liabilities of the Capital Group as at 31 December 2017 largely resulted from the obligation to buy out non-controlling shares in Domodi Sp. z o.o., which as at 31 December 2017 amounted to PLN 58.616 thousand PLN in the short-term part and PLN 59,569 thousand PLN in the long-term part.

On 15 March 2018, by way of an Annex, the parties to the shareholder agreement decided to change the conditions for the option to purchase a minority stake in Domodi shares, which originally assumed the purchase of shares in two equal tranches of 24.5% each, after the end of the 2017 and 2019 financial years. The amended Shareholders' Agreement gives Wirtualna Polska Media SA or Wirtualna Polska Holding SA the option to purchase 35% of shares in Domodi in 2018 and the right to exercise options for the remaining 14% of shares for the next ten years, with the first possibility to exercise the option after the end of 2018.

At the same time, as a result of the execution of Option I on 15 March 15 2018, the Company and Domodi Shareholders concluded with the participation of a subsidiary - WPM a share purchase agreement on the basis of which the Company acquired a total of 918 shares in the share capital of Domodi representing approximately 35% of the share capital of Domodi and entitling to exercise about 35% of votes at the shareholders' meeting of Domodi.

The sale price for all the purchased shares was PLN 85,484 thousand. The transfer of rights to shares took place on 22 March 2018 upon payment of the price on the terms specified in the agreement. The acquisition of shares was financed from a loan granted to Wirtualna Polska Holding SA by Wirtualna Polska Media SA with funds from the tranche of the Capex Loan under the loan agreement of 12 December 2017.

In connection with the signed annex, the value of the liability due to the modified option for the remaining 14% of shares in Domodi was estimated by the Management Board at discounted value of approximately PLN 36 million. The difference in the discounted valuation of liabilities in the amount of approximately PLN 1,7 million was recognized in the Group's result as an additional financial cost in the first quarter of 2018 in "Revaluation of commitments to purchase non-controlling interests and other liabilities on business combinations ".

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

After the settlement of the transaction, the Group owns 100% of shares in Domodi entitling to exercise 100% of votes at the shareholders' meeting.

The selling price for all shares purchased is approximately PLN 33.4 million.

The value of the option liability for the purchase of the minority stake in Domodi on the previous balance sheet date amounted to PLN 36.2 million and was PLN 2.8 million higher than the final exercise price. Therefore, in the third quarter of 2018, the Group's consolidated financial statements showed gain of PLN 2.8 million on the revaluation of the liability to buy out non-controlling shares, presented in "Revaluation of commitments to purchase non-controlling interests and other liabilities on business combinations ".

As a result of the transactions, the Group recognized 11.373 thousand as retained earnings PLN, which in previous periods was reported as non-controlling interest. As a result of the settlement of options for non-controlling interest in Domodi, Group reclassified the reserve capital resulting from the initial recognition of this option, to retained earnings in the amount of PLN 31,853 thousand. This change did not affect the total equity attributable to the shareholders of the parent.

Both options were exercised in 2018 thus as at 31 December 2018 these liabilities do not occur.

Nocowanie.pl Sp. z o.o.

The Management Board updated the forecasts of results for 2019 and 2020 for Nocowanie.pl Sp. z o.o. and eHoliday.pl Sp. z o.o. Valuation of the put option for non-controlling shares in Nocowanie.pl Sp. z o.o. depends on, among others the EBITDA result of both companies for 2019 for the first option and 2020 for the second option respectively. Due to higher than originally forecasted results of these companies, the Management Board decided to update the valuation of the option liability and increase it by PLN 1,606 thousand included in the financial statements of the Capital Group. The effects of the change in the valuation of the options have been included in the financial costs of the fourth quarter of 2018 in "Revaluation of commitments to purchase non-controlling interests and other liabilities on business combinations ".

Contingent liabilities related to business combinations

My Travel Sp. z o.o.

The final sale price in accordance with the investment agreement was determined as the product of the normalized My Travel EBITDA for the financial year 2018 and the multiplier determined by the parties. The Group updated this contingent liability based on the company's unaudited financial results for 2018. As a result, the liability was reduced by PLN 2.3 million . The effect of the change in the valuation of liability was recognized in the financial revenues of the fourth quarter of 2018 in " Revaluation of commitments to purchase non-controlling interests and other liabilities on business combinations".

Superauto24.com Sp. z o.o.

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

Liabilities due to acquisitions of companies or enterprises

Superauto24.com Sp. z o.o.

As at 31 December 2018, the company Superauto24.com Sp. z o.o. recognised short-term liabilities of PLN 17.091 thousand arising from the agreements signed in December 2018 for the purchase of enterprises of Grupa Super Auto Sp. o.o. and Super Auto sp.j. B. Chojnacki, K. Makula as part of the consolidation of Superauto24.com.

Extradom.pl Sp. z o.o.

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

33. CONTINGENT REMUNERATION

Contingent liabilities arising from acquisitions of subsidiaries result from the arrangements made with the former owners of My Travel Sp. z o.o. and Superauto24.com Sp. z o.o. and Netwizor Sp. z o.o. As of 31 December 2018, the estimated non-discounted amount of all future payments that the Group may be obliged to make based under the arrangements adopted amounted to PLN 11,292 thousand. The fair value of contingent consideration of PLN 10,245 thousand was in all cases estimated using the income method. Valuations of both obligations are at level 3 of the fair value hierarchy. Further information is disclosed in note 20 and 21.

34. OPERATING LEASE

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:

PLN'000	As of 31 December 2018	As of 31 December 2017
up to 1 year	6 660	5 700
from 1 to 5 years	10 736	14 265
over 5 years	326	978
Total	**17 722**	**20 943**

The rental cost recorded in other external services in the years ending 31 December 2018 and 2017 amounted to PLN 7,580 thousand and PLN 6,812 thousand respectively.

35. LITIGATION

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

In the analysed period, the provision for court proceedings increased by PLN 143 thousand.

36. FAIR VALUE ESTIMATION

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

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

The following table presents the Group's financial assets and liabilities measured at fair value as of 31 December 2018.

in PLN'000	Level 1	Level 2	Level 3	Total
Assets and liabilities measured at fair value				
Assets measured at fair value through profit or loss	-	16 611	-	**16 611**
Contingent liabilities related to business combinations	-	-	(10 245)	**(10 245)**
Total	**-**	**16 611**	**(10 245)**	**6 366**

Level 1 financial Instruments

The fair value of financial instruments traded on an active market is determined by the use of market prices of similar assets or liabilities as at the balance sheet date.

Level 2 financial Instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. Such valuation techniques optimize the use of observable market data where they are available and rely to the smallest extent on specific unit estimates. If all input data necessary to measure an instrument at fair value are indeed observable the instrument is classified to level 2.

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

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 liabilities for the year ending 31 December 2018:

PLN'000	Contingent liabilities related to business combinations	
	As of 31 December 2018	As of 31 December 2017 RESTATED
At the beginning of the period	**7 189**	**6 075**
Acquisition of My Travel Sp. z o.o.	9 751	-
Acquisition of Superauto24.com Sp. z o.o.	4 396	-
Revaluation of liability related to acquisition of Netwizor Sp. z o.o.	(371)	-
Revaluation of liability related to acquisition of Allani	168	342
Revaluation of liability related to acquisition of My Travel Sp. z o.o.	(2 273)	-
Repayment of liability related to acquisition of My Travel Sp. z o.o.	(2 692)	-
Repayment of liability related to acquisition of Netwizor Sp. z o.o	(1 325)	-
Repayment of liability related to acquisition of Allani Sp. z o.o.	(5 608)	-
Gains and losses recognized in financial result	1 010	772
At the end of the period	**10 245**	**7 189**

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

PLN'000	Carrying amount	Fair value
Loans	365 705	365 786
Finance leases liabilities	3 454	3 454
Total	**369 159**	**369 240**

37. OBJECTIVES AND PRINCIPLES OF FINANCIAL RISK MANAGEMENT

The Group is exposed to credit risk and liquidity risk and also to cash flow and fair value risks as a result of interest rate fluctuations. As of 31 December 2017 the Group's operations were not subject to significant currency risk due to an insignificant share of currency transactions in the Group's total transactions. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group utilizes derivative financial instruments to hedge against some risks. Since 2014, The Group has swap instruments to economically hedge against interest rate risk arising from loan agreements concluded. In connection with the new loan agreement signed on December 12, 2017, the Group terminated IRS transactions and as at 31 December 2018, it was not a party to any active hedging transactions

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

Credit risk

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

- **Trade receivables**

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

The Group manages a well-diversified portfolio of customers and suppliers. In both 2018 and 2017 there was one customer whose turnover exceeded 10% of the Group's consolidated revenue and amounted to 11% in both years. This customer is in a stable financial situation and there were no payment delays during the long-term cooperation. Therefore, the Management Board sees no risk of excessive concentration of income.

- **Cash in the bank**

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

PLN'000	As of 31 December 2018	As of 31 December 2017
Banks with high rating A1 do A3	66 663	46 442
Total cash at banks	**66 663**	**46 442**

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

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

Cash flow and fair value risk resulting from interest rate fluctuations

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

The Group actively analyses its exposure to interest rate fluctuations. Simulations of various scenarios are conducted, taking into account refinancing, renewal of the existing positions, alternative financing and hedges. Based on these scenarios, the Group calculates the effect of specific interest rate fluctuations on the financial result. These scenarios are only created for liabilities which constitute the largest interest-bearing items. Based on various scenarios, the Group manages its cash flow risk relating to interest rate fluctuations – using interest swaps under which floating interest rates are swapped for fixed. The economic result of applying such swaps is that loans and advances with floating interest rates are transformed into instruments bearing fixed interest rates. Based on the agreements relating to interest rate swaps, the Group undertakes, together with the other parties, to swap at specific intervals (usually on a quarterly basis) the difference between the fixed and floating interest rates established based on the agreed basis principal.

Until 20 December 2017 the Group was a party in four swap agreements converting floating interest rates into fixed. The instruments were terminated after new loan agreement was signed. The Group estimates that a change of interest rate by 1 p.p. would result in additional PLN 3 million of financial interest costs per annum.

Liquidity risk

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

in PLN'000	up to 3 months	from 3 to 12 months	from 1 to 5 years	> 5 years	Total
As of 31 December 2018					
Interest-bearing bank loans	7 650	22 903	173 401	223 404	**427 358**
Interest-bearing other borrowings		1 662			**1 662**
Finance leases	333	999	2 122	-	**3 454**
Trade payables and other financial liabilities	105 448	17 629	46 867	2 380	**172 324**
As of 31 December 2017					
Interest-bearing bank loans	2 128	10 372	96 114	150 247	**258 861**
Interest-bearing other borrowings		2 162			**2 162**
Finance leases	228	595	2 171	-	**2 994**
Trade payables and other financial liabilities	132 290	7 722	91 449	3 748	**235 209**

Capital management

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

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

The Group controls its capital balances using the leverage ratio, which is calculated as the ratio of net debt to total equity plus net debt. The Group's net debt includes interest-bearing loans and borrowings, less cash and cash equivalents. The capital management ratios presented below are on a level consistent with the Management Board's expectations.

PLN'000	As of 31 December 2018	As of 31 December 2017
Interest-bearing loans	369 159	213 774
Less cash and cash equivalents	(66 663)	(45 150)
Net debt	**302 496**	**168 624**
Equity	467 760	408 725
Equity and net debt	770 256	577 349
Leverage ratio I	**39%**	**29%**
Adjusted EBITDA for the last 12 months	173 000	132 155
Leverage ratio II [Adjusted EBITDA/Net debt)	**1,75**	**1,28**

38. RELATED PARTY DISCLOSURES

As of 31 December 2018 no individual entity can control the Group independently. Nevertheless, in view of the share of the overall number of votes at the General Meeting, the Founders (i.e. Jacek Świderski, Michał Brański and Krzysztof Sierota) and Companies controlled by them (acting in concert on the basis of a cooperation agreement regarding the joint exercise of ownership rights based on holding shares in the Company after the Admission Date) are able to exercise a decisive influence over the decisions regarding the most important corporate issues such as the appointment and dismissal of the President of the Management Board, the appointment and dismissal of the members of the Supervisory Board, the amendment of the Articles of Association, the issuance of new shares in the Company, a decrease of the share capital of the Company, the issuance of convertible bonds, dividend payments and other actions which, pursuant to the Commercial Companies Code, require an ordinary or a qualified majority of votes at the General Meeting.

The ultimate parent of the Capital Group is Wirtualna Polska Holding SA.

The following transactions were concluded with related entities

PLN'000	Twelve months ending 31 December 2018	Twelve months ending 31 December 2017
Purchases:		
Subsidiary of a member of the Management Board of the Parent Company	4	9
Total	**4**	**9**
Sales:		
Advertising services rendered to a subsidiary of a member of the Management Board	646	1 114
Total	**646**	**1 114**

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

PLN'000	As of 31 December 2018	As of 31 December 2017
Liabilities		
Subsidiary of a member of the Management or Supervisory Board of the Parent Company	24	3
Total	**24**	**3**
Receivables		
Subsidiary of a member of the Supervisory Board of the Parent Company	-	659
Total	**-**	**659**

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

PLN'000	Twelve months ending 31 December 2018	Twelve months ending 31 December 2017
Short-term employee costs (salaries and related benefits)	5 934	5 271
Incentive scheme – share-based payments	-	108
Total	**5 934**	**5 379**

39. EXPLANATIONS TO THE CASHFLOW STATEMENT

PLN'000	Twelve months ending 31 December 2018	Twelve months ending 31 December 2017 RESTATED
Change in receivables and other short-term assets arises from the following items:	**(18 527)**	**(28 416)**
Change in receivables and other short-term assets per balance sheet	(23 762)	(28 017)
Change in long-term receivables per balance sheet	(346)	(155)
Change in assets relating to financing activities	(2 395)	2 380
Receivables and other assets of companies as of the date of obtaining control	7 618	305
Change in accounting policies	(346)	(3 357)
Change in income tax receivables	702	428
Other	2	-
Change in short-term liabilities arises from the following items:	**20 814**	**17 225**
Change in short-term liabilities per balance sheet	(10 639)	83 544
Adjustment for a change in investment liabilities	42 666	694
Adjustment for a change in investment liabilities taken over as a result of obtaining control	19 273	(64 251)
Revaluation of investment liabilities recognized in operating activities	298	
Liabilities taken over as a result of obtaining control	(30 521)	(2 481)
Change in long-term deferred income	93	(495)
Change in liabilities in respect of financing activities	(361)	209
Other	5	-
Change in provisions arises from the following items:	**613**	**343**
Change in short-term provisions per balance sheet	727	302
Actuarial valuation recognized in other comprehensive income	(12)	46
Provisions taken over as a result of obtaining control	(102)	(5)
Purchase of shares in a subsidiary	**(67 061)**	**(10 403)**
Nominal purchase price	(92 769)	(11 250)
Cash and cash equivalents in subsidiaries as of the date of the acquisition's settlement	25 708	847

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

40. INFORMATION ON GUARANTEES AND WARRANTIES GRANTED IN RESPECT OF LOANS

Guarantees granted to non-Group entities

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

Inter-company guarantees

The companies: Wirtualna Polska Holding S.A., Money.pl Sp. z o.o., Wakacje.pl SA, Domodi Sp. z o.o. and Nocowanie.pl Sp. z o.o. are guarantors to the new loan agreement concluded by and between Wirtualna Polska Media SA, Wirtualna Polska Holding SA and mBank, PKO BP and ING Bank Śląski as of the balance sheet date.

41. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Signing a contract for a new office in Warsaw

On 12 February 2019, Wirtualna Polska Media SA has concluded a lease agreement with VASTINT POLAND Sp. z o.o. The subject of the contract is the lease of office space located in the Warsaw Business Garden office complex at ul. Żwirki i Wigury 16 in Warsaw. The Lease Agreement was concluded for a period of 7 years from 15 January 2020.

The total estimated value of payments (excluding indexing costs) during the lease period (expressed in EUR and translated at the average exchange rate announced by the National Bank of Poland on the day preceding the date of conclusion of the contract) will amount to approximately PLN 41 million. Starting from 1 March 2021, the landlord will be entitled to make annual indexation of fees paid by the lessee based on the average annual rate of change of the HICP index determined for all European Union countries. The contract was concluded on market terms commonly used for this type of contracts.

Due to the early vacation of the Oxygen Park building at ul. Jutrzenki 137a in Warsaw, the Group will recognize in 2019 a maximum of PLN 1.5 million of additional one-off costs of depreciation of the right to use existing office space resulting from financial leasing recognized in accordance with IFRS 16 effective from 1 January 2019. In addition, the Group will also accelerate depreciation of expenditures incurred for adaptation of the existing office space, which will result in an increase in depreciation of improvements in foreign fixed assets in 2019 by approx. PLN 1 million.

There were no other significant post- balance sheet events except for those described above and those regarding the changes in the Group's structure, described in note 7 and changes in share capital described in note 26.

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

On 25 November 2016, the Company concluded an agreement on the audit of financial statements of the Company for 2016-2018 financial years and the audit of the consolidated financial statements of Capital Group for 2016-2018 financial years with PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. (former PricewaterhouseCoopers sp. z o.o.) with its registered office in Warsaw, Polna 11 Street.

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 2018 and 31 December 2017.

PLN'000	Twelve months ending 31 December 2018	Twelve months ending 31 December 2017
Audit of the annual financial statements	425	329
Tax advisory	-	-
Other services	2	12
Other assurance services	117	
Review of interim financial statements	77	75
Total	**621**	**416**

43. SELECTED CONSOLIDATED FINANCIAL DATA CONVERTED INTO EUR

Consolidated income statement and other comprehensive income

	Twelve months ending 31 December 2018	Twelve months ending 31 December 2017	Twelve months ending 31 December 2018	Twelve months ending 31 December 2017
	PLN'000		EUR'000	
Segment ONLINE				
Sales	550 816	457 482	129 090	107 782
Cash sales	526 254	424 502	123 334	100 012
Adjusted EBITDA	178 721	150 580	41 885	35 476
EBITDA	168 726	142 192	39 543	33 500

	Twelve months ending 31 December 2018	Twelve months ending 31 December 2017	Twelve months ending 31 December 2018	Twelve months ending 31 December 2017
	PLN'000		EUR'000	
Segment TV				
Sales	16 500	8 131	3 867	1 916
Cash sales	16 500	8 131	3 867	1 916
Adjusted EBITDA	(5 721)	(12 195)	(1 341)	(2 873)
EBITDA	(5 833)	(12 556)	(1 367)	(2 958)

	Twelve months ending 31 December 2018	Twelve months ending 31 December 2017	Twelve months ending 31 December 2018	Twelve months ending 31 December 2017
	PLN'000		EUR'000	
Segments total				
Sales	567 316	465 613	132 957	109 698
Cash sales	542 754	432 633	127 201	101 928
Adjusted EBITDA	173 000	138 385	40 545	32 603
EBITDA	162 893	129 636	38 176	30 542
Amortization and depreciation of fixed assets and intangibles	(55 622)	(51 007)	(13 036)	(12 017)
Operating profit	107 271	78 629	25 140	18 525
Result on financial activities	(13 833)	(24 340)	(3 242)	(5 734)
Profit before tax	93 438	54 289	21 898	12 790
Net profit	75 997	40 032	17 811	9 431

Consolidated statement of financial position

	As of 31 December 2018	As of 31 December 2017	As of 31 December 2018	As of 31 December 2017
	PLN'000		EUR'000	
Total assets	1 063 446	913 657	247 313	219 055
Non-current assets	854 666	752 229	198 760	180 352
Current assets	208 780	161 428	48 553	38 703
Long-term liabilities	404 565	307 292	94 085	73 675
Short-term liabilities	191 121	186 437	44 447	44 699
Equity	467 760	419 928	108 781	100 680
Share capital	1 449	1 443	337	346
Non-controlling interests	10 680	19 479	2 484	4 670

Consolidated cash flow statement

	Twelve months ending 31 December 2018	Twelve months ending 31 December 2017	Twelve months ending 31 December 2018	Twelve months ending 31 December 2017
	PLN'000		EUR'000	
Net cash flows from operating activities	155 714	113 639	36 493	26 773
Net cash flows from investing activities	(239 350)	(67 795)	(56 095)	(15 972)
Net cash flows from financing activities	103 990	(43 757)	24 371	(10 309)
Total net cash flows	**20 354**	**2 087**	**4 770**	**492**

Conversion into euro was performed based on the following principles:

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

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

PLN'000	Three months ending 31 December 2018 UNAUDITED	Three months ending 31 December 2017 UNAUDITED
Sales	**173 463**	**137 568**
Cost of goods sold	(4 220)	
Amortization and depreciation	(14 954)	(13 661)
Amortization and depreciation of acquired programming rights	(980)	(518)
Materials and energy used	(2 040)	(1 508)
Costs related to public offering, acquisitions of subsidiaries and restructuring, including:	(3 202)	(1 323)
Costs of the employee option scheme	(295)	(298)
Other external services	(63 816)	(49 980)
Other salary and employee benefit expenses	(49 323)	(38 980)
Other operating expenses	(3 074)	(5 143)
Other operating income/gains	323	154
Gain/loss on disposal of other financial assets	-	-
Operating profit	**31 882**	**26 311**
Finance income	349	372
Finance costs	(4 571)	(6 582)
Revaluation of commitments to purchase non-controlling interests	667	(5 319)
Profit before tax	**28 327**	**14 782**
Income tax	(1 726)	(5 103)
Net profit	**26 601**	**9 679**
Other comprehensive income/(losses)	136	1 920
Comprehensive income	**26 737**	**11 599**
Net profit attributable to:		
Equity holders of the Parent Company	26 508	8 252
Non-controlling interests	93	1 427
Comprehensive income attributable to:		
Equity holders of the Parent Company	26 644	10 172
Non-controlling interests	93	1 427

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

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

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

Management Board's Report on non-financial information 31 December 2018

Dear Readers!

This is the second time that we are recapping our activity and presenting a report focusing on the responsibility and sustainable development of Wirtualna Polska Holding Capital Group. Over the past year, we have worked on what we can do for our employees and how Wirtualna Polska can improve the world around us.

We would like Wirtualna Polska's citizens, as refer to them in our organisation, to keep putting trust in Wirtualna Polska. In 2018, we introduced the Pulse Check quarterly survey, which supports competence development and builds commitment. Thanks to it, we can react more quickly to internal crises in mutual relations. We also analyse the Leadership Trust Index, showing the level of trust to line managers.

Wirtualna Polska is a large consumer of electrical power in Poland. Thinking about what we can do for others, we have come to the conclusion that, although this is not our most important cost item, we will make an effort to significantly reduce energy consumption and the associated CO_2 emissions. In 2018 we made a huge effort to reduce the number of our servers by as much as 80%.

I wish you a pleasant reading.

Jacek Świderski

Management Board Chairman of Wirtualna Polska Holding SA

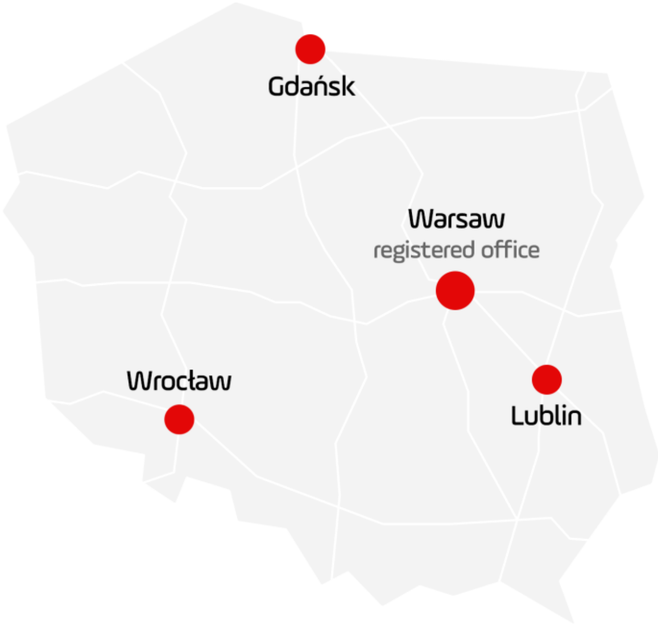
[102-14]

Learn more about us

[102-1; 102-3; 102-4]

Wirtualna Polska is a capital group headed by Wirtualna Polska Holding SA, with its registered office in Warsaw, ul. Jutrzenki 137A. Our group operates in Poland. It offers interesting and attractive work environments in, e.g., Warsaw, Gdańsk, Wrocław and Lublin.

Our main locations:



Our brands, products, services and business model

[102-2]

At Wirtualna Polska, we blend media, advertising and e-commerce activities. Our mission is to remain the partner of first choice for Poles.

Trust is the foundation of our business.

It enables us to provide engaging information, entertainment and services, and inspire everyday decisions. We are continuously looking for new solutions to meet our users' needs together with our advertising and e-commerce partners.

21,9 million
real users

2,8 billion
page views

35 minutes
per day

According to the Gemius/PBI study, there were 21.9 million real users of all Internet products of the WP Group in December 2018; they made 2.8 billion page views, spending (on average) 35 minutes a day on the portals.

Media

Portals and content

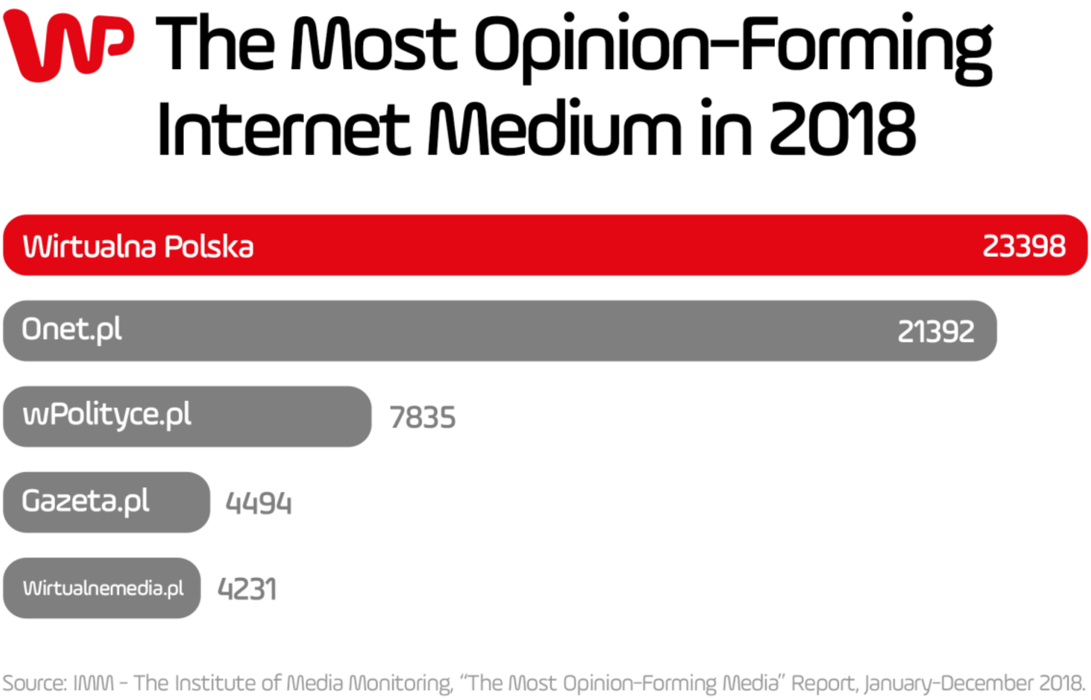
money.pl dobreprogramy SportoweFakty magazyn

In 2018, our journalists and reporters prepared over 280,000 materials, including interviews, video reports, opinions, features and news. Every day, they provided current information, commented current events and presented titbits from the world of entertainment. It is thanks to them that Wirtualna Polska is the place where Internet users return to every day; because of their work, we have been named the most opinion-forming Internet medium in the ranking of the Institute of Media Monitoring.

#InternetMedium2018

Source: IMM - The Institute of Media Monitoring, "The Most Opinion-Forming Media" Report, January-December 2018.

Other media referred to WP materials more than 23 thousand times.



For us and our users, Wirtualna Polska the centre of everything that happens in Poland. Every day, thanks to the team of Wirtualna Polska's employees and co-workers, WP Homepage is a reliable and interesting source of information and gains a growing audience. In 2018, we introduced its new desktop version. The layout of the WP homepage has been extended and rearranged. This way, we obtained the space that increased the clarity and legibility of texts, graphics and advertisements. At the top of the page, there is a featured module that is to broadcast live programmes and present our video productions. 13 productions are made on a regular basis at WP. The most popular formats include, among others, the daily "Tłit" and "Money. To się liczy." In December 2018, these two were viewed a total of 17.4 million and 14 million times, respectively. We also present our media offer in an interesting and unconventional way in the o2 portal where Internet users can find all the necessary information and a high dose of entertainment.

We also create a number of thematic portals. The most important local and international news is reported on the WP Wiadomości portal, whereas comments can be found at WP Opinie. The premium content is displayed at WP Magazyn. We operate the most popular financial portal in Poland: money.pl. The most complete overview of sports news can be found at WP SportoweFakty. WP Parenting is a place for all parents and parents-to-be. Lifestyle content is available on WP Kobieta, Kafeteria , WP Turystyka and WP Kuchnia portals. Automotive enthusiasts will find a bunch of interesting information at WP Moto and WP Autocult. We own the popular entertainment and cultural portals: Pudelek, WP Gwiazdy, WP Teleshow, WP Film and WP Książki. Technology fans frequently visit WP Tech and dobreprogramy.pl. We also offer specialist portals: WP Fotoblogia, WP Gadżetomania and WP Komórkomania. Our users can find healthcare advice at WP abcZdrowie.

Our journalists and reporters were recognised in 2018: Mateusz Ratajczak received the Teresa Torańska Memorial Award "The Best of Internet 2018" conferred by Newsweek for a series of articles about fraudsters, referred to as "sucker hunters" and "boiler room hunters." Journalists of WP abcZdrowie were distinguished in the Medical Journalist of the Year 2018 competition, organised by the Association of Journalists for Health. Sylwia Stachura won the second prize in the category "Internet journalism," whereas Katarzyna Krupka – the first prize and the special prize for the best publications on aesthetic medicine, cosmetology and plastic surgery. Marek Kacprzak was awarded the prestigious Business Center Club Award for promoting principles of entrepreneurship in his professional work, supporting the free market concept, and spreading economic education.

Email

Other services that bring us closer to our users and give us the opportunity to contact them on a daily basis are WP Poczta and o2 email. WP Poczta offers e.g. the unlimited mailbox capacity, attachments up to 100 MB. o2 email enables e.g. chatting online with other users and watching YouTube videos within the content of messages. Both email offers stand out because of the high level of security and ensure a range of business solutions, such as the possibility to send authorised email messages or tailoring advertising services to the profile and interests of individual users, while respecting their right to privacy protection. In 2018, we completed the process of migration of the email system to the new one that ensures the top level of security and provides further development opportunities.

Television

WP Telewizja has been broadcast since December 2016. The line-up features foreign movies and series not previously broadcast on Polish open-television channels, original feature programmes, such as "Tłit" and "Money. To się liczy," entertainment programmes: "Klika Pudelka," and a number of documentaries and lifestyle programmes, including the popular ones involving interior design and renovation. The station is available for terrestrial broadcasting using the eighth multiplex (MUX8), on the NC+ platform (Channel 170) and in the best cable networks, e.g.: UPC (channel 116/158), Vectra (128), Multimedia (38), Netia (30), Inea (28), Toya (17) and many others. The TV line-up strategy is the combination of original productions with a valuable offer of foreign productions. According to Nielsen Audience Measurement data, in 2018, Telewizja WP became a leader among the stations broadcasting on MUX8.

Video

We also provide our users with the possibility of online TV reception through the WP Pilot Internet platform and mobile application, enabling to watch a total of over 80 TV channels, more than 25 of which are completely free of charge. The service is available via the Internet website, applications on Android and iOS devices, Chromecast, and on TV sets offering the Android TV service.

OPEN FM

OpenFM is the most popular Polish Internet radio. It offers over a hundred different music stations with almost two thousand hours of music a day. The stations are divided into thematic categories. Thanks to advanced streaming technology, the application does not require a broadband connection or large data packets. The service is available at www.open.fm and via the mobile application on Android and iOS devices.

Advertising

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

The change of the WP homepage also comes with a newly developed advertising grid. Its shape conforms with Coalition for Better Ads standards, and responds to users' and customers' needs which we have understood thanks to the studies completed. The new version is more user-friendly and gives new possibilities to partners. These include e.g. new advertising placements that are perfectly matched to the layout of the website. The introduction of the new grid has significantly improved quality parameters, such as viewability.

Since 2018, WP has replaced standard CPM billing with a much more reliable vCPM (cost per viewed mille) model. It is available in pay-per-impression and programmatic campaigns on platforms that support this solution. According to the IAB definition, advertising is considered visible if at least half of its graphic creation remains in the browser for at least one second. The introduction of vCPM is a response to market needs. Customers gain even more reliable results from their campaigns and pay for the advertising that users have actually seen thanks to vCPM.

Wirtualna Polska was the first to introduce the change in the billing method of advertising; the vCPM model has now become the market standard. This achievement has been recognised in the 15th edition of the reported published by the magazine "Media&Marketing Polska." WP has been named the Internet Advertising Agency of the Year, and outstripped not only the competition from other portals, but also such international tycoons as Facebook or Google. Wirtualna Polska has received the accolades for the fourth time in a row. In the study carried out by Kantar Millward Brown, consulting services and interesting solutions offered by employees of the Wirtualna Polska Advertising Agency (40% of responses) and the sense of security ensured (27% of responses) have been particularly appreciated. Furthermore, "Media&Marketing Polska" experts have recognised Wirtualna Polska's investments in branded content video. Over 250 productions of the kind have already been made. "The WP Advertising Agency expands the campaign reporting not only by traditional indicators. It provides a much more in-depth analysis of user flows and the real impact of content and other forms of communication on the final conversion," said the article featured in the magazine "Media&Marketing Polska." In the report, 33% of respondents also pointed out to attractive advertising formats offered by Wirtualna Polska.

E-commerce

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

Travel

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

In 2018, the Wakacje.pl company acquired the My Travel chain (the latter also specialises in outbound tourism). As a result of the merger of the points of sale under both brands, we have become the market leader in organised outbound tourism sold in brick-and-mortar shops. At the end of 2018, the chain consisted of almost 250 shops. The expansion of the chain results from a development strategy in both online and offline sales channels. Organised outbound tourism is characterised by high ROPO (Research Online Purchase Offline). The integration of sales channels enables WP's tourist brands to be close to consumers, including those who are not yet ready to buy holidays online.

Wakacje.pl has expanded its portfolio by the Parklot.pl brand. It is a marketplace that has been operating since September 2016 and enables to book places at almost 50 car parks at the main airports in Poland. Today, Parklot.pl is the top portal in its category in terms of the number of users.

Fashion

The mission to support our users in their everyday decisions is also demonstrated by the services offered in the two largest fashion search engines in Poland: domodi.pl and allani.pl. These portals offer several hundred thousand products from hundreds of online shops. Additionally, user can find advice on current fashion trends in articles available on these portals and on the YouTube channel.

Interior design and house design

Homebook.pl is a modern platform for interior design professionals and enthusiasts. It offers users the possibility to search among hundred thousand products from hundreds of shops in the home and interior category. It also has an extensive inspiration section where interior design, advice and trends are presented, and a database of interior design specialists.

In 2018, the WP Group was expanded by Extradom.pl, a company specialising in online sales of architectural projects, aggregating over 18 thousand construction designs. The acquisition enabled the integration of consumers' purchasing journey from the house design, through building materials, up to the interior design. Apart from the sale of architectural designs, the company has created the first social portal in Poland for people building houses, being a source of inspiration and practical information about the construction process.

Financial services

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

Health

Digitalisation of healthcare is one of the most important trends on the market that becomes increasingly visible in Poland. Wirtualna Polska would also like to become a part of this trend. The editorial team of WP abcZdrowie publishes materials created in participation with recognised specialists dealing with health, lifestyle and proper nutrition, also offering an extensive module of expert questions and answers. We make easier reaching the database of doctors throughout Poland and making appointments directly on the portal or by phone.

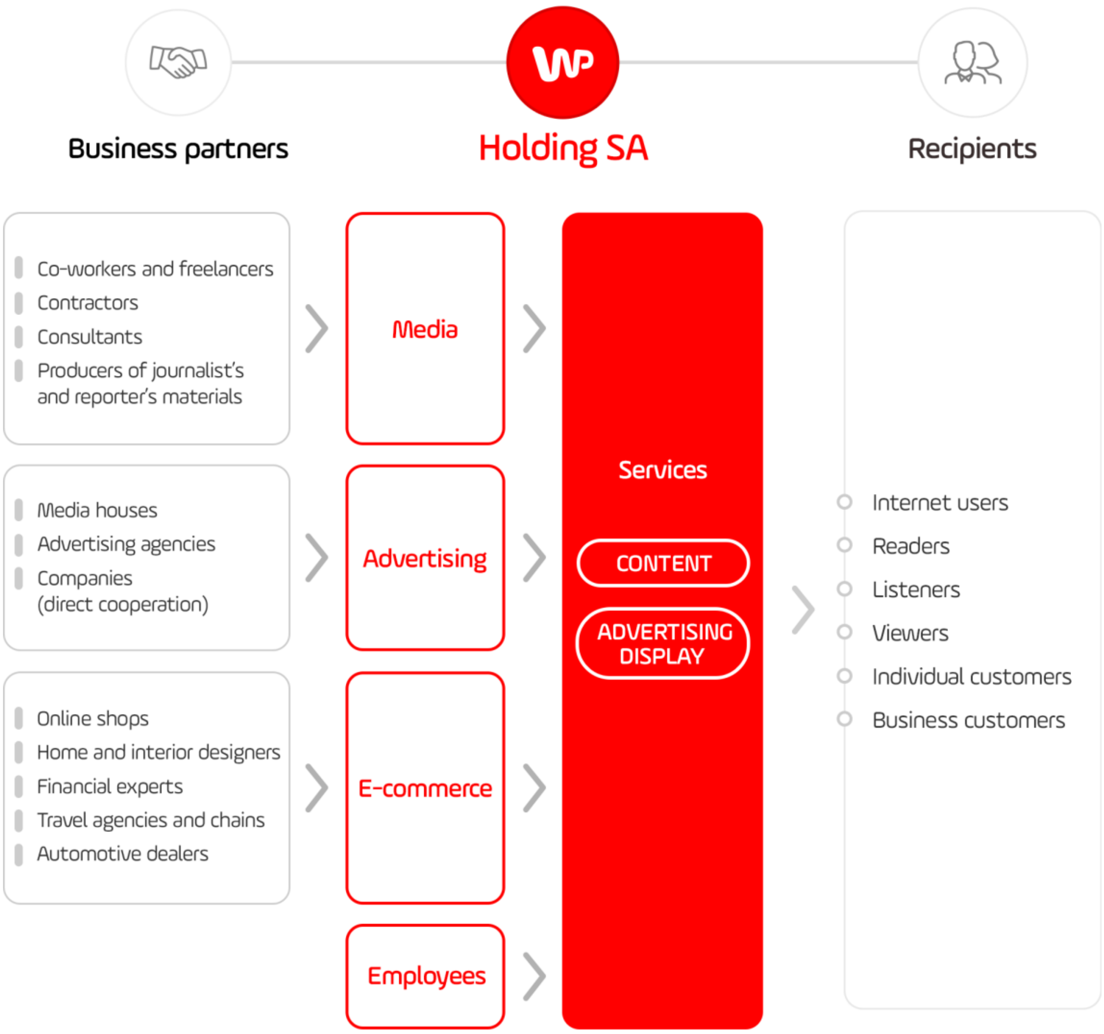
Automotive sector

Purchasing and financing a car is another segment of e-commerce that expanded WP's offer in 2018. WP Holding became the majority shareholder of the company Superauto24.com. The portal presents a wide range of new cars from authorised dealers of different brands. The highest standard of services provided by a team of experienced consultants enables individual and corporate customers to finance purchase of a new car without leaving home, by way of lease, rental or credit.

WP Group supply chain

[102-9; 102-10]

We operate in the Internet, media and advertising sectors. We use services of trusted and long-term partners. As a Group with a portfolio involving chiefly electronic services based on its IT infrastructure, we do not identify key suppliers or operate based on an extensive supply chain, which is typical of production companies. Our principal task is to ensure the continuity of service provision: the access to publications, audio/video materials, e-commerce portals and the operation of our partners' advertising display system. Below we present the basic chain of service provision in WP Group.



Trust in our supply chain

A special role in WP Group's supply chain is played by the trust that we have been building continuously since 1995. Our users and customers expect reliable information, materials and secure services. Therefore, in our business, we abide by the following principles, among other things:

In building relationships with the business partners that ensure the effective operation of our advertising chain, we pay attention to the transparency of actions taken in respect of our customers and the compliance with legal provisions applicable in the advertising services sector. These regulations involve the protection of personal data and provision of electronic services, and the compliance with relevant industry standards set out, among others, by IAB Europe in the Transparency and Consent Framework.

Our e-commerce business partners deliver the goods and services that we offer to our users. In this cooperation, we always select the suppliers we can trust, who know our customers' needs, and who adapt their respective offers to customers' preferences. We would like our partners to be local suppliers and points of first contact for our customers. We diversify our offer in order to best meet our customers' needs and, at the same time, increase the range of our partners' activities. We observe transparent rules of cooperation, competitiveness and attractiveness of our offer, and we guarantee trust and timely payments.

It is our responsibility to identify risks related to the procurement chain, and to respond to any unfair or unethical behaviour among customers, partners and suppliers. The WP Group does not tolerate any corruption, regardless of its form or purpose. Restrictive agreements and abuse of a dominant position are unacceptable.

The most important changes in the WP Group in 2018 included acquisitions and the development of e-commerce portals, described above in the section: "Our brands, products, services and business model."

The presence of Wirtualna Polska in the industry

[102-13]

Wirtualna Polska is a managing member of the Association of Employers of the Internet Industry IAB Polska. The mission of the organisation is to support interactive communication and popularise the Internet as an effective medium, among others, through education and research activities. Chair of the Supervisory Board of IAB Polska is Joanna Pawlak, CEO of WP Media SA. Employees of Wirtualna Polska serve as experts in the industry reports that IAB Polska publishes in cooperation with Harvard Business Review Polska.

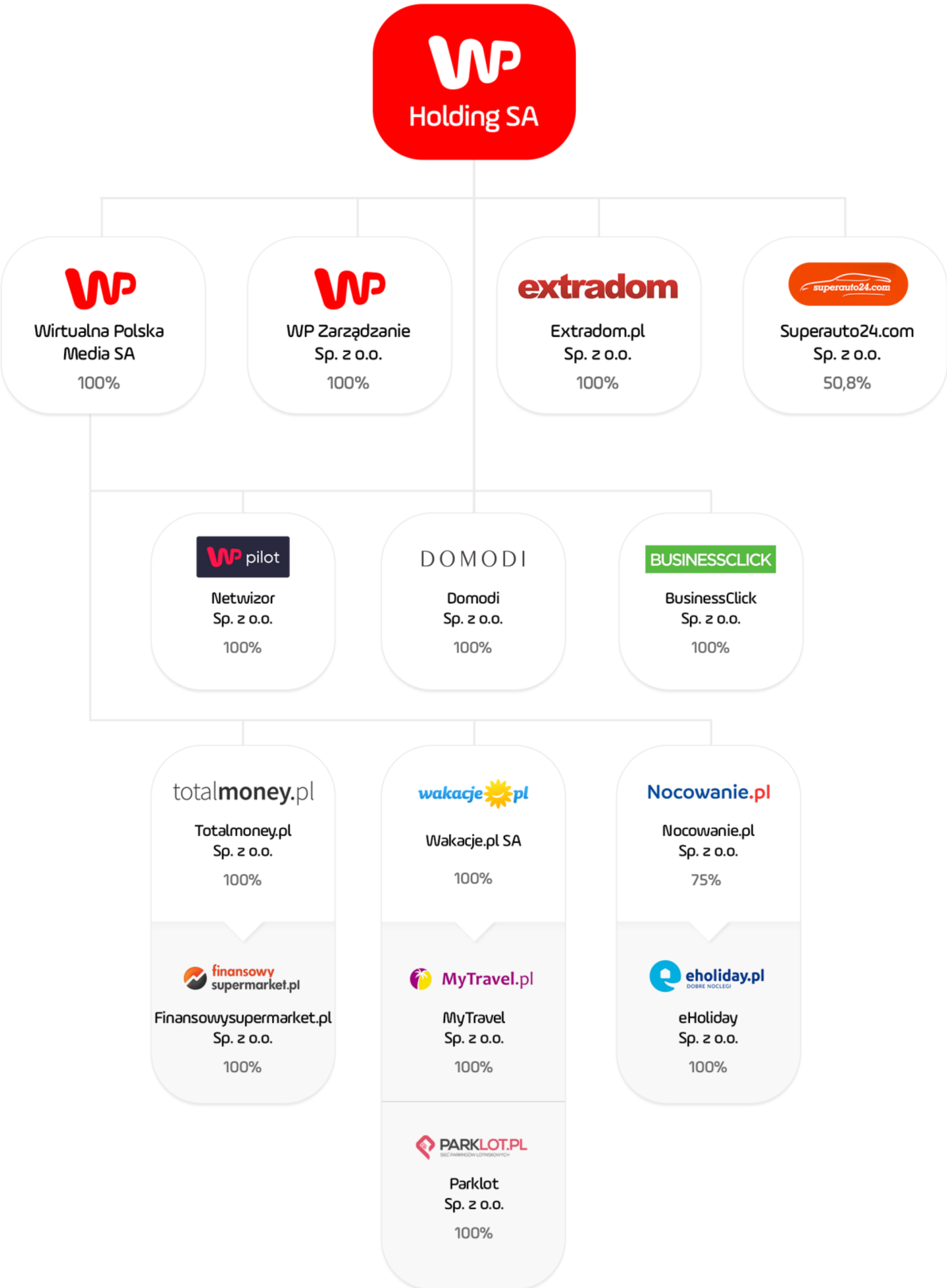
In 2018, Wirtualna Polska was a supporting sponsor of SAR Effie Awards, a competition for the most effective marketing communication, organised by the SAR Marketing Communication Association. The Group also supported other SAR initiatives, including the 2018 Innovation competition. Last year, WP was also involved in the cooperation as part of the Impact conference. WP and money.pl brands were strategic media partners of the Impact fintech'18 event, and media partners of the Impact mobility rEVolution'18 and Impact'18.

Together with other partners and Gemius, the Group also takes part in the Polish Internet Research that, according to the adopted standard of Internet audience measurement, provides understanding of the market and enables to make right business decisions. WP is also a permanent member of the methodological team working at the PBI Management Board and, at its requests, provides its opinions on, among others, planned changes in Gemius measurements.

We are also a member of the Polish Chamber of Tourism and an accredited IATA agent. Below is a list of some of the conferences and events in which the WP Group participated or was a media partner in 2018:

Structure of our Group

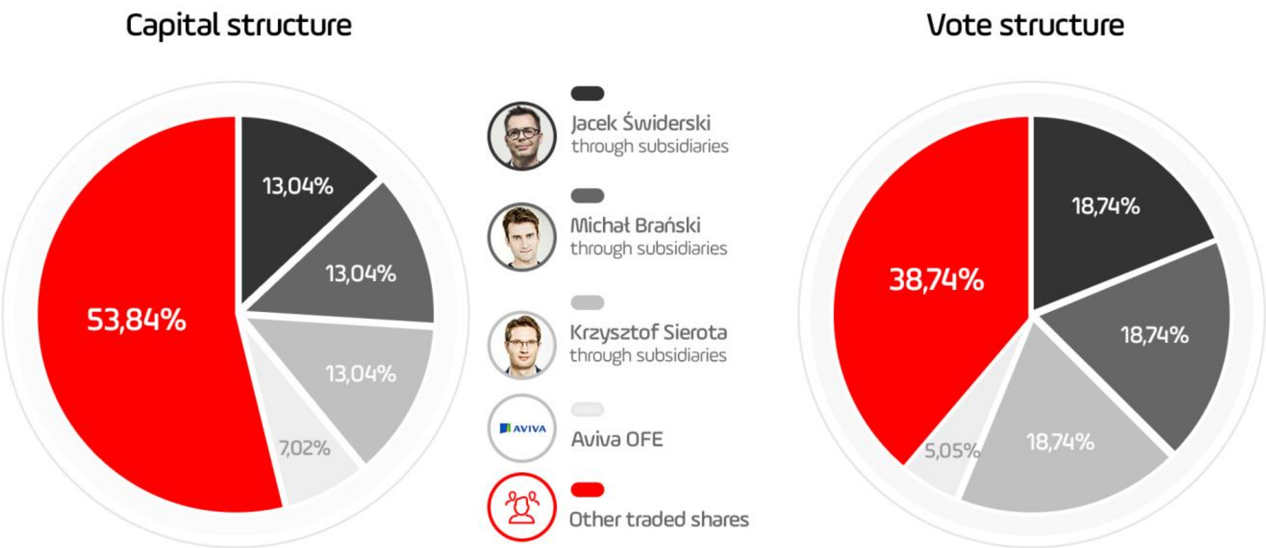
[102-45]



Shareholding and legal form of WP

[102-5]

Wirtualna Polska Holding is a joint-stock company listed on the stock exchange.

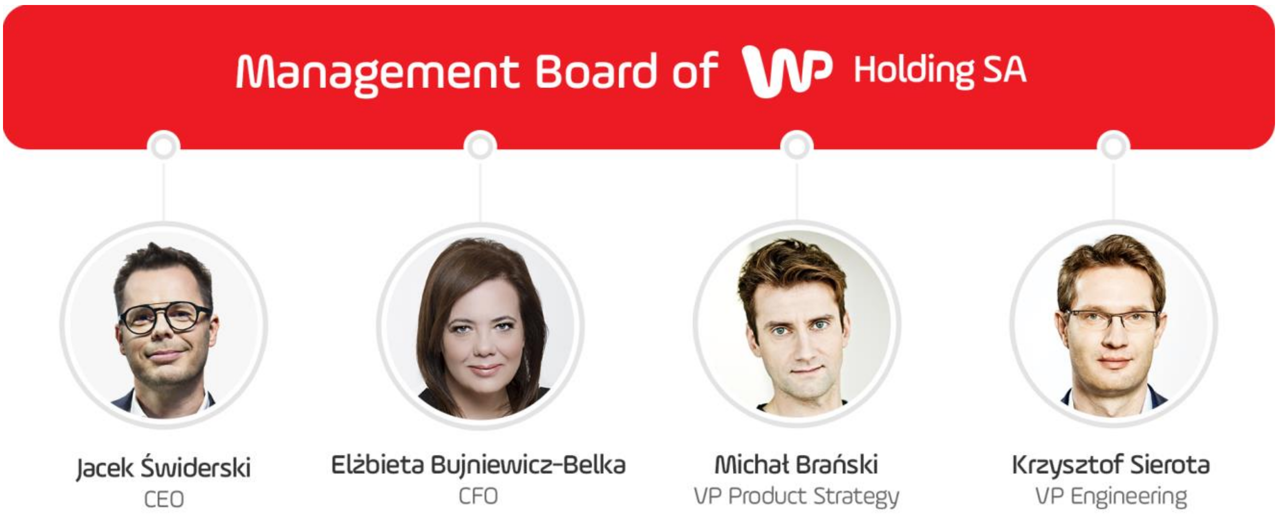


The shareholding structure is also available at: www.inwestor.wp.pl.

Who is behind all of this: our governing bodies and corporate governance

[102-18]

The Management Board is the managing body of Wirtualna Polska Holding SA.



What does the Management Board do?

Complete information on the functioning of the Management Board is available in the Articles of Association of WP Holding SA at: http://inwestor.wp.pl/en/corporate-governance/statute/.

Supervisory Board of WP Holding SA

Supervises the activities of WP Holding SA in all business areas.

Supervisory Board of WP Holding SA

Jarosław Mikos
Supervisory Board Chairman
/Audit Committee Member

Beata Barwińska-Piotrowska
Supervisory Board Member

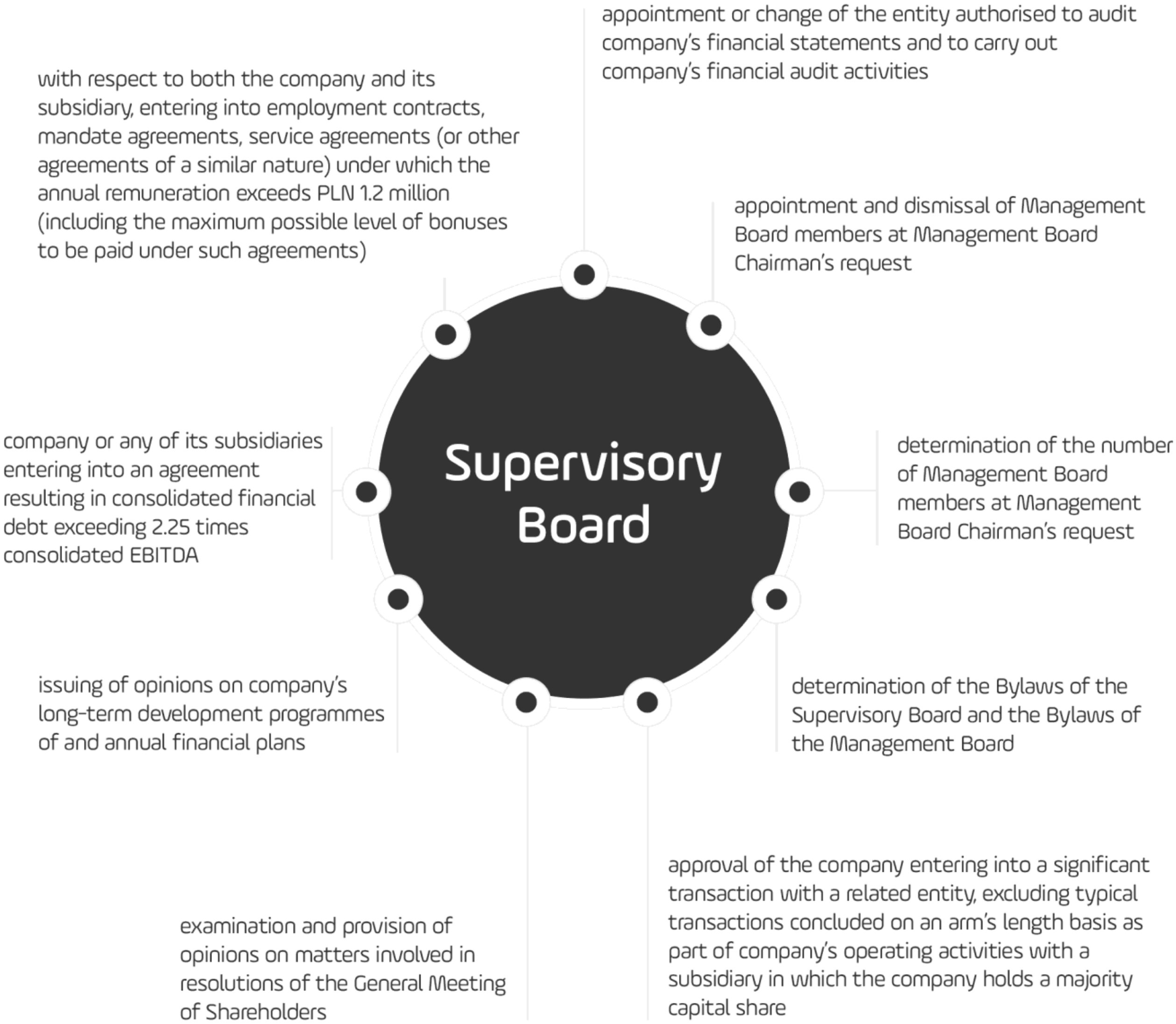
Krzysztof Krawczyk
Supervisory Board Member
/Audit Committee Chairman

Mariusz Jarzębowski
Supervisory Board Chairman
/Audit Committee Member

Piotr Walter
Supervisory Board Member

Aleksander Wilewski
Supervisory Board Member

What does the Supervisory Board do?



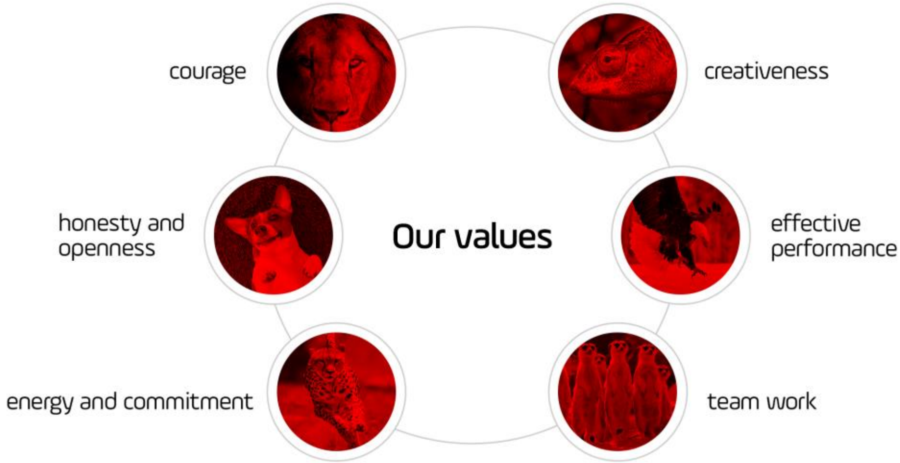
Complete information on the functioning of the Supervisory Board is available in the Articles of Association of WP Holding SA at: http://inwestor.wp.pl/en/corporate-governance/statute/.

Values, priorities and ethics at WP

[102-16]

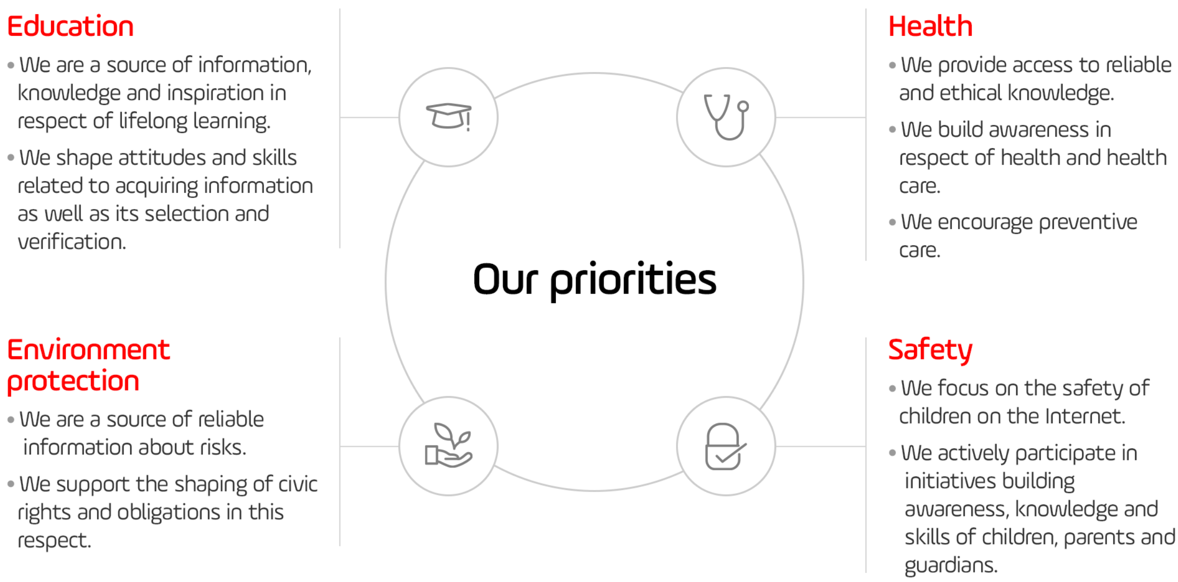
The values that we follow every day at Wirtualna Polska affect the development and success of the WP Group, but also help us maintain a unique working atmosphere and are important elements of the employee appraisal process.

Our values and the way the WP Group perceives its employees and the work they perform are presented in Wirtualna Polska's Compass of Ethics (Code of Ethics). The values and the information on the importance of ethical work performance at WP are communicated at an on-boarding meeting that is organised for all new hires. Ethics Officer is responsible for the Compass of Ethics and responds to any concerns, infringements and problems reported by employees. For many years, the Group has also been analysing employee satisfaction and the compliance with ethics policies through an anonymous survey completed every year. Its results serve as the basis for improvements in working conditions and introduction of new solutions.



We would like our employees and co-workers to trust Wirtualna Polska. Therefore, we have additionally introduced a new tool supporting the development of managerial competencies and building commitment that we implement quarterly. Thanks to the frequent feedback from employees, we know exactly whether the proposed actions achieve their assigned goals. We can also respond quickly to reported needs, especially in respect of communication, team relations, trust to line managers, remuneration, work organisation, personal development, work/life balance, or work environment.

As a company operating in the media and Internet sector, we feel responsible for ethical actions as well as co-creation, promotion and support of high standards in this respect.



In our everyday operation, we follow the principle of respecting dignity of every human being. We build relationships based on respect, honesty and social dialogue. We respect fundamental human rights (we counteract and prevent mobbing; psychological, physical and sexual harassment; and all forms of abuse) as well as diversity and dignity (we avoid discrimination based on religion, political opinions, background, social status, sexual orientation, age, gender, marital status or disability).

In external relations, we strive for providing top-quality services to users. We build relationships with them based on trust and transparent communication, and we abide by signed agreements. As part of our editorial activity, we provide reliable information. We are apolitical and guided by the Group's Publishing Policy. We comply with consumer protection laws, and do not engage in unfair market practices. We respect rules of fair competition and signed agreements in cooperating with customers, business partners and suppliers.

As a company listed on the Warsaw Stock Exchange, we comply with the rules included in the Code of Best Practice for WSE-listed companies, and notify the public how we implement these rules. We maintain active relations with capital market participants and institutions based on applicable legal provisions and best market practices: the principle of openness and equal treatment of all investors through equal access to information. We are responsible for timely publication and delivery of reliable, credible and up-to-date financial statements and reports that reflect the accurate economic and financial position of the WP Group. Compliance with all accounting and financial reporting standards and legal provisions is of the utmost importance for us; we always ensure timely and appropriate responses to requests received from government authorities.

Corporate social responsibility is an important part of WP Group's operations, helping achieve business its objectives, build its image and shape its values. For us, this means investing in human resources, supporting educational and cultural projects, and protecting the environment.

Trust

We believe that trust is the foundation for committed teams, and a critical competence of effective leaders. Therefore, we have implemented the Leadership Trust Index (LTI) in the WP Group, which shows the level of trust to line managers. The Leadership Trust Index may take values from -100 to +100. In each of our holding companies, LTI has positive values. Thanks to LTI, each manager may decide how they will work on their result. This is a form of feedback that is to be used for individual work on strengthening managerial competencies and team dialogue. As we are aware of the fact that LTI analyses perceptions in a particularly sensitive area, we have introduced ethical standards to work on this index.

Stakeholders of Wirtualna Polska

[102-40; 102-42; 102-43; 102-44]

More than 20 million stakeholders

✓ completed | pending/ongoing

	Manner of involvement	Frequency of involvement	Key issues and matters
EXTERNAL STAKEHOLDER GROUPS			
Shareholders and investors	• direct contacts and one-to-one meetings • group-dedicated website • organisation of meetings and conferences • provision of detailed information on results (messages, reports)	regular quarterly and annual publication of results, continued direct contact	✓ transparency of published information and provision of translation into English
Business partners and suppliers*	• business meetings • entering into agreements • participation in conferences, and media partnerships with	continued contact	✓ transparent rules of cooperation
Society	possibility of commenting on information available on the portals	continued contact	✓ ability to exchange of views and opinions | counteracting hate, hatred and preventing fomenting violence
	Customer Service Office		| functionality of WP portals, questions on possibility of adding new solutions; according to the procedure, each issue is passed on to technical and business operatives dealing with a relevant service
• portal users • readers • listeners • viewers	Wirtualna Polska image survey	annual survey	| the impression of tabloidisation of content; in 2018, we updated WP's stylebook: a set of principles of reliable journalist's and reporter's work that is applicable to all members of the editorial team | highlighting the Polishness of the portal, also focusing on local topics; we have launched the WP **#dziejesie** portal addressed to all users who would like to report an interesting story, a shocking problem or simply inform about a local event | quality video content; we produce even more original programmes that are broadcast both on the portals as well as on Telewizja WP; the WP homepage and the Money.pl homepage have gained a new box enabling convenient watching of the programmes | building trust in WP's activities and brands
	survey for WP Poczta and Poczta o2 users		| according to the procedure, each issue is transferred to technical and business operatives dealing with a relevant service ✓ the completion of the email account migration to the new service system has ensured its better operation
	satisfaction surveys involving offered services and new functionalities available on the portals	several times a year	| according to the procedure, each issue is transferred to technical and business operatives dealing with a relevant service
Customers • business customers • e-commerce	customer satisfaction survey of WP Advertising Agency (quantitative survey, individual interviews)	annual surveys surveys carried out on an ongoing basis throughout the year	✓ evaluation of the advertising offer and customer service ✓ deeper knowledge of the phenomena on the online advertising market and understanding them from the perspective of media houses and direct customers
	satisfaction survey regarding the level of e-commerce services, e.g. NPS	continued contact	✓ evaluation of the e-commerce offer, e.g. satisfaction with a trip made
State authorities, regulators and legislators	compliance with information obligations participation in industry conferences and consultations	continued contact	✓ compliance with requirements ✓ availability of services
INTERNAL STAKEHOLDER GROUPS			
Employees and co-workers	employee surveys support of HR Business Partners support of Ethics Officer	annual surveys weekly HRBP statuses continued direct contact	| evaluation of employee satisfaction and commitment levels | examination of employees' needs | introduction of three programmes engaging employees and building trust among them

*We operate mainly on the Internet and do not demonstrate a separate group of suppliers, typical for production companies. Our suppliers include, among others, computer and IT companies that supply hardware and licensed software. The same rules of cooperation apply to business partners and suppliers.

Key aspects, implemented policies and impact indexes: how and to what extent we influence our stakeholders, society and the environment

[102-15; 102-46; 102-47; 103-1]

The process of identification of key non-financial aspects has been carried out on the basis of GRI Standards guidelines applicable to the preparation of sustainable development reports. The impact of Wirtualna Polska on the society and the environment as well as on stakeholders has been determined and evaluated with the participation of our employees, based on surveys and questionnaires addressed to our users and partners. Based on the checklist, the team has made subjective assessments of each aspect included the GRI Standards guidelines. The next step has been to summarise the results and, in the case of extreme assessments, discuss each aspect with a view to reaching consensus and final assessment. Priorities have been introduced according to mean assessments in order to identify those that are relevant to the Group.

Important non-financial aspects of Wirtualna Polska

Economic aspects

- economic results
- market presence

Social aspects

employment and decent work practices
- employment
- training and education
- diversity and equal opportunities
- equal pay for women and men

human rights
- non-discrimination

society
- prevention of corruption
- compliance with regulations on social responsibility
- complaint mechanisms related to social impact

responsibility for products and services
- compliance with regulations, e.g. the right to information, GDPR
- building trust: reliable content, credibility of products and services

Economic aspect

The economic aspect of sustainable development concerns the impact on our stakeholders' economic conditions. Do we contribute to the creation of shared value and how? Are we involved in socio-economic changes towards a better quality of life and to what extent? We have been facilitating communication for many years. We inform about events. We provide a number of free-of-charge services, enabling access to them for everyone, regardless of their financial status. We enable people to pursue their career, regardless of gender, sexual orientation, skin colour or beliefs. We invest in our employees. Key aspects identified in this category include economic results and market presence.

Economic results

[102-7; 201-1]

This aspect concerns the economic value that we have generated and its distribution. This is a key indicator reflecting how we create value for our stakeholders and the local economy.

PLN'000	Twelve months ending 31 December 2018	Twelve months ending 31 December 2017	Change %
Sales	567 316	465 613	22%
Operating costs, including:	(460 045)	(386 984)	19%
Amortization and depreciation	(55 622)	(51 007)	9%
EBITDA	162 893	129 636	26%
EBIT	107 271	78 629	36%
Financial income and costs	(15 604)	(19 021)	-18%
Revaluation of commitments to purchase non-controlling interests and other liabilities on business combinations	1 771	(5 319)	-133%
Profit before tax	93 438	54 289	72%
Net profit	75 997	40 032	90%

Market presence

[102-6; 102-7; 202-1]

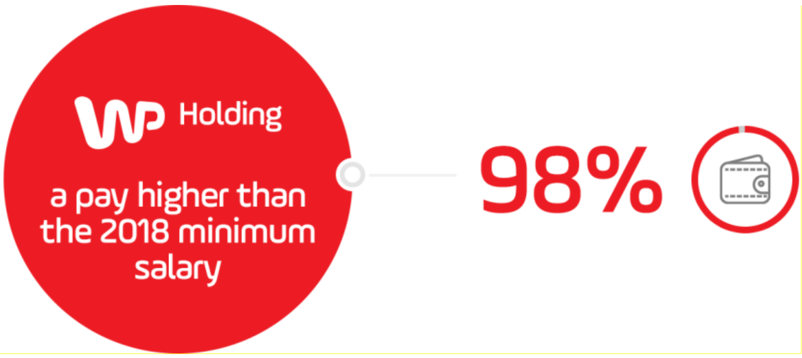
We continue to increase the number of offered services and products. We manager information portals, as well as provide advice and education. We offer advertising services in our media and on our e-commerce portals. As part of our Internet sales, we broker in e.g. services involving accommodation and trips, interior and house designs, financial services and comparison engines, automotive offers, health services and fashion offers of the best brands.

Based on data from the entire 2018:

- 79% of WP Group's revenue originates from the domestic market
- 18% from EU countries
- 3% from non-EU countries

Our principal business locations are the places where the WP Group employs more than 100 people. These include: Warsaw, Gdańsk, Wrocław and Lublin.

We offer a competitive, attractive and rewarding pay that meets the non-discrimination principle. We would like to build a culture of trust and loyalty among employees. We apply the minimum salary binding throughout Poland and uniform throughout the country. In 2018, it amounted to PLN 2,100 gross. The vast majority of our employees (98%) are paid more than the minimum salary.



Principal risks identified in the economic aspect

- Risk of loss of popularity and strength of brands of individual portals and Internet websites

The potential reason for this risk is a mismatch between the services offered and users' needs, or the presentation of unattractive or untrue content on WP Group's portals. A potential consequence of this risk includes the outflow of users, which would lead to financial losses. The Group prevents this risk by means of an effective system of analysing users' needs and opinions, and the proper policies and procedures applicable within the WP Group in respect of the quality of presented editorial materials. These involve, among others, multi-level content checking, publication rules or testing new IT solutions.

- Risk of dissemination of advertising that may be considered prohibited or unlawful

This risk could materialise in the absence of knowledge and awareness of employees regarding legal provisions and policies of the WP Group applicable in this respect. Potential consequences of this risk include outflow of users, administrative penalties and, as a result, financial losses. The Group prevents this risk through effective procedures of verification of advertising materials by advertising law specialists, and an appropriate system of creation training for people publishing such materials.

Social aspect

The social aspect of sustainable development concerns our impact on the social environment in which we operate. In the social aspect, we distinguish:

- Employment and decent work practices
- Human rights
- Society
- Responsibility for products and services

Employment and decent work practices

[102-8; 102-12; 401-1; 404-2; 405-1]

We operate in accordance with such international standards as:

Employment

Our responsibility in terms of employment refers to standards of the recruitment process and working conditions, including pay, working time, breaks, holidays, dismissal practices, protection of women on maternity leaves, workplace environment, and occupational health and safety.

We strive for the highest employment standards. To this end, we have implemented policies that define our approach and applicable principles.

Employment and remuneration policies

We observe principles of equal treatment, including in respect of employment and remuneration policies.

We shape employment and cooperation conditions independently, taking into account the type and quality of work or services performed, our needs and opportunities, and the market environment.

The amount of salaries, rises, bonuses and commissions depends on competencies and results obtained, regardless of gender, religious beliefs, political views, background, social status, sexual orientation, age, marital status or disability.

Employee's closest family and life partners may be employed at the Group and cooperate with the WP Group provided that they do not depend on such an employee in any way, and do not affect this employee's competencies, promotion, working conditions or salaries.

We build an internal labour market by promoting policies of development and promotion within the Capital Group, enabling all employees to participate in the completed recruitment processes.

We encourage employees to become ambassadors of our company, receiving recommendations from them in respect of the people they know for their good quality work and high commitment.

Safety and quality of working conditions

Health and safety are the fundamental rights for all of us; therefore, we ensure the best possible working conditions and abide by health and safety rules and practices.

We provide regular health and safety training, preventive occupational medical care, initial and periodic examinations, specialist driver examinations; and we take all the measures to reduce the number of accidents at work.

We ensure the highest quality and standard of the environment by arranging modern, aesthetic and functional office spaces to provide employees with comfort and friendly atmosphere in the workplace.

Respect for privacy

We respect the privacy of our employees, but expect them to comply with the Compass of Ethics if private activities affect WP Group's operation or performance of official duties.

Everyone has the right to individual political views, religious beliefs and opinions on social, philosophical or other matters. We do not want them to have a negative impact on team relations or relationships with customers, partners or suppliers.

We apply transparent rules for access to business email, business computers and phones. In justified situations, the Management Board may decide to access data collected on these devices, without prior consent, only if there is a suspicion of abuse, if the access to data is necessary in the absence of a lawyer, or if authorised entities request such access under applicable legal provisions.

Fraud prevention

We prevent fraud that may be detrimental to the WP Group and Group companies, as well as to our employees and co-workers. We have put in place appropriate control procedures to fight with fraud.

Employment structure at Wirtualna Polska

In 2018, WP Holding companies featured the following employment structure (under fixed-term and permanent employment contracts):

	EMPLOYEES		NEW HIRES	
Location	2017	2018	2017	2018
Warsaw	349	315	82	112
Lublin	97	131	43	74
Wrocław	128	164	45	64
Gdańsk	359	409	47	318
other	26	27	0	11
TOTAL	959	1046	217	579

Due to the high seasonality of work on some positions, the number of newly hired employees in 2018 increased significantly as compared to 2017. This is particular true of Gdańsk and employees hired at Wakacje.pl, which is subject to the accumulation of tourist traffic in individual periods of year.

The vast majority of WP Holding employees are employed on a full-time basis:

WP Holding's staff turnover rate in 2018 by region	STAFF TURNOVER RATE	
Location	2017	2018
Warsaw	21%	33%
Lublin	19%	29%
Wrocław	15%	21%
Gdańsk	14%	19%
other	8%	22%

The seasonal nature of some positions also affects the overall staff turnover rate, and its higher percentage (compared to 2017) is to a large extent related to the current market trend and employee-focused market.

The seasonal nature of some positions also affects the overall staff turnover rate.

WP Holding's staff turnover rate in 2018 by gender	STAFF TURNOVER RATE	
Gender	2017	2018
Women	20%	22%
Men	14%	29%

Staff turnover rate in 2018 by age groups:	STAFF TURNOVER RATE	
Age group	2017	2018
under 30	17%	45%
30 to 50	17%	11%
over 50	22%	0%

The under 30 group has the largest impact on the staff turnover rate. On the entire market, we see that young employees are more willing and ready to change their employer, and the current average period of seniority in this age group is 18 months. We also notice this trend in our organisation.

Age of Wirtualna Polska's employees

Senior management is comprised of members of management boards of WP Holding SA Capital Group companies. 94% of the group are men aged 30-50, whereas 6% are women over 50.

Taking into account the age of our employees, the majority of them were people aged 30-50. The total number of people employed in the structures of WP Holding companies, broken down by age groups, is as follows:

Equal pay for women and men

[405-2]

The equal pay for women and men is a fundamental issue for us. We make sure that work performed by all employees is adequately remunerated, regardless of their gender. Due to different gender distribution in individual job groups, the ratio of women's salaries to men's salaries in the structures of WP Holding companies is not evenly distributed. However, we do not differentiate salaries according to gender.

In individual hierarchy groups, the ratio of women's salaries to men's salaries is as follows:

Directors	Managers	Specialists	Administrative staff
129%	142%	71%	137%

As far as individual locations of our companies are concerned, the ratio of women's salaries to men's salaries is as follows:

Location	Ratio of women's salaries to men's salaries
Warsaw	104%
Wrocław	101%
Poznań	86%
Lublin	75%
Gdańsk	73%
Częstochowa	65%

Training and education

We are deeply aware that employees are the most valuable assets of Wirtualna Polska. The development of the entire organisation, the quality of our products and services, and the form and content of the information provided all depend on them to a great extent. Therefore, investing in our employees is a priority to us. In particular, we invest in broadening our employees' knowledge and skills, but also do not forget about the comfort of work in our offices, work tools and principles of mutual respect, described in the values of the WP Group.

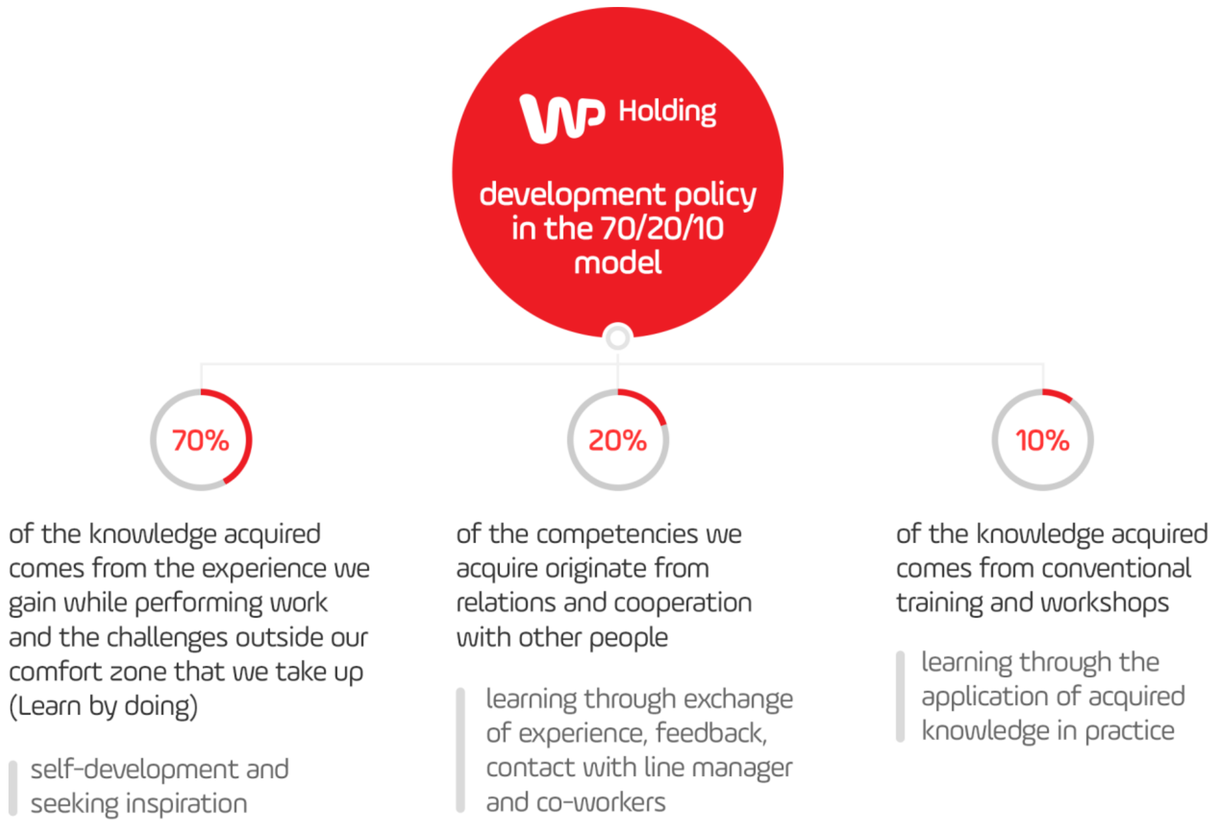
We ensure the commitment of our employees by increasing their motivation and satisfaction. We believe that this attitude has a direct impact on customer satisfaction. Each year, we ask our employees, in an anonymous survey, what they think about our strategy, services, portals, working atmosphere and line managers. We also ask about the changes we introduced in a previous year to see if employees appreciate them; if they are being implemented in the right way; and if they address the areas that affect the commitment of our team. The survey also refers to the ethical approach to the tasks performed.

We also increase the commitment by broadening managerial skills of our managers and the continuous improvement of the product knowledge among our employees.

Programmes for development of managerial skills and lifelong learning that support continued employability of people and facilitate end-of-career management

[404-2]

Our development policy is based on the 70/20/10 model:



In 2018, we completed numerous development initiatives for our employees. Details are presented below.

Engaging Leader managerial programme

With managerial staff in mind, we offer a special development programme based on the three paths of advancement: Novice, Practitioner and Master. Its aim is to develop managerial competencies. It is based on five qualities of the "Engaging Leader" and our values. The workshops discuss the importance of the role of a manager, and feature the training in effective team management skills. In 2018, 77 managers were trained as part of the programme; they spent a total of 1,712 hours in training.

External training

WP Group's employees have the opportunity to participate in many training events provided by the best suppliers on the market, as well as in conferences that develop their competencies. We pay a lot of attention to the areas of IT, project management and sales process management. All these components have a direct impact on our competitiveness on the market and on the quality of our offer to our customers. The possibility of meeting inspiring people, creators and authoritative figures at corporate meetings is another feature of the development portfolio.

Internal training

In 2018, we launched the WP Academy project with a portfolio of internal training events. It enables us to share knowledge in terms of sales, products, media, e-commerce or business presentations. Thanks to the WP Academy, we have already trained 335 employees who spent a total of 884 hours in training. Most of the trainers provide the training as part of the project are our employees. In addition to the training included in the portfolio of WP Academy, we also offer separate, regular training events to our new hires that help understand WP Group's operations, culture and values.

Industry conferences

Employees are encouraged to participate in various conferences related to the principal areas of Group's operations (media, e-commerce), and at industry meetings within the scope of their professional skills and competencies. They provide an opportunity to learn about trends on the market, and establish business relations. In 2018, we had the opportunity to participate, e.g., in the international conference "Perspectives – Women in Tech Summit 2018" dedicated to women in the technology industry, organised by the Educational Perspectives Foundation as part of the IT for SHE programme.

Internal labour market

The "internal labour market" sets out a coherent framework for the movement of our employees between individual companies or between areas within a relevant company. This is possible thanks to a transparent recruitment policy. Each of our employees receives a newsletter in which we announce the current recruitment needs of individual teams. Everyone can join the process and develop their passions and skills within the Group. In 2018, thanks to the internal recruitment processes, we finalised 12.5% of all recruitment processes at WP Media.

- **On-boarding**

An on-boarding meeting is part of the introduction of new hires to the Wirtualna Polska culture. On their first day of work, new employees learn about our structure, values, products and the most important facts of our company life. They also receive information about their benefits, and a handful of practical tips that make getting started easier. The on-boarding process involves HR teams, line managers and colleagues with whom the new hires will be working from that day on.

- **Employer Branding activities**

Building the employer's brand, we actively participate in Employer Branding: we are present on LinkedIn and Facebook. We cooperate with technical universities, participate in IT events and job fairs; and work with schools that provide training in IT skills, and with student organisations.

Wirtualna Polska has assumed the patronage of the international student organisation Enactus. We are committed to the development of the local community by supporting initiatives of young, active people who implement innovative educational, technological and social projects. We create space for organising such events, which was the case during the Inspiration Camp 2018 conference at which teams of students took part in all-day Design Thinking workshops in the registered office of Wirtualna Polska in Warsaw. We also took part in the general presentation rehearsal of the Polish national team before Enactus World Cup 2018.

We also take care of the internal Employer Branding, taking various initiatives and actions aimed at our employees; they strengthen the friendly atmosphere at work and build commitment and trust; these include, e.g., breakfasts together, the WP Health Week and watching games together.

- **Recommendation Programme**

In order to involve our employees in the process of building the organisation, in line with the principles we have set out in the Recommendation Programme "Recommend a new colleague," our employees are able to recommend candidates for selected recruitment processes.

- **We are building commitment to the organisation by creating a coherent Managerial Competencies Model**

We are working on the creation and implementation of the Competencies Model in our organisation. An accurate competencies model will not only enable to improve HR processes and efficiency of our employees, but also affect business results. Taking into account that the achievement of business objectives and leader's effectiveness are strongly correlated with the engaging leadership abilities, we have based our competencies model on the idea of Engaging Leader.

- **We are building commitment to the organisation by applying a coherent IT Competencies Model**

As a leader of IT solutions, we take care of the development of our technology teams. Thanks to the IT Competencies Model that we have created, we are able to better plan the development of key competencies within IT teams, career paths and employee commitment in our organisation. This model introduces transparency in terms of promotions, which directly supports our values.

- **Remuneration policies**

Our company has appointed Remuneration and Benefits Manager whose tasks are to ensure that WP has remuneration policies consistent with its strategy and market conditions. We also keep track of market trends in terms of benefits, on an ongoing basis. We do our best to make our offer competitive to our employees, and to tailor it to their needs to the maximum extent.

- **Benefit programme**

We are developing a programme of benefits for employees. We trust our employees and we know that, within the budget allocated, they will choose what is realistically relevant to their needs at a given time and fits their lifestyle. Furthermore, the programme aims at promoting public activity and participation in charity actions.

Human rights

[102-12; 406-1]

In its operations, the WP Group follows the principle of respect and dignity of every human being, undertaking to respect fundamental rights, including, among others, not to employ minors (unless it is permitted under applicable labour law), prevent and counteract irregularities in labour relations, in particular mobbing, psychological, physical and sexual harassment and any forms of abuse.

WP respects human rights and recognises them as the core values in the development of editorial policy, ethical principles addressed to employees and chief requirements of business operations. In our operations, we comply with regulations regarding fundamental human rights included in the International Bill of Human Rights and the United Nations Universal Declaration of Human Rights.

Non-discrimination

Our points of reference for implementing the principle of non-discrimination are international conventions:

the Convention concerning Discrimination in Respect of Employment and Occupation

the Convention concerning Equal Remuneration of Men and Women Workers for Work of Equal Value

The Work Regulations and the Compass of Ethics are applicable at Wirtualna Polska. As an employer, WP undertakes to counteract discrimination in employment, in particular based on gender, age, disability, race, religion, nationality, political beliefs, trade union membership, ethnic origin, denomination, sexual orientation, as well as on the grounds of either fixed-term or permanent, or full-time or part-time employment.

As an employer, the WP Group treats employees equally in respect of establishing and terminating employment relationships, employment terms and conditions, promotion and access to training to improve professional qualifications. Equal treatment in employment means non-discrimination in any way, directly or indirectly, for reasons specified by the Company in its work regulations. Furthermore, the company has committed itself to and undertakes all the measures to ensure the elimination of direct and indirect discrimination, which could lead to a differentiation in the situation of employees based on any of the characteristics listed above.

Wirtualna Polska does not permit any discrimination based on gender the purpose or effect of which is violation of employee's dignity, or humiliation or demeaning (sexual harassment) of any employee.

The company also prohibits any form of mobbing, understood as actions or conduct concerning an employee or directed against an employee, consisting of persistent and extended harassment or intimidation of an employee, resulting in an underestimation of their professional suitability, causing or intended to cause humiliation or ridiculing of an employee, isolating hem or eliminating them from a team of co-workers.

Rules for reporting violations and irregularities

- Employees are required to respond as quickly as possible to any practices or actions that are contrary to the Compass of Ethics, Group's internal regulations or applicable legal provisions.
- All reports may be submitted by email, phone or in person to Ethics Officer, line manager and/or persons appointed for this purpose by Management Boards of individual Group companies.
- All reports are handled in investigation procedures. The form and the persons involved in such procedures are determined by Chairmen of Management Boards of individual Group companies together with the persons appointed by them for this purpose (or Supervisory Boards of individual Group companies if the report involves Management Board Members).
- If a report is made in good faith, the Group undertakes to ensure the safety and anonymity of the whistleblower, so that they are not affected by any negative consequences resulting from the report. The Group also undertakes to protect the good name of the person against whom any allegations are made until the case is unequivocally resolved.
- We examine Group's compliance with principles of ethics as part of our annual survey.

In order to implement the policies preventing discrimination, sexual harassment and mobbing, the company has appointed HR Business Partner within the Human Resources area. Employees in this position are responsible for contacting Company employees in all areas of company's operations and collecting information from them. Furthermore, we have appointed Ethics Officer; all cases resulting from violations of company's rules of ethics and non-discrimination may be reported to the Officer's email address provided. The Group enables a rapid escalation of any discrimination based on race, skin colour, gender, religion, political beliefs, ethnic or social origin by determining the persons appointed for this purpose by Management Boards of individual WP Group companies.

The company has not had any discrimination cases, including discrimination based on race, skin colour, gender, religion, political beliefs, ethnic or social origin during the reporting period.

Society

[103-2; 205-3; 419-1]

Wirtualna Polska's role in society

As a Group operating within the area of media and the Internet, we feel particularly responsible for co-creating, promoting and supporting, among others, education, health, environment protection and children's safety. We are a trustworthy company for our employees, co-workers and users. Primary principles of influencing the society and local communities that we follow in our daily work are set out in policies.

Policies on the provision of services to users

- We strive for providing top-quality services to users.
- We build relationships with users based on trust and transparent communication, and we abide by terms and conditions of signed agreements.
- As part of our editorial activity, we provide reliable and credible information. We are apolitical. All journalists and reports work according to WP's Guidebook and Stylebook.
- We comply with consumer protection laws, and do not engage in unfair market practices.

Cooperation with customers, partners and suppliers, and relations with competitors

We abide by fair competition principles, and terms and conditions of signed agreements.

We do not work with dishonest or unethical customers, partners or suppliers. We respond to all unfair or unethical behaviour of our customers, partners and suppliers with regard to the orders processed.

We do not tolerate any corruption, regardless of its form or purpose.

We do not enter into restrictive agreements or abuse a dominant position.

Relations with local communities

We feel part of the community in which we operate; we take on commitments to support local communities. We are aware of how the media affect social attitudes and behaviours; we take part in charity campaigns, sponsor events promoting charity and work with institutions supporting people in difficult life situations.

We stimulate and inspire civic and charitable attitudes among employees, encouraging them to engage in employee volunteering.

In our operations, we never forget about socially relevant topics; we discuss them with users and promote them among our employees

Everyday information, creation of knowledge and inspiration for lifelong learning play a particular role in promoting the best possible attitudes. Our strength is also our ability to make a positive impact on socially relevant issues. WP's portals are sources of reliable information on environment protection, health and safety on the Internet. This way, Wirtualna Polska would like to build awareness and contribute to a better future for Poland. We promote pro-ecological attitudes, active lifestyle, health protection and preventive care.

Activities for the benefit of the society

All WP Group portals and services involve publishing materials on the awareness of risks related to air pollution, smog, its impact on health, and possible countermeasures. We encourage to use public transport, and inform about more environmentally friendly means of transport, including advantages of cycling. In 2018, we have focused these activities as part of the #SmogAlert campaign. In the winter, we provide information on, e.g., air quality and its impact on our health.

We are committed to charity and community-relevant activities. In 2018, we took part in, e.g., the Noble Gift, the Zappy Campaign for the 'The Little Prince' Hospice for Children in Lublin, blood collection campaign organised by the Regional Centre for Blood Donation and Blood Treatment in Warsaw; we also supported the Wrocław Children's Hospice Foundation.

We also organise charity campaigns internally. We are sensitive to the needs of our colleagues.

Our employees help animals by supporting shelters in Krzesimów, Celestynów and Gdańsk.

Activities for the benefit of employees

The Health Week at WP are health-promoting classes and educational workshops. They refer to, e.g., the impact of sleep, nutrition, exercises, stress and work organisation on the level of satisfaction and effectiveness of actions. As part of the campaign, employees also had the opportunity to participate in exercises promoting a healthy spine, and training on disease prevention and first aid.

Help through sport: Cycle for Gdańsk, Midsummer Eve's Race, Kociewie Circle, Runmageddon, Around Żuławy, Race for the Cure, Fitqbe Sport Challenge are sports and charity events participated by our employees in 2018. Every year, we try to support initiatives and ideas of our employees, especially if we can help others through sporting competition. The team from Nocowanie.pl took part in the nationwide charity Poland Business Run that aims at fulfilling dreams of people after limb amputations.

Media aspects of Wirtualna Polska's operations

Freedom of expression

Wirtualna Polska is a medium where journalists and reporters, regardless of their political, economic or religious beliefs, can speak without fear. The freedom of expression ends where we encroach another persons' freedom. Expressed views must not discriminate or harm anybody, or incite hatred against anyone. This is one of the most important principles of our Stylebook, defining the principles of work of WP's journalists and reporters.

Human rights and cultural rights

We take care of them every day in our journalists' and reporters' work. Our journalists and reporters work in accordance with principles of WP Stylebook and Guidebook that also feature provisions concerning human rights. In 2018, we supported human rights by dedicated actions in our services. In the jubilee year marking the 100th anniversary of Poland regaining its independence, we showed the life of foreigners in our country. On the WP Kobieta portal, we fought for women's fundamental rights, including freedom from physical and sexual abuse.

Intellectual property

Respect for intellectual property is crucial for the operation of any medium. At Wirtualna Polska, a dedicated content management team makes sure that our contractors feel safe thanks to appropriate contractual provisions. We always pay for the content we order, and act in accordance with the legal standards that apply to us. In accordance with provisions of WP Stylebook and Guidebook, our journalists and reporters exercise due diligence in marking quotations and sources of information.

Privacy protection

The first and foremost principle of every journalist and reports is "first, do no harm." In our privacy protection policies, we clearly and prominently define a public person and the rules of privacy protection.

Creation of content

As part of our work involving quality online journalism, we have developed the Fake News Alert tool that will allow us to verify online sources of information even better and to avoid fake news. The tool is currently at the editorial testing phase. The credibility of our content and the source of the materials, as well as their diversity and the presentation of the world from various perspectives is of crucial importance to us.

Dissemination of content

In the case of WP, it takes place mainly on the homepage of the portal, that, in December 2018 according to the Gemius/PBI study, was visited by 10.6 million real users. Social media and search engines are also important distribution channels for us. WP also includes terrestrial television (Telewizja WP) and Internet radio (Open FM) thanks to which the distribution of our information permeates between channels. The synergy is beneficial to recipients of our content.

Interaction with content recipients

At WP, we make sure we are wherever important things happen. Especially for our users, we launched in 2018 the WP #dziejesie contact platform via which they can report topics, interesting stories, outrageous problems or simply let us know about a local event. Interactions in social media and comments on WP's portals are also a natural way of contact with the editorial team.

Journalists' and reporters' campaigns

Our editorial teams have taken many socially relevant actions.
Below, we are presenting selected journalists' and reporters' campaigns from 2018.

#JedziemyWPolskę

We focus on local themes, human stories, positive topics and breaking stereotypes. We focus on places outside the mainstream, those that are rarely seen by cameras. Every user is important to us, and we want to be close to each of them. Therefore, in mid-July, our journalists and reporters set off on a journey and spent two months visiting several places in Poland. Each of them was used to create a feature.

#Pro100

Features also became the principal tool to create a common portrayal in the jubilee year marking the 100th anniversary of Poland regaining its independence. The "Polska Pro100" campaign started from users' request to the editorial team, asking to describe the Poland they live in: in a single word only, in a simple manner. This is how we have collected materials nationwide. We talked, e.g., to people who were born outside of Poland about their experience here; what they bring to Polish culture and society. We believe that, thanks to such initiatives, Poles are becoming more open to diversity and are ready to use it for their own benefits.

#SpełniamyMarzenie Powstańca

In an interview for WP, Stanisław Jan Majewski, AKA "Stach," disclosed that his greatest dream was that, on the anniversary of the Warsaw Uprising, people would show him that they still remembered what had happened in Poland in 1944. The Wirtualna Polska team fulfilled this dream and invited him for a meeting on the anniversary day. Several hundred Poles from various parts of Poland gathered on the "Zaremba-Piorun" Home Army Battalion Memorial Square.

#SmogAlert

We believe that education of the society is our most important mission. We provide information on the current air quality and how it affects our health. In a series of materials that will be published by March next year, we also promote ecological behaviour among Poles.

#ToNieJestZgoda

The social campaign of the WP Kobieta portal started after the judgement related to the famous rape case in Ireland was announced. In a special dedicated spot, WP journalists and reporters opposed this perception of rape. We have shown the absurdity of this situation. The campaign was accompanied by a series of articles supporting women in the fight for their rights.

#PrzestańSięDziwić POMÓŻ

In cooperation with the Commissioner for Human Rights Office, we published over a dozen materials to remind that freedom from abuse is one of the fundamental, but still violated rights, and it is our duty to respond in any such situations.

#PomocDlaMistrza – Special Edition of WP Magazyn

In June 2018, one of the most outstanding cyclists in the history of Polish cycling, Ryszard Szurkowski, suffered a serious accident during a race in Germany. He underwent several surgeries and, together with his family, was looking for funds for the rehabilitation treatment. WP got involved in the fund-raiser and publicised the matter. Our business partners have also joined the campaign.

Important aspects defined in the area of social impact of our operations include prevention of corruption, compliance with regulations on social impact, and complaint mechanisms related to social impact.

Prevention of corruption

In order to prevent corruption, we pursue consistent employment and remuneration policies, and we have appointed Ethics Officer. The company has implemented a code identifying priority areas of ethics.

Principles applicable to sales and supply chain relations aim at defining uniform and transparent standards in order to prevent corruption. The company has introduced procedures for recording everything that happens in the supply chain and the sales process, following the principle of approval of business activities at every level of the organisation.

In the WP Group, we ensure that our employees and co-workers refrain from taking any actions that could give rise to a conflict of interest. We have a zero-tolerance policy in respect of corruption in all aspects of our operations. A conflict of interest exists if a decision-making process may be influenced by personal interest and where this is contrary to the interests of the WP Group.

In particular, the following are not permitted

- Corruption-related use of business opportunities obtained through employment at the WP Group or due to cooperation with the WP Group.
- Decision-making or influencing the decision-making process related to the WP Group starting cooperating based on corruption criteria.
- Obtaining any personal benefits from transactions conducted by the WP Group.
- Employees and co-workers accepting and offering gifts, souvenirs, financial gratuities from or to customers, partners or suppliers in connection with or because of work or cooperation with the WP Group (does not apply to various types of occasional and holiday-related gifts).

Exceptions to the above rules are occasional small gifts (other than cash) of low value that, in general practice, do not go beyond the framework of business integrity. Meetings in the form of business meals or conferences and external meetings are also permitted.

Any observed irregularities or concerns regarding activities that may conflict with the Code of Ethics and lead to corruption should be reported to line manager and directly to Ethics Officer.

The Group makes it clear to its employees that, in the event of any doubt as to whether relevant behaviour could be deemed as corruption, they must refuse to accept a gift, souvenir or other form of gratuity; furthermore, they may always seek advice and opinion in this respect.

No court cases are pending against the WP Group or its employees, and no corruption-related court judgement was passed during the reporting period.

Compliance with regulations on social impact, and complaint mechanisms

Group's compliance with regulations confirms our ability to manage its business in such a way as to minimise non-conformities, infringements and risk of potential penalties or, indirectly, being detrimental to our reputation.

There have been no cases of non-compliance with laws or regulations at the WP Group concerning the provision and use of products and services, resulting in any non-financial sanctions on any of the WP Group companies.

Issues of the organisation's impact on the society as a result of the actions taken by the organisation, and in its relations with other entities may give rise to disputes. Effective complaint mechanisms play an important role in remedying negative social impacts.

Nature of impact

The nature of WP Group's social commitment and impact on the society, in particular the essence of the services provided by the WP Group companies, such as IT society services, information services, e-commerce services and other electronic services, sometimes lead to criticism, offensive comments or hate on the Internet, which is typical to this channel of communication. The WP Group receives complaints about the impact on the society through direct channels of communication, such as electronic forms available on websites, including at pomoc.wp.pl/formularz.html, and by email and phone via the Customer Service Office. With regard to aspects of violation of customer privacy and loss of customer data, complaints are accepted by appointed Data Protection Officer via dedicated email and notification form at: http://onas.wp.pl/formularz_rodo.html. Key issues and reports raised in 2018 are listed in the section: "Stakeholders of Wirtualna Polska."

The company pursues a programme policy with the principal objective of shaping of Internet users' opinions through reliable reporting of events, explaining their importance and significance, and advising on everyday choices, both in respect of life and consumer affairs. In order to implement a socially responsible editorial policy, the topics tackled on WP portal cannot hurt religious feelings, propagate violence, the use of drugs and alcohol, and must not foment any form of hate or intolerance. The company undertakes actions aimed at eliminating socially unacceptable behaviour of users through the introduction of appropriate rules and regulations, policies and mechanisms enabling to report on socially unacceptable behaviour.

Obligations of users

Users of the services provided by Group companies are obliged to observe rules and regulations, generally applicable legal provisions, rules of social coexistence, good manners and netiquette. We actively prevent hate speech by responding to all forms of expression that spread, promote or justify racial hatred, xenophobia, anti-Semitism and other forms of hatred based on intolerance, such as intolerance expressed in aggressive nationalism and ethnocentrism, discrimination and hostility towards minorities, immigrants and people with immigrant background. It is not permitted to send any messages infringing third-party rights ("intrusive messages") through websites of Group companies.

Available tools

We provide tools enabling to report any comments, opinions, content and communications contrary to provisions of rules and regulations, generally applicable legal provision, principles of social coexistence and good manners. The company has the right to immediately remove any such content as well as user profile, thus preventing the use of WP Group's services. Wirtualna Polska also reserves more far-reaching rights, including the right to notify state authorities competent in respect of crime prevention and prosecution.

Responsibility for products and services

[419-1]

We provide our users with intuitive and modern portals on which we use the state-of-the-art product solutions. We continue to invest in improving algorithms to match content, including advertising content, to the needs of our users. In order to ensure compliance of such activities with the legal environment in which we operate, we provide CMP (Consent Management Platform) in the standard prepared by IAB Europe. Therefore, we operate based on trust of both our users and advertising partners, as part of the Transparency & Consent Framework. The JavaScript-based solution enables users of our portals to give their consent and to fully understand rules of data processing in order to optimise the operation of our portals. In the information layer, we provide verified information and materials prepared in such a way as to give our readers the widest possible view of the situation. We do not only answer the question "what happened?" but explain how what happened affects the life of our users and their decisions in social and political aspects, as well as the consumer decision-making process. Dynamics of our industry and the desire to better respond to the needs of our users require technological support.

We know how important it is to protect children on the Internet. Administration solutions used on our portals enables us to protect children from accessing inappropriate content. Verification of content before publication makes sure the youngest WP users (and their parents) feel safe.

We strongly oppose hatred on the Internet. Our team of moderators works particularly intensively when what happens causes a wave of hatred in the comments.

Health and safety protection is an important objective of many national and international regulations. Non-compliance with legal requirements demonstrates inadequate internal management systems and procedures or their ineffective implementation. In addition to direct financial consequences in the form of penalties, non-compliance with regulations poses a greater risk of losing the organisation's reputation.

There have been no cases of non-compliance with laws or regulations at the WP Group concerning the provision and use of products and services, resulting in any financial penalties being imposed on any of the WP Group companies.

Compliance with regulations on product and service liability

[419-1]

WP Group's compliance with regulations confirms our ability to manage its business in such a way as to minimise non-conformities, infringements and risk of potential penalties or, indirectly, being detrimental to our reputation.

There have been no cases of non-compliance with laws or regulations at the Group concerning the provision and use of products and services, resulting in any non-financial sanctions on any of the WP Group companies. WP Media SA was fined by President of the Office of Electronic Communications for the failure to provide data provided for in the Act on Supporting the Development of Telecommunications Services and Networks, information on the telecommunications infrastructure available, public telecommunications networks, buildings enabling collocation, telephone services provided, data transmission services providing broadband Internet access, and radio and television programme distribution services, in the total amount of PLN 40,000. No other significant financial penalties were imposed on the WP Group.

Principal risks identified in the social aspect

Risk of loss of qualified employees or their commitment due to inappropriate working conditions and other people's behaviour

These risks may materialise through inadequate working conditions not suited for employees' needs, including salaries, working time, holidays, dismissal practices, protection of women on maternity leaves, workplace environment, occupational health and safety.

Potential consequences include the lack of employee commitment, outflow of qualified staff, losses resulting from employee cooperation with competitors, loss of reputation, and financial losses.

The Group prevents these risks by checks of employees' satisfaction and needs, effective policies and procedures regarding working conditions, implementation of friendly solutions for employees, appropriate remuneration policies adapted to the market situation, and building lasting relations, trust and commitment of employees.

Risk of discrimination of socially vulnerable groups in media coverage, access to services, and employment

Potential reasons for this risk include the lack of an effective system to respect human rights or monitor violations, and the lack of knowledge and awareness of WP Group's policies in this respect. The potential consequences are the loss of reputation and customers and, ultimately, possible financial losses as well.

The Group prevents the risks by introduction of appropriate human rights and non-discrimination policies, including through appropriate internal regulations, recruitment procedures, and remuneration rules and regulations. It is also necessary to have an effective employee training system and a monitoring system related to this aspect of published materials.

- **Risk of accepting financial benefits by employees for public communication of certain information and opinions**

This risk may materialise in the absence of appropriate internal systems and procedures to prevent corruption and conflicts of interest or in the event of ineffective implementation of such systems and procedures, and in the absence of knowledge and awareness among employees and external stakeholders regarding WP Group's policies in this respect and the consequences of non-compliance with them.

The potential consequences of this risk include loss of reputation and indirect financial loss. The Group prevents the risks by an effective system to identify conflicts of interest that may occur in the case of employees or persons related to its operations, corruption and conflict of interest prevention procedures, effective training system, and by determination of a clear external message regarding the policies applicable to the prevention of corruption and conflicts of interest.

- **Risk of breach of regulations and the resultant risk of penalties and non-financial sanctions imposed on the organisation**

In the absence of or inadequate implementation of internal management systems and procedures related to the identification of requirements, the Group would be exposed to direct financial and loss of reputation. We prevent this risk by implementing an effective system to identify legal requirements in the context of the services offered.

Environmental aspect

[102-11]

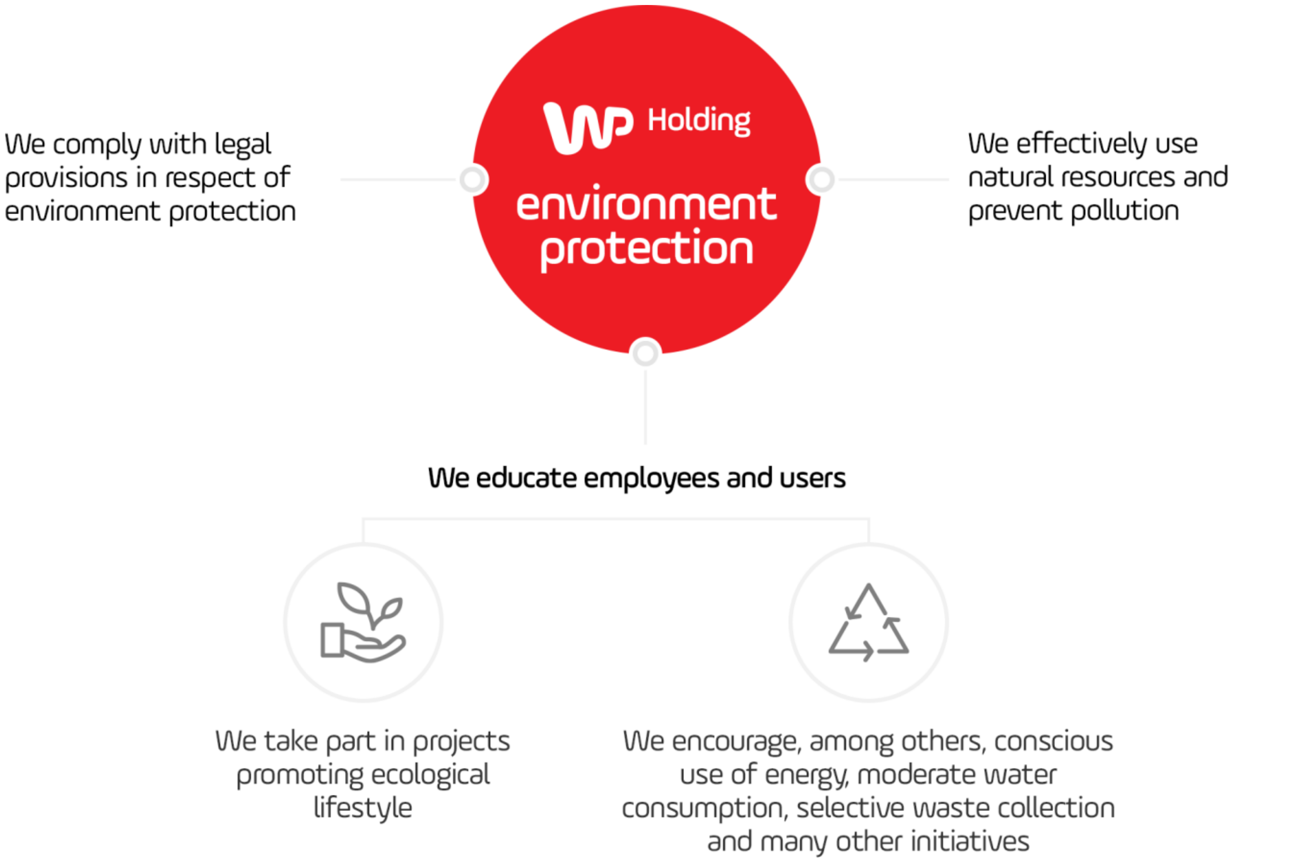
Our operations are carried out chiefly on the Internet, and we do not undertake any physical production processes that may have an impact on the environment. Our offices are situated in high-performance buildings that provide extensive solutions to support the natural environment and work comfort, as well as the well-being of our employees. We use sustainable services of trusted partners in the field of protection, waste collection, recycling and utilities supply. The office in Gdańsk is located in a LEED (Leadership in Energy and Environmental Design) certified building that has obtained the highest Platinum level. The office in Warsaw is BREEAM (BRE Environmental Assessment Methods) certified.

In 2018, we completed a number of investments aimed at optimising the Group's electricity consumption. The chief initiatives included the following:

- Implementation of an innovative cooling system in a new server chamber. The purpose of the project was, among others, to minimise the need to use freon systems. By using systems based on chilled water, we have minimised the risk of emitting large quantities of greenhouse gases into the atmosphere in the event of leaks in the systems. Due to the highly efficient heat exchangers, we have maximised the use of cold available in the environment (e.g. resulting from seasonality).

- Thanks to the innovative data storage systems and the implementation of solutions optimising the average server load, we have reduced the number of servers needed to store data sets by about 80%.

Although our operations have a negligible direct impact on the environment and we do not consider this aspect to be significant in our sustainable development, we are aware of our impact related to shaping environmental awareness and attitudes and to sustainability among our key stakeholders. We realise that we have an enormous educational potential.



The Group does not apply the precautionary principle in the context of potential environmental impact.

Approach to defining content

[102-49; 102-50; 102-51; 102-52; 102-53; 102-54; 102-56]

This document has been based on the Global Reporting Initiative (GRI Standard), an international standard for non-financial disclosures. The non-financial disclosure has been drawn up in accordance with legal requirements for disclosure of non-financial information set out in Article 49b(2) of the Accounting Act.

In the non-financial disclosure, "we," "our," "ours," "company," "WP Group," "Wirtualna Polska" and "Group" refer, depending on the context, to Wirtualna Polska Holding SA and its consolidated subsidiaries.

The non-financial disclosure describes the Group's operations in the period between 1 January and 31 December 2018, unless stated otherwise. In the reporting period, no significant changes in size, structure, ownership form or supply chain were noted.

In determining the content of the disclosure, we analysed internal and external factors, including press releases in the reporting period, topics discussed in internal communications, the current business strategy of WP Group, and topics important in non-financial disclosures for the media industry.

In the disclosure, we described in detail all the key topics, presenting both the approach to managing them and the corresponding indicators. A change in comparison to the previous non-financial disclosure for 2017 (published on 16 March 2018) is the transition to the current system of indicators (from GRI G4 to GRI Standards).

The materiality assessment will be reviewed annually as part of the internal verification process.

The figures used in the disclosure come from internal reporting systems. All of them have been internally checked before publication. We did not use support of an external auditor.

If you have any
questions regarding this
non-financial disclosure,
contact us:

CSR Team
e-mail: csr@grupawp.pl

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