

**AGORA GROUP**

Report for  
**4Q 2010**

February 25, 2011

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# AGORA GROUP

## MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) OF THE GROUP'S RESULTS FOR THE FOURTH QUARTER OF 2010

REVENUE PLN 1,116.7 MILLION  
NET PROFIT PLN 71.9 MILLION  
OPERATING EBITDA PLN 177.6 MILLION  
OPERATING CASH FLOW PLN 171.6 MILLION  
FREE CASH FLOW PLN 120.0 MILLION

Unless indicated otherwise, all data presented herein represent the period of January - December 2010, while comparisons refer to the same period of 2009. All data sources are presented in part IV of this MD&A.

### I. IMPORTANT EVENTS AND FACTORS WHICH INFLUENCE THE FINANCIALS OF THE GROUP

- According to the Agora Group ('the Group') estimates, in the period of January – December 2010, advertising spending for all media in Poland amounted to PLN 7.7 billion, i.e. 4.5% more than in 2009. Advertisers increased their spending in television by over 7% yoy, in the cinema by 8% yoy, in the Internet by over 23% yoy and in radio by 3.5% yoy. Press and outdoor still suffered a decrease in ad spend. The ad spend in dailies decreased by 10.5% yoy, in magazines by 6% yoy and in outdoor by over 0.5% yoy. In the fourth quarter of 2010, advertisers increased ad spend in all media, except for press and cinema. Internet was the fastest growing medium (up by over 22%; display advertising and email marketing grew by 16% yoy). Ad spend in radio grew by over 12.5%. The largest beneficiary of the ad spend growth was television, in which advertisers spent 4.5% more than in the fourth quarter of 2009.
- On August 31, 2010 Agora SA signed a definitive agreement to purchase a majority stake of the company Helios S.A (former Centrum Filmowe Helios S.A.). As a result, from 1 September 2010 the consolidated profit and loss statement of the Agora Group includes four months of the consolidated profit and loss statement of the consolidated capital group of Helios S.A. (including two companies: Helios S.A. and Kinoplex Sp. z o.o.; further referred to as "Helios group").
- Revenues of the Group in 2010 amounted to PLN 1,116.7 million (up by 0.6% yoy), whereas in the fourth quarter of 2010 they amounted to PLN 340.7 million and increased by 17% yoy. Advertising revenues amounted to PLN 715.7 million (down by 2.5% yoy), and revenues from copy sales stood at PLN 208.9 million (down by 15.4% yoy). Revenues from ticket sales to the cinemas in Helios group contributed positively to total revenues of the Group in the fourth quarter of 2010 as well as in the whole 2010. They amounted to PLN 33.2 million in the fourth quarter of 2010 and to PLN 40.1 million in the period September – December 2010. Revenues from other sales increased by 17.8% yoy and reached PLN 152.0 million mainly due to revenues from food and beverages sales in cinemas of Helios group amounting to PLN 12.1 million and increased revenues from Special Projects.
- In 2010, *Gazeta's* advertising sales reached PLN 305.9 million (down by 10.8% yoy). *Gazeta's* copy sales revenues decreased by 2.9% yoy and amounted to PLN 146.1 million. In 2010, *Gazeta* sold 335 thousand copies on average and its share in the display advertising in dailies amounted to 38% and remained at the same level as in 2009. [4].
- In 2010, the advertising sales in the Free Press division amounted to PLN 31.4 million and decreased by 2.5% yoy, whereas revenues from display ads in *Metro* (Agora's free newspaper) decreased by 7.3% yoy. In 2010 and

in the fourth quarter of 2010, the share of Agora's free newspaper in dailies ad spend amounted to ca 4% and remained at the similar level as in 2009 [3].

- ▶ In 2010, revenues of the Internet segment amounted to PLN 101.8 million and increased by 19.9% yoy whereas in the fourth quarter of 2010 by 18.6% and amounted to PLN 31.3 million. Due the dynamic growth of revenues in the fourth quarter of 2010 and in the whole 2010 Internet segment noted a positive EBIT of PLN 2.8 million and PLN 4.7 million respectively [1]. In November 2010, the reach of online services from *Gazeta.pl* group amounted to 64.4% and made it the third most popular Internet portal in Poland. The number of its users increased by 9.3% yoy and reached 11.8 million [6].
- ▶ In 2010, revenues of AMS group amounted to PLN 164.1 million and dropped by 2.3% yoy, whereas in the fourth quarter of 2010 the revenues increased by 5.5% yoy. Moreover, due to 10.9% yoy reduction in the operating cost in 2010, AMS group achieved a positive operating result (EBIT) of PLN 5.2 million and its operating EBITDA amounted to PLN 27.3 million and increased by 100.7% yoy. In the discussed period, AMS group held a 26.5% share in outdoor advertising expenditure [8].
- ▶ In 2010, revenues of the magazine business reached PLN 83.6 million and dropped by 9.4% yoy. The segment reduced its operating cost by 9.9% yoy to PLN 67.7 million. Operating EBITDA stood at PLN 16.7 million and its operating EBITDA margin increased by 0.4pp yoy to the level of 20.0%[1].
- ▶ The Radio segment revenues in 2010 amounted to PLN 77.6 million and increased by 3.3% yoy. In the fourth quarter of 2010, Radio segment increased its revenues by 19.6% to PLN 25.0 million. Due to the rapid growth of revenues in the second half of the year, the radio business improved its operating results in the fourth quarter of 2010 and in the whole 2010.
- ▶ The Cinema segment revenues, in the period of September – December 2010, amounted to PLN 56.0 million. In the fourth quarter of 2010 they amounted to PLN 46.1 million and decreased yoy. Lower level of revenues in the fourth quarter of 2010 results from the 8.9% yoy decrease in number of tickets sold to the Helios's cinemas (at the same time the number of tickets sold to Polish cinemas decreased by 5.1% yoy). The Helios group noted a positive operating result (EBIT) of PLN 2.1 million in the fourth quarter of 2010.
- ▶ In 2010 total net operating cost of the Group reached PLN 1,031.8 million and decreased by 2.4% yoy. The decrease in operating cost results from the reduction in the cost of promotion and marketing (down by 12.8% yoy) and in the cost of raw materials, energy and consumables (down by 8.8% yoy), mainly as an effect of lower cost of paper consumption. It should be remembered that total net operating cost of the Group includes the operating cost of the Helios group incurred in the period of September – December 2010 in the amount of PLN 55.4 million. In the fourth quarter of 2010, total net operating cost of the Group increased by 14.3% yoy and reached PLN 310.4 million, mainly due to PLN 44.0 million of operating cost of the Helios group in the fourth quarter of 2010. In that period, the cost of raw materials, energy and consumables increased by 18.7% yoy to PLN 66.1 million mainly as a result of larger number of book collections launched within Special Projects. Additionally, the cost of purchasing goods to bars located in Helios's cinemas increased this cost position. In the fourth quarter of 2010, the cost of marketing and promotion was reduced by 1.5% yoy in the Group.
- ▶ In 2010, operating EBITDA of the Group increased by 23.4% yoy and stood at PLN 177.6 million, while its operating EBITDA margin increased by 2.9pp and reached 15.9%. The Group's EBIT increased by 60.5% yoy and amounted to PLN 84.9 million. The Group's net profit attributable to the equity holders of the parent increased by 87.7% yoy to PLN 71.9 million. In the fourth quarter of 2010, operating EBITDA of the Group increased by 34.5% yoy to PLN 57.3 million, and operating EBITDA margin increased by 2.2 pp to 16.8%. The Group improved its operating result (EBIT) by 55.4% yoy to PLN 30.3 million in the fourth quarter of 2010.
- ▶ At the end of December 2010, the Group's cash and short-term monetary assets amounted to PLN 337.2 million, out of which PLN 182.4 million in cash and cash equivalents and PLN 154.8 million in secure short-term securities.
- ▶ The Group's debt amounted to PLN 255.2 million at the end of December 2010. In 2010, Agora SA ('the Company', 'Agora') repaid four installments of the credit line used in the previous years. Since August 31, 2010 the Group's debt includes the debt of Helios group (including: bank credits, loans and finance lease liabilities), amounting to PLN 98.4 million as at the end of December 2010.

## II. EXTERNAL AND INTERNAL FACTORS IMPORTANT FOR THE DEVELOPMENT OF THE GROUP

### 1. EXTERNAL FACTORS

#### 1.1. Advertising market [3]

Due to the purchase of the majority stake in the company Helios S.A., the Company broadened the description of total advertising expenditure by adding advertising expenditure in cinemas. The comparable data for the previous quarters has been modified adequately.

According to Agora's estimates based on public data sources, in the fourth quarter of 2010, total advertising spending amounted to ca PLN 2.35 billion, i.e. 4.5% more than in the fourth quarter of 2009. All segments of advertising market grew, except for the press and cinemas. The dynamic growth of advertising expenditure was observed in radio stations (up by over 12.5% yoy) and Internet. Advertising expenditure in Internet grew by over 22%, mainly as a result of growing expenditure in search engines (up by 40% yoy). Television noted a growth in ad expenditure by 4.5% yoy mainly due to increased advertising expenditure in thematic channels. Outdoor advertising grew by over 7% yoy in the fourth quarter of 2010.

In the fourth quarter of 2010, advertisers decreased their expenditure in cinemas by nearly 18.5% yoy and it was the only quarter of 2010 with the reduced yoy expenditure on cinema advertising.

Advertising expenditure in press decreased, in the fourth quarter of 2010, by over 6.5% yoy. Advertisers limited their expenditure in dailies by 7.5% yoy and it was the smallest reduction in advertising expenditure in dailies in 2010. Advertising expenditure in magazines decreased by 6% yoy in the fourth quarter of 2010.

In dailies, the largest drop was noticeable in the following categories: telecommunication (by ca 50% yoy), financial services (down by 20% yoy) and recruitment, where the decrease amounted to over 15% yoy.

The continued growth of advertising expenditure in the fourth quarter of 2010 (up by 4.5% yoy) contributed to the overall increase in total advertising expenditure by 4.5% yoy to PLN 7.7 billion in 2010.

Advertising expenditure in press, in 2010, decreased by 8% yoy, mainly due to the 11.5% yoy reduction that took place in the first quarter of 2010. The ad expenditure in magazines decreased by 6% yoy in 2010 and in dailies by 10.5% yoy.

After difficult first half of 2010, advertisers increased their ad spend in radio by nearly 17% yoy in the third quarter of 2010 and by over 12.5% yoy in the fourth quarter of 2010 which resulted in the growth of ad expenditure in radio in 2010 by over 3.5% yoy.

Due to the growth of ad expenditure in outdoor by nearly 4.5% yoy in the second half of 2010, including over 7% growth rate in the fourth quarter of 2010, in the whole 2010 outdoor advertising suffered only a slight decrease of 0.5% yoy.

Despite the drop of advertising expenditure in cinemas, in the fourth quarter of 2010 (down by nearly 18.5% yoy), their growth in the period of January – September 2010, resulted in their overall growth by 8% yoy in 2010.

The Company would like to stress that one should bear in mind that these advertising market estimations may represent some margin of error due to significant discount pressure on the market. Once the Company has a more reliable market data in consecutive quarters, it may correct the ad spending estimations in particular media in subsequent reports.

### 2. INTERNAL FACTORS

#### 2.1. Revenue

In 2010, the Group recorded a 0.6% yoy increase of sales revenues to PLN 1,116.7 million, whereas in the fourth quarter of 2010 the Group's revenues grew by 17% yoy and amounted to PLN 340.7 million. Total revenues of the Agora Group include PLN 56.0 million of Helios group for the period of September – December 2010.

In 2010, advertising sales decreased by 2.5% yoy and amounted to PLN 715.7 million. In the fourth quarter of 2010, advertising revenues increased by 2.1% yoy. The Group's advertising revenues include PLN 3.3 million of advertising revenues contributed by Helios group in the period September – December 2010.

The Internet segment noted a dynamic growth of advertising revenues in the fourth quarter of 2010 (up by 21.4% yoy) as well as in the whole 2010 (up by 34.4% yoy). The second segment that noted an upswing in ad revenues in the fourth quarter (up by 18.7% yoy) and in the whole 2010 (up by 3.6% yoy) was the Radio segment. In the fourth quarter of 2010, AMS group for the first time in 2010, noted a growth of 5.5% yoy in ad revenues. Nevertheless, in the whole 2010, ad revenues generated by AMS group decreased by 2.5% yoy.

*Gazeta's* advertising revenues dropped by 12.4% yoy in the fourth quarter of 2010, whereas in 2010 advertising revenues of *Gazeta* amounted to PLN 305.9 million and decreased by 10.8% yoy. Advertising revenues in Free Press division in the fourth quarter of 2010 amounted to PLN 8.7 million and dropped by 1.1% yoy, whereas in 2010 advertising revenues were only by 0.8 million lower than in 2009.

In the fourth quarter of 2010, advertising revenues in magazine segment dropped by 5.9% yoy to PLN 11.2 million and by 10.1% yoy to PLN 45.6 million in 2010.

The Group's total revenues from copy sales, in the fourth quarter of 2010, amounted to PLN 55.4 million (down by 8.1% yoy), whereas in 2010, they shrunk by 15.4% yoy to PLN 208.9 million. The main reason of the decrease in copy sales revenues are lower revenues from the sales of book collections.

Additionally, in the fourth quarter of 2010 the Group revenues included the revenues from the sales of tickets to the cinemas in the Helios group amounting to PLN 33.2 million. In the period September – December 2010, the revenues from ticket sales amounted to PLN 40.1 million.

## 2.2. Operating cost

**Total net operating cost** of the Group, in 2010, reached PLN 1,031.8 million and dropped by 2.4% yoy. It should be remembered that the total net operating cost of the Agora Group include operating cost of the Cinema segment in the amount of PLN 55.4 million incurred in the period of September – December 2010. The decrease in operating cost of Agora Group results mainly from the reduction in the cost of raw materials, energy and consumables which declined by 8.8% yoy and in promotion and marketing cost which was lower by 12.8% yoy. The savings in the cost of raw materials, energy and consumables were possible mainly due to lower cost of paper consumption and lower production cost of book series launched within Special Projects.

The Group incurred higher **staff cost**, both, in the fourth quarter (up by 17.8% yoy) and in the whole 2010 (up by 5.6% yoy). This increase results mainly from the higher number of employees in the Group (up by 327 FTEs) due to the purchase of Helios group as well as higher variable elements of remuneration and higher cost of contracts of mandate. Additionally, the cost of provision for cash motivation plans executed in the Group, including a Three- Year- Long Plan for the Management Board members and higher management personnel, influenced the level of staff cost in the fourth quarter and the whole 2010.

The Group's **headcount**, at the end of the fourth quarter of 2010, was 3,470 employees, including 321 employees of the Helios group. Excluding the companies from Helios group, the Group's headcount at the end of December 2010 would be 3,149 employees and would increase by 6 FTEs versus the end of December 2009.

**Total non – cash expense** relating to share - based payments (described in note 5A to the condensed consolidated financial statements of the Agora Group) charged to the Group's 2010 profit and loss account amounted to PLN 10.4 million. In the fourth quarter of 2010, this expense amounted to PLN 4.5 million.

The Group offers its employees other incentive plans (for example: cash motivation plans, incentive plans in sales departments etc.), whose cost is charged to the Group's staff cost. Since the fourth quarter of 2010, the Group's operating result will be burdened by the cost of new 3-Year-Long Incentive Plan for the Management Board members and higher managerial personnel (described in note 5C to the the condensed consolidated financial statements of the Agora Group). In the fourth quarter of 2010, this cost amounted to PLN 1.7 million.

In 2010 **promotion and marketing expense** was PLN 130.9 million and was down by 12.8% yoy. The decrease results mainly from the lower prices of ad purchase in media and scaling down promotional campaigns conducted by the Group. The largest savings in promotion and marketing expense were executed in the first quarter of 2010 (down by

32.2% yoy). In the fourth quarter of 2010, the marketing expense amounted to PLN 39.9 million and decreased by 1.5% yoy.

In 2010, **cost of raw materials, energy and consumables** decreased by 8.8% yoy to PLN 203.3 million, whereas in the fourth quarter of 2010 cost of raw materials, energy and consumables amounted to PLN 66.1 million and increased by 18.7% yoy. This increase results mainly from the inclusion in this cost category the cost of purchase of goods to bars located in the cinemas belonging to Helios group and higher cost of book series, launched within Special Projects.

### 3. PROSPECTS

#### 3.1. Advertising market

According to Agora's estimates based on GDP growth forecasts for Poland, total advertising spending in 2011 will increase by ca 6% - 7%. The Company assumes that online spending will be the fastest growing advertising segment (ca 13% – 15% growth rate) and will account for ca 14% – 15% share of total ad spend in Poland.

The Company assumes that in 2011 TV advertising budgets will increase by ca 6% - 8% yoy. According to Agora's estimates in 2011 advertisers will spend 3% - 5% yoy less on dailies ad expenditure and ca 0% - 2% more yoy on magazines.

Advertising spending on outdoor will increase by ca 5% - 6% yoy, spending on radio by ca 3% - 5% yoy and on cinemas by ca 11% - 13% yoy.

The Company would like to stress that one should bear in mind that these advertising market estimations may represent some margin of error due to significant discount pressure on the market and ongoing change in the way of media consumption.

#### 3.2. Operating cost

Due to the purchase of the majority stake in the company Helios S.A., Agora Group consolidates the financial results of Helios group since September 2010. It should be underlined that as a consequence the level of the Group's operating cost shall be influenced by the operating cost incurred by Helios group constituting a new segment in Agora Group. Helios's profit and loss account for the full quarter was consolidated in Agora Group for the first time in the fourth quarter of 2010. The operating cost of the cinema segment amounted in this period to PLN 44.0 million.

##### 3.2.1 Staff cost

In 2011, the Group expects increase of its staff cost which is mainly related to the increase in headcount due to the purchase of majority stake in the company Helios S.A., execution of development projects within the Group and provisions for cash motivation plans executed in the Group, including a 3-Year-Long Incentive Plan for the Management Board members and higher managerial personnel (described in note 5C to the condensed consolidated financial statements of the Agora Group).

##### 3.2.2 Promotion and marketing cost

Due to the market situation and limited number of promotional campaigns in 2010 the cost of promotion and marketing was reduced by 12.8% yoy. The Group does not intend to significantly intensify its promotion and marketing activities in 2011. It should be remembered that the level of promotion and marketing expense depends on the dynamics of particular media development, as well as the number of projects launched in a given quarter, including book series published by Special Projects and the market activities and projects of the Group's competitors.

##### 3.2.3 Cost of raw materials and energy

In 2010, the cost of materials and energy decreased by 9.3% yoy. This cost category was influenced by the unit prices of materials (including newsprint cost) and EUR/PLN exchange rate. In 2011, the cost of materials and energy will be dependent on the price of newsprint, which is now growing, the volume of production and EUR/PLN exchange rate. Additionally, this cost position shall be increased by cost incurred by the cinema business which is consolidated in the Group's results since September 2010.

### 3.2.4 Capital expenditure

Due to the development projects undertaken in the Group (including those related to investment in technology, cinema digitalization process and enriching the portfolio of outdoor panels), the Company estimates that the capital expenditure in the Group in 2011 may increase (even ca twice) compared to the amount incurred in 2010.

### 3.4. The Group's main objectives in 2011

In 2010 the Group executed all set objectives. Due to the cost control, which led to cost reduction of 2.4% yoy in 2010, the Group was able to adopt its operations to changing situation in the advertising market and improve its profitability.

Development of competencies and synergies between different segments of the Group led to effective utilization of the Group's multimedia resources in day – to - day activities and in development projects executed in the Group. The results of these undertakings were met with positive reception from individuals and media sector, which in 2010 granted Agora, i.a., awards for innovative projects executed by Agora's media.

In 2010, with the purchase of majority stake in the company Helios S.A., the third largest cinema operator in Poland, the Group entered a new segment of media market.

In 2011, the Group activities shall be concentrated inter alia, on:

- (i) further exploitation of possibilities offered by the Internet to develop new forms and scope of activities in the so – called traditional media segments;
- (ii) cost control enabling further development of existing businesses and launching new projects;
- (iii) using internal synergies to take advantage of Group's multimedia resources and competencies, especially in the field of content distribution and monetization;
- (iv) further development of current multimedia competence centers within the Group;
- (v) increasing the scale of Group's operations, inter alia, through further acquisitions strengthening the Group's position and/or diversifying the sources of the Group's revenues.

### III. FINANCIAL RESULTS

#### 1. THE AGORA GROUP

The consolidated financial statements of the Agora Group for the fourth quarter of 2010 include: Agora SA, Agora Poligrafia Sp. z o.o., Art Marketing Syndicate SA Group ("AMS Group"), Agora TC Sp. z o.o., Trader.com (Polska) Sp. z o.o., AdTaily Sp. z o.o., 4 subsidiaries of the radio business, Helios group operating in the cinema business, the Ukrainian company LLC Agora Ukraine and jointly controlled entities A2 Multimedia Sp. z o.o. and Business Ad Network Sp. z o.o.

A detailed list of companies of the Agora Group is presented in the note 12 and selected financial data together with translation into EURO are presented in notes 15 and 17 to the financial statements in this report.

#### 2. PROFIT AND LOSS ACCOUNT OF THE AGORA GROUP

Tab. 1

<i>in PLN million</i>	<b>4Q 2010</b>	<b>4Q 2009</b>	<i>% change yoy</i>	<b>1-4Q 2010</b>	<b>1-4Q 2009</b>	<i>% change yoy</i>
<b>Total sales (1)</b>	<b>340.7</b>	<b>291.1</b>	<b>17.0%</b>	<b>1,116.7</b>	<b>1,110.1</b>	<b>0.6%</b>
<i>Advertising revenue</i>	202.9	198.7	2.1%	715.7	734.3	(2.5%)
<i>Copy sales</i>	55.4	60.3	(8.1%)	208.9	246.8	(15.4%)
<i>Ticket sales (4)</i>	33.2	-	-	40.1	-	-
<i>Other</i>	49.2	32.1	53.3%	152.0	129.0	17.8%
<b>Operating cost net, including:</b>	<b>(310.4)</b>	<b>(271.6)</b>	<b>14.3%</b>	<b>(1,031.8)</b>	<b>(1,057.2)</b>	<b>(2.4%)</b>
<i>Raw materials, energy and consumables</i>	(66.1)	(55.7)	18.7%	(203.3)	(222.8)	(8.8%)
<i>D&amp;A</i>	(22.5)	(20.0)	12.5%	(82.4)	(81.2)	1.5%
<i>Staff cost (2)</i>	(78.6)	(66.7)	17.8%	(283.2)	(268.1)	5.6%
<i>Non-cash expense relating to share-based payments</i>	(4.5)	(3.1)	45.2%	(10.4)	(10.2)	2.0%
<i>Promotion and marketing</i>	(39.9)	(40.5)	(1.5%)	(130.9)	(150.1)	(12.8%)
<i>Operating efficiency improvement plan</i>	-	-	-	-	(2.3)	-
<b>Operating result - EBIT</b>	<b>30.3</b>	<b>19.5</b>	<b>55.4%</b>	<b>84.9</b>	<b>52.9</b>	<b>60.5%</b>
<b>Finance cost, net, incl.:</b>	<b>(1.0)</b>	<b>1.1</b>	<b>-</b>	<b>4.0</b>	<b>2.5</b>	<b>60.0%</b>
<i>Revenue from short-term investment</i>	3.2	2.7	18.5%	12.8	11.0	16.4%
<i>Interest on loans and similar costs</i>	(3.3)	(1.7)	94.1%	(8.2)	(8.3)	(1.2%)
<i>Foreign exchange (losses) / gains</i>	0.1	0.1	-	0.4	0.1	300.0%
<b>Share of results of equity accounted investees</b>	<b>(0.2)</b>	<b>(0.3)</b>	<b>(33.3%)</b>	<b>(1.0)</b>	<b>(1.0)</b>	<b>-</b>
<b>Profit /(loss) before income tax</b>	<b>29.1</b>	<b>20.3</b>	<b>43.3%</b>	<b>87.9</b>	<b>54.4</b>	<b>61.6%</b>
<i>Income tax (3)</i>	(10.8)	(5.4)	100.0%	(16.0)	(17.1)	(6.4%)
<b>Net profit / (loss) for the period</b>	<b>18.3</b>	<b>14.9</b>	<b>22.8%</b>	<b>71.9</b>	<b>37.3</b>	<b>92.8%</b>
<b>Attributable to:</b>						
<i>Equity holders of the parent</i>	18.0	14.9	20.8%	71.9	38.3	87.7%
<i>Non - controlling interest</i>	0.3	-	-	-	(1.0)	-

<i>in PLN million</i>	<b>4Q 2010</b>	<b>4Q 2009</b>	<i>% change yoy</i>	<b>1-4Q 2010</b>	<b>1-4Q 2009</b>	<i>% change yoy</i>
EBIT margin (EBIT/Sales)	8.9%	6.7%	2.2pp	7.6%	4.8%	2.8pp
<b>EBITDA</b>	<b>52.8</b>	<b>39.5</b>	<b>33.7%</b>	<b>167.2</b>	<b>133.7</b>	<b>25.1%</b>
EBITDA margin (EBITDA/Sales)	15.5%	13.6%	1.9pp	15.0%	12.0%	3.0pp
<b>Operating EBITDA (2)</b>	<b>57.3</b>	<b>42.6</b>	<b>34.5%</b>	<b>177.6</b>	<b>143.9</b>	<b>23.4%</b>
Operating EBITDA margin (Operating EBITDA/Sales)	16.8%	14.6%	2.2pp	15.9%	13.0%	2.9pp

(1) particular sales positions include sales of Special Projects (with book collections), described in details in point IV.A in this report;

(2) excluding non-cash cost of share-based payments;

(3) in the first quarter of 2010, the settlement of the one – off transaction of sales of the shares of Inforadio Sp. z o.o. to GRA Sp. z o.o. within the intergroup capital restructuring had the positive effect (of PLN 6.6 million) on this position;

(4) data presented only for September-December 2010.

## 2.1. Financial results presented according to major segments of the Agora Group for the four quarters of 2010

Major products and services, as well as operating revenue and cost of the Agora Group are presented in detail in part IV of this MD&A (“Operating review – major segments of the Agora Group”).

**Tab. 2**

<i>in PLN million</i>	<b>Newspapers</b>	<b>Internet</b>	<b>Magazines</b>	<b>Outdoor</b>	<b>Radio</b>	<b>Cinema (5)</b>	<b>Matching positions (3)</b>	<b>Total (consolidated) 1-4Q 2010</b>
<b>Total sales (4)</b>	<b>644.0</b>	<b>101.8</b>	<b>83.6</b>	<b>164.1</b>	<b>77.6</b>	<b>56.0</b>	<b>(10.4)</b>	<b>1,116.7</b>
<i>% share</i>	57.7%	9.1%	7.5%	14.7%	6.9%	5.0%	(0.9%)	100.0%
<b>Operating cost net (4)</b>	<b>(496.6)</b>	<b>(97.1)</b>	<b>(67.7)</b>	<b>(158.9)</b>	<b>(73.9)</b>	<b>(55.4)</b>	<b>(82.2)</b>	<b>(1,031.8)</b>
<b>EBIT</b>	<b>147.4</b>	<b>4.7</b>	<b>15.9</b>	<b>5.2</b>	<b>3.7</b>	<b>0.6</b>	<b>(92.6)</b>	<b>84.9</b>
Finance cost, net								4.0
Share of results of equity accounted investees								(1.0)
Income tax								(16.0)
<b>Net profit</b>								<b>71.9</b>
<b>Attributable to:</b>								-
Equity holders of the parent								71.9
Non-controlling interest								-
<b>EBITDA</b>	<b>173.1</b>	<b>11.4</b>	<b>16.2</b>	<b>26.4</b>	<b>6.4</b>	<b>6.0</b>	<b>(72.3)</b>	<b>167.2</b>
Operating EBITDA (1)	178.2	11.9	16.7	27.3	6.9	6.0	(69.4)	177.6
CAPEX (2)	(9.7)	(3.3)	-	(8.9)	(1.9)	(13.9)	(17.0)	(54.7)

(1) excluding non-cash cost of share-based payments;

(2) based on invoices booked in the period; in the Cinema segment includes also PLN 10.7 million of non-current assets in lease

(3) matching positions show data not included in particular segments, inter alia: other revenues and costs of Agora's support divisions and the Management Board of Agora SA, Agora TC Sp. z o.o., intercompany eliminations and other matching adjustments which reconcile the data presented in the management reports to the consolidated financials of the Agora Group;

(4) the amounts do not include revenues and total cost of cross-promotion of Agora's different media if such promotion is executed without prior reservation between segments of the Agora Group; the direct variable cost of campaigns carried out on advertising panels is the only cost that is included above; it is allocated from the Outdoor segment to other segments;

(5) data presented only for September-December 2010.

## 2.2. Finance cost, net

Net financial activities in 2010 were affected mainly by bank commissions, as well as interest on the bank loans.

## 3. BALANCE SHEET OF THE AGORA GROUP

Tab. 3

<i>in PLN million</i>	31/12/2010	30/09/2010	% change to 30/09/2010	31/12/2009
<b>Non-current assets</b>	<b>1,203.4</b>	<b>1,207.0</b>	<b>(0.3%)</b>	<b>1,023.5</b>
<i>share in balance sheet total</i>	66.7%	73.0%	(6.3pp)	66.5%
<b>Current assets</b>	<b>602.1</b>	<b>446.1</b>	<b>35.0%</b>	<b>514.7</b>
<i>share in balance sheet total</i>	33.3%	27.0%	6.3pp	33.5%
<b>TOTAL ASSETS</b>	<b>1,805.5</b>	<b>1,653.1</b>	<b>9.2%</b>	<b>1,538.2</b>
<b>Equity holders of the parent</b>	<b>1,221.1</b>	<b>1,198.4</b>	<b>1.9%</b>	<b>1,196.3</b>
<i>share in balance sheet total</i>	67.6%	72.5%	(4.9pp)	77.8%
<b>Non-controlling interest</b>	<b>15.5</b>	<b>15.2</b>	<b>2.0%</b>	<b>(0.2)</b>
<i>share in balance sheet total</i>	0.9%	0.9%	-	-
<b>Non-current liabilities and provisions</b>	<b>273.5</b>	<b>176.8</b>	<b>54.7%</b>	<b>99.9</b>
<i>share in balance sheet total</i>	15.1%	10.7%	4.4pp	6.5%
<b>Current liabilities and provisions</b>	<b>295.4</b>	<b>262.7</b>	<b>12.4%</b>	<b>242.2</b>
<i>share in balance sheet total</i>	16.4%	15.9%	0.5pp	15.7%
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,805.5</b>	<b>1,653.1</b>	<b>9.2%</b>	<b>1,538.2</b>

### 3.1. Non-current assets

The decrease in non-current assets versus 30 September 2010 stems mainly from D&A on non-current assets and intangibles.

### 3.2. Current assets

The increase in current assets versus 30 September 2010 results mainly from: the increase in cash and short-term monetary assets, including cash and cash equivalents (cash, bank accounts and bank deposits) and short-term securities (cash assets obtained mainly through credit refinancing the acquisition of shares of Helios S.A.).

### 3.3. Non-current liabilities and provisions

The change of non-current liabilities and provisions versus 30 September 2010 stems mainly from the increase by PLN 97.4 million of bank and other borrowings, including financial lease liabilities (where PLN 3.2 million stems from the increase in borrowings of Helios group and PLN 94.2 million in Agora SA – including the drawing of credit refinancing the acquisition of shares of Helios S.A.).

### 3.4. Current liabilities and provisions

The increase in current liabilities and provisions versus 30 September 2010 was caused mainly by the increase of trade payables by PLN 21.6 million.

## 4. CASH FLOW STATEMENT OF THE AGORA GROUP

Tab. 4

<i>in PLN million</i>	<b>4Q 2010</b>	<b>4Q 2009</b>	<i>% change yoy</i>	<b>1-4Q 2010</b>	<b>1-4Q 2009</b>	<i>% change yoy</i>
Net cash from operating activities	64.7	65.9	(1.8%)	171.6	152.7	12.4%
Net cash from investment activities	(68.2)	(40.4)	68.8%	(138.1)	(204.1)	(32.3%)
Net cash from financing activities	83.3	(26.2)	-	24.7	(88.0)	-
<b>Total movement of cash and cash equivalents</b>	<b>79.8</b>	<b>(0.7)</b>	-	<b>58.2</b>	<b>(139.4)</b>	-
<b>Cash and cash equivalents at the end of period</b>	<b>182.4</b>	<b>124.2</b>	<b>46.9%</b>	<b>182.4</b>	<b>124.2</b>	<b>46.9%</b>

As at 31 December 2010, the Agora Group had PLN 337.2 million in cash and in short-term monetary assets, of which PLN 182.4 million was in cash and cash equivalents (cash, bank accounts and bank deposits) and PLN 154.8 million in secure short-term securities.

Agora SA has not been in 2010 engaged in any currency option instruments or other derivatives (used for hedging or speculative ones).

As at 31 December 2010 the Company had an available credit line, which was partly used on October 5, 2010 in the amount of PLN 104.9 million to refinance the purchase of shares of Helios S.A. In 2010, Agora SA repaid four installments of the credit line used in previous years.

Considering the cash position and the available credit facility, from which as at the date of this quarterly report the Company can still draw up to PLN 95.1 million, any liquidity problems are not anticipated.

The acquisition of Helios group resulted in the increase of Agora Group debt from bank loans and other borrowings as a result of consolidation of debt liabilities of the Helios group within Agora Group. Additionally, Helios group is a third party of lease agreements (classified as finance lease) concerning cars and cinema equipment.

### 4.1. Operating activities

In the fourth quarter of 2010, the net cash inflow from operating activities remained at the level similar to the fourth quarter of 2009.

### 4.2. Investment activities

Net outflow from investing activities in the fourth quarter of 2010 results mainly from incurred investment expenditure on short-term securities, property, plant and equipment and intangibles.

### 4.3. Financing activities

In the fourth quarter of 2010, the net cash from financing activities included mainly raising a credit by Agora SA (refinancing the acquisition of shares of Helios S.A.) and the repayment of consecutive quarterly installment of the credit line used in previous years. Additionally, the cash from financing activities include also drawings and repayments of bank loans by the Helios group as well as financial lease payments.

## 5. SELECTED FINANCIAL RATIOS [5]

Tab. 5

	4Q 2010	4Q 2009	% change yoy	1-4Q 2010	1-4Q 2009	% change yoy
<b>Profitability ratios</b>						
Net profit margin	5.3%	5.1%	0.2pp	6.4%	3.5%	2.9pp
Gross profit margin	39.4%	42.6%	(3.2pp)	41.3%	40.1%	1.2pp
Return on equity	6.0%	5.0%	1.0pp	5.9%	3.2%	2.7pp
<b>Efficiency ratios</b>						
Inventory turnover	9 days	10 days	(10.0%)	11 days	9 days	22.2%
Debtors days	54 days	64 days	(15.6%)	67 days	71 days	(5.6%)
Creditors days	40 days	45 days	(11.1%)	53 days	54 days	(1.9%)
<b>Liquidity ratio</b>						
Current ratio	2.0	2.1	(4.8%)	2.0	2.1	(4.8%)
<b>Financing ratios</b>						
Gearing ratio (1)	-	-	-	-	-	-
Interest cover	10.6	17.3	(38.7%)	14.6	8.7	67.8%
Free cash flow interest cover	16.6	49.0	(66.1%)	20.7	16.0	29.4%

(1) as at 31 December 2010 and 31 December 2009 the Group had net cash position.

Definitions of financial ratios [5] are presented at the end of part IV of this MD&A ("Operating review – major segments of the Agora Group").

## IV. OPERATING REVIEW - MAJOR SEGMENTS OF THE AGORA GROUP

### IV.A. NEWSPAPERS [1]

The *Newspapers* segment includes the pro-forma consolidated financials of *Gazeta Wyborcza*, *Metro*, Special Projects, Agora's Printing Department and Agora Poligrafia Sp. z o.o.

**Tab. 6**

<i>in PLN million</i>	<b>4Q 2010</b>	<b>4Q 2009</b>	<i>% change yoy</i>	<b>1-4Q 2010</b>	<b>1-4Q 2009</b>	<i>% change yoy</i>
<b>Total sales</b>	<b>173.3</b>	<b>178.0</b>	<b>(2.6%)</b>	<b>644.0</b>	<b>696.9</b>	<b>(7.6%)</b>
Copy sales (1)	37.4	37.6	(0.5%)	148.5	151.4	(1.9%)
<i>incl. Gazeta Wyborcza</i>	36.6	37.4	(2.1%)	146.1	150.4	(2.9%)
Advertising revenue (1), (2)	90.8	100.0	(9.2%)	345.2	377.6	(8.6%)
<i>incl. Gazeta Wyborcza (3)</i>	79.3	90.5	(12.4%)	305.9	342.8	(10.8%)
<i>incl. Metro (4)</i>	8.7	8.8	(1.1%)	31.4	32.2	(2.5%)
Special Projects (including book collections)	20.6	15.2	35.5%	58.7	80.1	(26.7%)
Other revenue	24.5	25.2	(2.8%)	91.6	87.8	4.3%
<b>Total operating cost, including</b>	<b>(138.6)</b>	<b>(138.0)</b>	<b>0.4%</b>	<b>(496.6)</b>	<b>(556.9)</b>	<b>(10.8%)</b>
Raw materials, energy, consumables and printing services	(56.2)	(57.6)	(2.4%)	(196.0)	(234.9)	(16.6%)
Staff cost (5)	(33.1)	(32.4)	2.2%	(130.5)	(129.9)	0.5%
Non-cash expense relating to share-based payments	(2.1)	(1.6)	31.3%	(5.1)	(4.9)	4.1%
D&A	(6.3)	(6.6)	(4.5%)	(25.7)	(27.1)	(5.2%)
Promotion and marketing (2) (6)	(25.2)	(23.8)	5.9%	(80.0)	(96.8)	(17.4%)
Operating efficiency improvement plan	-	-	-	-	(1.4)	-
<b>EBIT</b>	<b>34.7</b>	<b>40.0</b>	<b>(13.3%)</b>	<b>147.4</b>	<b>140.0</b>	<b>5.3%</b>
EBIT margin	20.0%	22.5%	(2.5pp)	22.9%	20.1%	2.8pp
<b>EBITDA</b>	<b>41.0</b>	<b>46.6</b>	<b>(12.0%)</b>	<b>173.1</b>	<b>167.1</b>	<b>3.6%</b>
EBITDA margin	23.7%	26.2%	(2.5pp)	26.9%	24.0%	2.9pp
<b>Operating EBITDA (4)</b>	<b>43.1</b>	<b>48.2</b>	<b>(10.6%)</b>	<b>178.2</b>	<b>172.0</b>	<b>3.6%</b>
Operating EBITDA margin	24.9%	27.1%	(2.2pp)	27.7%	24.7%	3.0pp

(1) excluding revenues from Special Projects;

(2) the amounts do not include revenues and total cost of cross-promotion of different media between the Agora Group segments (only direct variable cost of campaigns carried out on advertising panels) if such promotion is executed without prior reservation;

(3) the amounts refer to only a portion of total revenues from dual media offers (published both in *Gazeta Wyborcza*, as well as on *GazetaPraca.pl*, *GazetaDom.pl*, *Domiporta.pl*, *Komunikaty.pl* verticals and *Nekrologi.Wyborcza.pl* website), which is allocated to the print edition of *Gazeta*;

(4) the amounts refer to total revenues of the Free Press Department, including revenues from *Metro*'s display advertising, classifieds and inserts as well as from *mTarget* services and *Metro*'s special activities;

(5) excluding non-cash cost of share-based payments;

(6) the amounts include the start-up cost of new book collections (i.e. initial promotional cost in the media) and the production and promotional cost of gadgets offered with *Gazeta*;

In 2010 the segment improved its operating results. The operating EBITDA amounted to PLN 178.2 million (up by 3.6% yoy), mainly due to the reduction of operating cost by 10.8% yoy. The EBITDA margin reached 27.7% (up by 3.0pp).

In the fourth quarter of 2010, the operating costs of the segment rose by 0.4% yoy and the revenues fell by 2.6% yoy. As a result, the operating EBITDA decreased by 10.6% yoy to PLN 43.1 million and the operating EBITDA margin reached 24.9% (down by 2.2pp yoy).

## 1. GAZETA WYBORCZA

### 1.1. Revenue

#### 1.1.1. Copy sales [4]

In 2010, *Gazeta Wyborcza* maintained its leading position among the opinion-making newspapers. During this period, *Gazeta* sold 335 thousand copies on average (down by 9.4% yoy). The decline results mainly from a lower impact of higher priced issues (dual-pricing offer) as well as from a general trend of copy sales decline of dailies. In the fourth quarter of 2010, *Gazeta* sold 332 thousand copies on average (down by 6.1% yoy). In 2010, *Gazeta's* revenues from copy sales decreased by 2.9% yoy, while in the fourth quarter of 2010, the decrease amounted to 2.1% yoy.

In the fourth quarter of 2010, *Dziennik Gazeta Prawna* sold on average 92.6 thousand copies (down by 11.6% yoy) and in the entire 2010, it sold 99.6 thousand copies [10]. In the fourth quarter of 2010, *Rzeczpospolita* sold 140 thousand copies on average (up by 0.4% yoy), *Fakt* 417 thousand copies (down by 9.7% yoy) and *Super Express* 186 thousand copies (down by 1.4% yoy).

In 2010, *Rzeczpospolita* sold 141 thousand copies on average (down by 0.8% yoy), *Fakt* 437 thousand copies (down by 6.4% yoy) and *Super Express* 184 thousand copies (down by 4.3% yoy). In the fourth quarter of 2010, all titles of Polskapresse under *Polska The Times* brand sold 263 thousand copies on average (down by 12.4% yoy). In the entire 2010, *Polska the Times* sold 266 thousand copies on average - down by 12.5% yoy [4] [11].

#### 1.1.2. Readership [4]

In the fourth quarter of 2010, *Gazeta's* weekly readership stood at 13.4% (4.0 million readers; CCS, weekly readership index). In the discussed period, *Fakt's* readership stood at 13.2% and that of *Super Express* reached on average 5.9%. In the fourth quarter of 2010, *Metro* was read by 2.0 million people on average (CCS, weekly readership 6.5%).

In the fourth quarter of 2010, readership rate for *Dziennik Gazeta Prawna* stood at 2.9% (0.9 million readers) and for *Rzeczpospolita* at 4.2% (1.3 million readers).

In 2010, *Gazeta's* weekly readership stood at 14.1% (4.3 million readers; CCS, weekly readership index). This resulted in *Gazeta* holding the first position, ex aequo with *Fakt*, in nationwide dailies as far as readership is concerned. *Fakt's* readership stood at 14.0% and that of *Super Express* reached on average 6.4% in 2010. *Metro* recorded good readership results of 6.3% i.e. 1.9 million people in 2010. In 2010, weekly readership rates for *Dziennik Gazeta Prawna* stood at 3.1% (0.9 million readers) and for *Rzeczpospolita* at 4.2% (1.3 million readers).

#### 1.1.2. Advertising sales [3]

In the fourth quarter of 2010, *Gazeta's* net advertising revenues (including display advertising, classifieds and inserts) amounted to PLN 79.3 million (down by 12.4% yoy). The above figure includes only a portion of revenues from dual-media advertising offers (published both in print as well as on *GazetaPraca.pl*, *GazetaDom.pl*, *Domiporta.pl*, *Komunikaty.pl* verticals and *Nekrologi.Wyborcza.pl* website), which is allocated to the print edition of *Gazeta Wyborcza*. In 2010, *Gazeta's* net advertising revenues amounted to PLN 305.9 million (down by 10.8% yoy).

In the fourth quarter of 2010 ad spend in dailies decreased by 7.5% yoy.

In that period, *Gazeta's* revenues from display advertising decreased by 11% yoy, and its share in display ad spend in dailies decreased by 1.5pp yoy to the level of 36%. *Metro* preserved its share in dailies ad spend at ca 4%. In the discussed period the share of *Dziennik Gazeta Prawna* in dailies ad expenditure amounted to ca 4.5% (down by nearly 1pp yoy) and *Rzeczpospolita's* to ca 10.5% and increased by nearly 1pp yoy.

In the fourth quarter of 2010, *Fakt's* share stood at ca 9.5% (up by over 0.5pp yoy) and *Super Express's* share at 3.5% (up by nearly 0.5pp yoy).

In 2010, advertising expenditure in dailies was reduced by 10.5% yoy, mainly due to a large decrease of spending (down by ca 12.5% yoy) in the first half of 2010.

In 2010, *Gazeta's* revenues from display advertising decreased by almost 11% yoy but the title preserved its share in display ad spend in dailies at the level of 38%. In the same period, *Metro* also maintained its 4% share in dailies ad expenditure. In 2010, the share of *Dziennik Gazeta Prawna* in dailies ad expenditure amounted to about 4% (up by over 1pp yoy) and that of *Rzeczpospolita* to ca 10% (up by nearly 1pp yoy).

In 2010, *Fakt's* share in dailies ad expenditure stood at ca 8.5% (up by over 1pp yoy) and *Super Express'* at 3% and remained at the similar level as in 2009.

In 2010, *Gazeta's* share in the national newspaper ad spend amounted to 40.5% and was up by nearly 1pp yoy. During this period, *Gazeta's* share in Warsaw ad spend in newspapers (display advertising excluding classifieds, inserts and obituaries) decreased by nearly 1.0pp yoy (in the same period, *Metro* increased its share by over 2.0pp yoy) and *Gazeta's* share in local dailies (excluding Warsaw) decreased by 1.0pp yoy. In the fourth quarter of 2010, *Gazeta's* share in the national newspaper ad spend amounted to almost 38.0% and was down by 1.5pp yoy. During this period, *Gazeta's* share in Warsaw ad spend in newspapers (display advertising excluding classifieds, inserts and obituaries) decreased by 2.5pp yoy (in the same period *Metro* increased its share by over 3.0pp yoy) and *Gazeta's* share in local dailies (excluding Warsaw) decreased by nearly 1.5pp yoy.

These advertising market estimations may represent some margin of error due to significant discount pressure on the market. Once the Company has more reliable market data, it may correct the ad spending estimations in the consecutive reporting periods.

In 2010, the share of ad pages in *Gazeta's* total pagecount amounted to ca 38.4% (down by ca 0.6pp yoy), while the average number of paid-for ad pages published daily in all local and national editions reached ca 179 (down by ca 10% yoy). In the fourth quarter of 2010, the share of ad pages in *Gazeta's* total pagecount amounted to ca 37.7% (down by ca 2.7pp yoy), while the average number of paid-for ad pages published daily in all local and national editions reached ca 185 (down by ca 8% yoy).

### 1.1.3. Special Projects

Tab. 7

in PLN million	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010
Revenue from Special Projects (including collections)	22.9	29.4	12.6	15.2	14.1	15.9	8.1	20.6

In 2010, Agora ran 15 collections and 59 one-off projects. During this period, the Company sold ca 2.5 million books and books with DVDs and CDs.

In 2010, the Company continued 3 collections: *Wielcy kompozytorzy filmowi (Great Movie Composers)*, *Fryderyk Chopin* (a project ran under the patronage of The Fryderyk Chopin Institute for the inauguration of The Chopin Year) and *Woody Allen*, and started a number of new projects, inter alia: *Giganci Jazzu (Jazz Giants)*, *Historia sztuki (History of art)*, *Dynastie Europy (Dynasties of Europe)*, *Miejsca Swiete (Sacred places)*.

Among one-off projects launched by the Company, were, inter alia: album *Wisława Szymborska*, books *Listy na wyczerpanym papierze. Letters of Agnieszka Osiecka and Jeremi Przybora*, *Antologia. Najpiękniejsze slaskie słowo*, *Mezcyznicy rozmawiają o wszystkim, Kobiety, które igrły z bogami* and music albums *Kayah&Rogal Quartet*, *Wojciech Gassowski I wish you love*.

In 2010, the operating result (EBIT) of Special Projects reached PLN 1.5 million [1]. In the fourth quarter of 2010, it amounted to PLN 0.3 million, which resulted from a higher number of projects launched in the fourth quarter of 2010 compared to the same period of the previous year. In the fourth quarter of 2010, Agora ran 7 collections, including 2 collections started in the previous quarters, and 30 one-off projects. During this period, the Company sold ca 0.8 million books and books with DVDs and CDs.

#### 1.1.4. Other revenues

In the fourth quarter of 2010, the Company's revenues from the sales of printing services to external clients fell by 6.9% yoy. In 2010, the Company's revenues from the sales of printing services to external clients rose by 1.9% yoy, mainly due to an increase in the volume of orders.

### 1.2. Cost

#### 1.2.1 Printing cost of *Gazeta Wyborcza*

Tab. 8

in PLN million	4Q 2010	4Q 2009	% change yoy	1-4Q 2010	1-4Q 2009	% change yoy
Fixed cost	10.5	9.3	12.9%	36.4	38.2	(4.7%)
incl. D&A	3.6	3.2	12.5%	12.4	13.5	(8.1%)
Variable cost	21.4	26.4	(18.9%)	83.2	117.9	(29.4%)
incl. Newsprint	17.3	20.7	(16.4%)	64.6	94.7	(31.8%)
<b>TOTAL fixed and variable cost</b>	<b>31.9</b>	<b>35.7</b>	<b>(10.6%)</b>	<b>119.6</b>	<b>156.1</b>	<b>(23.4%)</b>

In the fourth quarter of 2010, the decrease in the newsprint cost resulted from the lower circulation and pagecount printed. Moreover, the newsprint cost was affected by the exchange rate of the Euro against the Polish zloty and newsprint prices.

In the fourth quarter of 2010, the increase in the fixed cost resulted mainly from printing *Gazeta's* heatset supplements in Agora's printing house in Pila.

#### 1.2.2. Promotion and marketing cost

In 2010, promotion and marketing cost of the Newspapers segment was reduced by 17.4% yoy. This decline results mainly from the lower promotional expense of *Gazeta Wyborcza*. In the fourth quarter of 2010, promotion and marketing cost of the Newspapers segment rose by 5.9% yoy. This increase results mainly from the higher promotional cost of book collections (*Special Projects*).

### 1.3. Additional information

In 2010, as well as in the previous years, the advertising sales offices of *Gazeta Wyborcza* and *Metro* received the highest score in the annual ranking organized by *Media & Marketing Polska* business magazine evaluating sales teams of dailies.

Moreover, *Gazeta Wyborcza* received 4 prizes in the most important European contest of newspaper design *European Newspaper Award*, in Cover and News Pages categories.

*Gazeta's* campaigns *Koniec Akademii (The End of the Academy)* and *Polacy, odwagi! (Poles, be courageous!)*, were ranked third in the prestigious international competition *INMA Awards 2010*. Both projects were also awarded in *Media Trendy 2010* competition.

## 2. FREE PRESS [3], [4]

In 2010, 6.3% of Poles read *Metro* throughout the week (1.9 million of readers; CCS, weekly readership index). As a result, *Metro* had 0.6 million of readers more than *Rzeczpospolita* and nearly 1.0 million of readers more than *Dziennik Gazeta Prawna*. In the fourth quarter of 2010, 6.5% of Poles read *Metro* throughout the week (2.0 million of readers). In 2010, *Metro* held the third position among nationwide dailies with the average daily readership of 3.4% (1.0 million of readers; CPW, average issue readership index).

In 2010, *Metro's* total ad revenues decreased by 2.5% yoy, including a 7.3% yoy decrease in display advertising. In this period, the total display ad spend in all daily newspapers decreased by 10.5% yoy. In the fourth quarter of 2010, *Metro's* total ad revenues decreased by 1.1% yoy, including a 6.3% yoy decrease in display advertising. In this period,

the total display ad spend in all daily newspapers has decreased by 7.5% yoy. In 2010, as well as in the fourth quarter of 2010, *Metro* maintained its share in advertising spending in dailies of 4.0%. In 2010, *Metro's* share in ad spending in Warsaw dailies reached almost 13.5% and increased by over 2.0pp yoy. In the fourth quarter of 2010, *Metro's* share in ad spending in Warsaw dailies reached 14.5% and increased by over 3.0pp yoy.

In 2010, as well as in the previous years, the advertising sales offices of *Gazeta Wyborcza* and *Metro* received the highest score in the annual ranking organized by *Media & Marketing Polska* business magazine evaluating sales teams of dailies.

In September 2010, *Metro* won the top prize in the *World Young Reader Prize*, a prestigious competition organized by WAN-IFRA and was named *Young Reader Newspaper of The Year*. At the same time, *Metro* won the first prize in the Public Services category for its project *Internet Piracy - for or against*.

In June 2010, for the third time, *Metro* was recognized as a *High Reputation Brand* in the *Independent Ranking of Brand Reputation* in Poland - *Premium Brand*.

In April 2010, *Metro's* project *Metro dla Berlinczykow (Metro for Berliners)* won the major prize in the *Marketing Solutions for Advertisers* category of prestigious *INMA Awards 2010*. The jury appreciated the idea of widening the advertising reach beyond the borders of Poland, as well as the implementation of the project.

Moreover, the campaign called *Adoptuj Zwierzaka (Adopt a Pet)* received a distinction in *Media Trendy 2010*, in the CSR category of the competition devoted to the *Innovation in the Media*.

In 2010, *Metro* reported a positive operating EBITDA of PLN 4.0 million (up PLN 4.2 million yoy). In the fourth quarter of 2010, *Metro* reported the operating EBITDA of PLN 2.0 million [1].

## IV.B INTERNET [1] [6]

The Internet segment includes the pro-forma consolidated financials of Agora's Internet Department, LLC Agora Ukraine (which in August 2010 merged with Agora Press Ltd.), Trader.com (Polska) Sp. z o.o. and AdTaily Sp. z o.o. The acquisition of AdTaily Sp. z o.o. has an impact on presented financials of the segment starting from the third quarter of 2009.

**Tab. 9**

<i>in PLN million</i>	<b>4Q 2010</b>	<b>4Q 2009</b>	<i>% change yoy</i>	<b>1-4Q 2010</b>	<b>1-4Q 2009</b>	<i>% change yoy</i>
<b>Total sales , including</b>	<b>31.3</b>	<b>26.4</b>	<b>18.6%</b>	<b>101.8</b>	<b>84.9</b>	<b>19.9%</b>
Display ad sales (1)	22.7	18.7	21.4%	69.9	52.0	34.4%
Ad sales in verticals (2)	6.1	5.5	10.9%	23.3	22.2	5.0%
<b>Total operating cost, including</b>	<b>(28.5)</b>	<b>(29.2)</b>	<b>(2.4%)</b>	<b>(97.1)</b>	<b>(95.3)</b>	<b>1.9%</b>
IT and network maintenance	(0.8)	(0.9)	(11.1%)	(3.1)	(3.6)	(13.9%)
Staff cost (3)	(11.4)	(10.3)	10.7%	(43.5)	(42.3)	2.8%
Non-cash expense relating to share-based payments	(0.2)	(0.2)	-	(0.5)	(0.4)	25.0%
D&A	(1.6)	(1.9)	(15.8%)	(6.7)	(7.0)	(4.3%)
Promotion and marketing (1)	(7.1)	(9.6)	(26.0%)	(19.9)	(23.4)	(15.0%)
Operating efficiency improvement plan	-	-	-	-	(0.4)	-
<b>EBIT</b>	<b>2.8</b>	<b>(2.8)</b>	-	<b>4.7</b>	<b>(10.4)</b>	-
EBIT margin	8.9%	(10.6%)	19.5pp	4.6%	(12.2%)	16.8pp
<b>EBITDA</b>	<b>4.4</b>	<b>(0.9)</b>	-	<b>11.4</b>	<b>(3.4)</b>	-
EBITDA margin	14.1%	(3.4%)	17.5pp	11.2%	(4.0%)	15.2pp
<b>Operating EBITDA (3)</b>	<b>4.6</b>	<b>(0.7)</b>	-	<b>11.9</b>	<b>(3.0)</b>	-
Operating EBITDA margin	14.7%	(2.7%)	17.4pp	11.7%	(3.5%)	15.2pp

(1) the amounts do not include revenues and total cost of cross-promotion of Agora's different media (only direct variable cost of campaigns carried out on advertising panels) if such promotion is executed without prior reservation, as well as inter-company sales between Agora's Internet Department, LLC Agora Ukraine, Trader.com (Polska) Sp. z o.o. and AdTaily Sp. z o.o;

(2) including, among others, allocated revenues from the dual media offer (i.e. published both in Gazeta Wyborcza, as well as on GazetaPraca.pl, GazetaDom.pl, Domiporta.pl, Komunikaty.pl verticals and Nekrologi.Wyborcza.pl website);

(3) excluding non-cash cost of share-based payments.

### 1. REVENUE

In the fourth quarter of 2010, display ad sales of Agora's Internet segment went up by 21.4% yoy, while the internet display advertising and e-mail marketing market increased by 16% yoy. This dynamic growth of revenues allowed the Internet segment to achieve positive operating result (EBIT) both in the fourth quarter (PLN 2.8 million) and in the entire year 2010 (PLN 4.7 million). [1]

In the fourth quarter of 2010, ad sales in verticals increased by 10.9% yoy and the allocation of advertising sales from dual media offers in print and online editions remained on the same level yoy.

In the fourth quarter of 2010, total revenues of Trader.com (Polska) Sp. z o.o. reached PLN 5.0 million (up by 19% yoy). Revenues from the company's magazines amounted to PLN 0.9 million and from its Internet activities to PLN 4.1 million. In 2010, the company recorded a positive EBIT of PLN 2.3 million.

## 2. COST

In the fourth quarter of 2010, the total cost of the Internet segment decreased by 2.4% yoy, mainly by a reduction in the advertising cost in Agora's Internet Department. In 2010, the total cost of the Internet segment increased by 1.9%, due to, inter alia, a higher staff cost.

In the fourth quarter of 2010, the staff cost (excluding non-cash cost of share-based payments) went up by 10.7% as a result of, inter alia, higher cost of contracts of mandate in Agora's Internet department and an increase in the level of employment.

In the fourth quarter of 2010, promotion and marketing costs were reduced by 26.0% yoy. In the discussed period, D&A cost decreased by 15.8% as well, reflecting lower investments made by Agora's Internet Department since the fourth quarter of 2009.

## 3. IMPORTANT INFORMATION ON INTERNET ACTIVITIES

In November 2010, the reach of *Gazeta.pl* group services among Polish internet users stood at 64.4%, which made *Gazeta.pl* group the third player among Internet portals, after *Onet.pl* group and *Wirtualna Polska* group. The number of users reached 11.8 million (up by 9.3% yoy). In the same month, the total number of page views from Polish users was 1.2 billion (i.e. 31.1% more than in November 2009), with an average viewing time of 2 hours and 12 minutes per user (28 minutes more than in November 2009).

*Gazeta.pl*'s group services are ranked among top thematic market players. According to Megapanel PBI/Gemius data from November 2010 *GazetaDom.pl* is the leader in the *Building & real estate* category and *GazetaPraca.pl* is the leader in recruitment services. *Gazeta.pl*'s parenting services (incl. *eDziecko.pl*) lead in *Children, Family* category. *Gazeta.pl*'s information services are third in the *Information & journalism* category and *Gazeta.pl*'s social network sites (incl. *Forum.Gazeta.pl*, *Blox.pl*) are ranked third in the *Communities* category. *Gazeta.pl*'s sport services (incl. *Sport.pl*) are ranked third in *Sport* category.

In November 2010, Agora launched a new Internet advertising network *AdPlayer*, which offers advertising with high quality of video content and non-standard marketing solutions using web series or sponsoring of thematic programs. In December 2010, Agora launched another network *HandyNet* specialized in mobile marketing and offering advertising space in Agora's mobile services as well as popular application for mobile devices.

For the first time, the advertising sales team of *Gazeta.pl* was recognized as the best internet sales team - its high standard of services and fast and efficient reaction to the needs of advertisers were praised.

#### IV.C. THE MAGAZINES [1] [7]

The *Magazines* segment presents the pro-forma consolidated financials of Agora's Magazines and Agora Press Ltd. (Ukraine) for the period ending 31 July, 2010. From the beginning of August, 2010 Agora Press Ltd. was merged with LLC Agora Ukraine included in the *Internet* segment.

**Tab. 10**

<i>in PLN million</i>	<b>4Q 2010</b>	<b>4Q 2009</b>	<i>% change yoy</i>	<b>1-4Q 2010</b>	<b>1-4Q 2009</b>	<i>% change yoy</i>
<b>Total sales, including</b>	<b>20.6</b>	<b>22.3</b>	<b>(7.6%)</b>	<b>83.6</b>	<b>92.3</b>	<b>(9.4%)</b>
Copy sales	9.3	10.4	(10.6%)	37.5	41.3	(9.2%)
Advertising revenue (1)	11.2	11.9	(5.9%)	45.6	50.7	(10.1%)
<b>Total operating cost, including</b>	<b>(17.1)</b>	<b>(18.3)</b>	<b>(6.6%)</b>	<b>(67.7)</b>	<b>(75.1)</b>	<b>(9.9%)</b>
Raw materials, energy, consumables and printing services	(6.6)	(7.4)	(10.8%)	(26.1)	(31.4)	(16.9%)
Staff cost (2)	(4.2)	(4.0)	5.0%	(16.8)	(17.3)	(2.9%)
Non-cash expense relating to share-based payments	(0.2)	(0.2)	-	(0.5)	(0.5)	-
D&A	(0.1)	(0.1)	-	(0.3)	(0.4)	(25.0%)
Promotion and marketing (1)	(4.6)	(5.0)	(8.0%)	(17.6)	(18.9)	(6.9%)
Operating efficiency improvement plan	-	-	-	-	(0.1)	-
<b>EBIT</b>	<b>3.5</b>	<b>4.0</b>	<b>(12.5%)</b>	<b>15.9</b>	<b>17.2</b>	<b>(7.6%)</b>
EBIT margin	17.0%	17.9%	(0.9pp)	19.0%	18.6%	0.4pp
<b>EBITDA</b>	<b>3.6</b>	<b>4.1</b>	<b>(12.2%)</b>	<b>16.2</b>	<b>17.6</b>	<b>(8.0%)</b>
EBITDA margin	17.5%	18.4%	(0.9pp)	19.4%	19.1%	0.3pp
<b>Operating EBITDA (2)</b>	<b>3.8</b>	<b>4.3</b>	<b>(11.6%)</b>	<b>16.7</b>	<b>18.1</b>	<b>(7.7%)</b>
Operating EBITDA margin	18.4%	19.3%	(0.9pp)	20.0%	19.6%	0.4pp

(1) the amounts do not include revenues and total cost of cross-promotion of Agora's different media (only direct variable cost of campaigns carried out on advertising panels) if such promotion is executed without prior reservation;

(2) excluding non-cash cost of share-based payments.

In 2010, the operating cost of the *Magazines* segment was reduced by 9.9% yoy, which compensated the decrease in sales, leading to the increase of the operating EBITDA margin by 0.4pp yoy to the level of 20.0%. In the fourth quarter of 2010, the operating EBITDA amounted to PLN 3.8 million and the operating EBITDA margin decreased to the level of 18.4% (down by 0.9pp yoy) [1].

Total copy sales decreased by 9.2% yoy, while ad sales were down by 10.1% yoy, leading to an overall decline in sales by 9.4% yoy. The decline results mainly from the reduction in advertising budgets in hygiene and beauty as well as interior decoration categories. In the fourth quarter of 2010 the decline in ad sales was lower than that of the whole 2010 and amounted to 5.9% yoy.

## 1. REVENUE

### 1.1. Copy sales

Tab. 11

<i>in thousand of copies</i>	4Q 2010	4Q 2009	% change yoy	1-4Q 2010	1-4Q 2009	% change yoy
Average copy sales of monthlies	963.2	1,049.2	(8.2%)	948.9	1,040.0	(8.8%)

In 2010, the average number of copies sold by Agora's monthlies decreased by 8.8% yoy. In the fourth quarter of 2010 this decline was lower and amounted to 8.2% yoy.

### 1.2. Advertising sales

In 2010, advertising sales of Agora's magazines decreased by 10.1% yoy. During this period, Agora recorded a 6.6% share in the total national magazines ad spend and an 11.6% share in monthlies (based on rate card data) [7].

## 2. COST

In the fourth quarter of 2010, the 6.6% decrease to PLN 17.1 million in operating costs results mainly from the lower (down by 10.8% yoy) cost of materials, energy, consumables and printing services reflecting the lower level of production volume, lower exchange rate of the Euro to the Polish zloty and lower prices of newsprint. Additionally, the number of conducted promotional campaigns was reduced, leading to an overall decline in the marketing cost of the segment (down by 8.0% yoy).

The staff cost increased slightly in the fourth quarter of 2010, which is mainly related to the increase in variable remuneration components.

In 2010, the *Magazines* segment reduced its operating costs by 9.9% yoy mainly as a result of lower cost of materials, energy, consumables and printing services, which went down by 16.9% yoy, reflecting the lower exchange rate of the Euro to the Polish zloty, lower prices of newsprint, along with the decrease in print runs and pagecounts.

Additionally, in 2010, the number and scope of promotional campaigns was reduced, leading to an overall decline in the marketing cost of the segment by 6.9% yoy.

In June 2010, the results of the *Magazines* segment were negatively affected by a one-off cost of PLN 1 million, reflecting the final settlement of a dispute ongoing from 2002.

## IV.D. OUTDOOR (AMS GROUP)

The Outdoor segment consists of the pro-forma consolidated data of companies constituting the AMS group (AMS SA, Adpol Sp. z o.o.).

Tab. 12

<i>in PLN million</i>	<b>4Q 2010</b>	<b>4Q 2009</b>	<i>% change yoy</i>	<b>1-4Q 2010</b>	<b>1-4Q 2009</b>	<i>% change yoy</i>
<b>Total sales, including:</b>	<b>48.3</b>	<b>45.8</b>	<b>5.5%</b>	<b>164.1</b>	<b>168.0</b>	<b>(2.3%)</b>
Advertising revenue (1)	47.8	45.3	5.5%	161.7	165.8	(2.5%)
<b>Total operating cost, including:</b>	<b>(41.4)</b>	<b>(47.7)</b>	<b>(13.2%)</b>	<b>(158.9)</b>	<b>(178.4)</b>	<b>(10.9%)</b>
Execution of campaigns	(8.1)	(8.2)	(1.2%)	(27.3)	(31.6)	(13.6%)
Maintenance cost	(19.4)	(20.2)	(4.0%)	(73.5)	(79.8)	(7.9%)
Staff cost (2)	(4.9)	(4.2)	16.7%	(18.7)	(18.4)	1.6%
Non-cash expense relating to share-based payments	(0.3)	(0.3)	-	(0.9)	(0.8)	12.5%
Promotion and marketing	(1.4)	(2.0)	(30.0%)	(6.0)	(5.0)	20.0%
D&A	(5.0)	(5.7)	(12.3%)	(21.3)	(23.6)	(9.7%)
Other operating cost net	0.5	(3.7)	-	(0.0)	(8.6)	(99.9%)
<b>EBIT</b>	<b>6.9</b>	<b>(1.9)</b>	<b>-</b>	<b>5.2</b>	<b>(10.4)</b>	<b>-</b>
EBIT margin	14.3%	(4.1%)	18.4pp	3.2%	(6.2%)	9.4pp
<b>EBITDA (4)</b>	<b>11.9</b>	<b>3.7</b>	<b>221.6%</b>	<b>26.4</b>	<b>12.8</b>	<b>106.3%</b>
EBITDA margin	24.6%	8.1%	16.5pp	16.1%	7.6%	8.5pp
<b>Operating EBITDA (2) (4)</b>	<b>12.2</b>	<b>4.0</b>	<b>205.0%</b>	<b>27.3</b>	<b>13.6</b>	<b>100.7%</b>
Operating EBITDA margin	25.3%	8.7%	16.6pp	16.6%	8.1%	8.5pp
Number of advertising faces (3)	23,841	24,887	(4.2%)	23,841	24,887	(4.2%)

(1) the amounts do not include revenues, direct and variable cost of cross-promotion of Agora's other media on AMS panels if such promotion was executed without prior reservation;

(2) excluding non-cash cost of share-based payments;

(3) excluding advertising panels of AMS Group installed on petrol stations, small panels on bus shelters and in the Warsaw subway, as well as advertising panels on buses and trams;

(4) the amounts include a reclassification adjustment of D&A, resulting from financing sources of fixed assets owned by AMS group.

In the fourth quarter of 2010, the increase in revenue and a reduction of operating costs improved the financial results of the AMS group yoy. The operating EBITDA amounted to PLN 12.2 million and the operating EBITDA margin increased by 16.6pp yoy (up to the level of 25.3%). In 2010, the operating EBITDA margin of the AMS Group increased by 8.5pp yoy and the operating EBITDA amounted to PLN 27.3 million.

### 1. REVENUE [8]

According to IGRZ estimates, the outdoor market increased by 7% yoy in the fourth quarter of 2010. In this market, the fourth quarter of 2010 is a second consecutive quarter with growth. In 2010, the outdoor market decreased only by over 0.5% yoy.[8].

The advertising sales of the AMS group performed largely in line with the entire outdoor advertising market, with an increase of 5.5% in the fourth quarter of 2010 and with the decline of 2.5% in the entire 2010.

In 2010, the estimated share of the AMS group in outdoor ad spending decreased by 0.2pp yoy and amounted to 26.5%. In the fourth quarter of 2010, the estimated share of AMS in outdoor ad spending reached 28.3% (up by 1.0 pp yoy). [8].

## 2. COST

In the fourth quarter of 2010, the AMS Group reduced its operating costs by 13.2% yoy, and in the entire 2010 the operating costs were down by 10.9%.

In the fourth quarter of 2010, the reduction of operating costs was possible due to a decrease in maintenance costs and lower D&A. The decline in cost of maintenance was a result of optimization aimed at adjusting the portfolio of advertising panels to market requirements as well as a reduction of panel maintenance unit cost.

Lower D&A costs (down by 12.3% yoy) in fourth quarter 2010 are, inter alia, the result of full depreciation of CityINFO panels in the Warsaw Subway at the end of November 2010.

Additionally, in the fourth quarter of 2010, the cost of promotion and marketing was reduced by 30% yoy due to a lower number of a social campaigns.

The only cost position which increased (up by 16.7% yoy) in the fourth quarter of 2010 is staff cost. The increase is mainly related to the variable remuneration components, as sales targets were overreached.

In 2010, the operating cost was reduced by 10.9% yoy, mainly due to lower system maintenance costs (down by 7.9% yoy) and campaign execution cost (down by 13.6% yoy).

In 2010, the other operating cost net was an additional factor that contributed to the decline in operating cost. It was mainly related to lower one-off impairment losses on assets and to closing several administrative disputes on using the waysides without permission.

In 2010, higher promotion and marketing cost resulted from a higher number of social and joint non-for-profit /commercial campaigns in the second quarter of the year, where the non-profit element was settled in barter and presented in promotion and marketing cost.

## 3. OTHER EVENTS

AMS was again awarded in the prestigious annual ranking of the weekly *Media i Marketing Polska*. The advertising agencies and media houses participated in the survey measuring customer satisfaction (carried out by Millward Brown SMG/KRC) and recognized the AMS sales team as the best sales team in the outdoor market. The award reflects the changes made in AMS' sales policy as well as the high quality of provided services.

In the third edition of the program *Bramy Kraju*, which is devoted to small architecture and urban furnishing, AMS and the city of Gdansk announced a competition for the development plan of Walowy Square. *Bramy Kraju* is an urban marketing program focused on creating a brand and image of public space. Every year, the program includes conferences for local governments, competitions for urban marketing best practices, and publishing booklets from the *Biblioteka Wizerunku Miasta* series. The development of urban furnishing is in line with a consistent strategy pursued by AMS.

On 31 December 2010, Adpol's contract with the city of Warsaw for servicing 530 bus shelters expired. Due to the fact that the process of granting a new concession for the building and servicing the bus shelters has not yet come to an end, on 31 January, 2011, Adpol signed an annex to the contract, with the city of Warsaw, in which the rules for servicing existing bus shelters till the end of 2011 were set.

## IV.E. RADIO

The *Radio* segment includes the pro-forma consolidated financials of Agora's Radio Department, all local radio stations and a super-regional radio *TOK FM*, being parts of the Agora Group. This includes: 19 *Golden Oldies (Złote Przeboje)* local radio stations (including the license for Zamosc, granted in July 2010 and broadcast since October), 7 local radio stations (*Radio Roxy FM*), one AC format (Adult Contemporary) local station and a super-regional news radio *TOK FM* broadcasting in nine largest metropolitan areas.

**Tab. 13**

<i>in PLN million</i>	<b>4Q 2010</b>	<b>4Q 2009</b>	<i>% change yoy</i>	<b>1-4Q 2010</b>	<b>1-4Q 2009</b>	<i>% change yoy</i>
<b>Total sales, including :</b>	<b>25.0</b>	<b>20.9</b>	<b>19.6%</b>	<b>77.6</b>	<b>75.1</b>	<b>3.3%</b>
Advertising revenue (1) (3)	24.1	20.3	18.7%	75.8	73.2	3.6%
<b>Total operating cost, including: (3)</b>	<b>(22.2)</b>	<b>(19.4)</b>	<b>14.4%</b>	<b>(73.9)</b>	<b>(73.9)</b>	-
Staff cost (2)	(6.5)	(6.9)	(5.8%)	(24.5)	(25.1)	(2.4%)
Non-cash expense relating to share-based payments	(0.2)	(0.2)	-	(0.5)	(0.6)	(16.7%)
Licenses, rental and telecommunication costs	(2.3)	(2.1)	9.5%	(8.3)	(8.3)	-
D&A	(0.6)	(0.7)	(14.3%)	(2.7)	(2.9)	(6.9%)
Promotion and marketing (3)	(4.9)	(3.3)	48.5%	(17.1)	(16.2)	5.6%
<b>EBIT</b>	<b>2.8</b>	<b>1.5</b>	<b>86.7%</b>	<b>3.7</b>	<b>1.2</b>	<b>208.3%</b>
EBIT margin	11.2%	7.2%	4.0pp	4.8%	1.6%	3.2pp
<b>EBITDA</b>	<b>3.4</b>	<b>2.2</b>	<b>54.5%</b>	<b>6.4</b>	<b>4.1</b>	<b>56.1%</b>
EBITDA margin	13.6%	10.5%	3.1pp	8.2%	5.5%	2.7pp
<b>Operating EBITDA (2)</b>	<b>3.6</b>	<b>2.4</b>	<b>50.0%</b>	<b>6.9</b>	<b>4.7</b>	<b>46.8%</b>
Operating EBITDA margin	14.4%	11.5%	2.9pp	8.9%	6.3%	2.6pp

(1) advertising revenues include revenues from brokerage services of proprietary and third-party air time;

(2) excluding non-cash cost of share-based payments;

(3) the amounts do not include revenues and total cost of cross-promotion of Agora's different media (only the direct variable cost of campaigns carried out on advertising panels) if such a promotion was executed without prior reservation.

In 2010, Agora's Radio segment achieved a positive EBIT of PLN 3.7 million (up by PLN 2.5 million yoy). The major part (PLN 2.8 million) of this result was accounted for in the fourth quarter of 2010 (up by 1.3 million yoy).

### 1. REVENUE [3]

In the fourth quarter of 2010, the sales of the Radio segment amounted to PLN 25.0 million (up by 19.6% yoy). This increase reflected the growth of the radio advertising market (up by 13% yoy) as well as higher revenues from brokerage services and barter sales.

In 2010, the sales of the Radio segment amounted to PLN 77.6 million (up by 3.3% yoy), including the ad sales of PLN 75.8 million (up by 3.6%). At the same time, the entire radio advertising market recorded a nearly 4% growth.

### 2. COST

In the fourth quarter of 2010, the operating costs of the Radio segment increased by 14.4% yoy and reached PLN 22.2 million, mainly as a result of higher promotion and marketing costs, caused by substantial promotional

campaigns for *Golden Oldies (Złote Przeboje)*, *Radio Roxy FM* and *TOK FM*. Additionally, the costs of brokerage services as well as costs settled in barter increased. However, both are compensated by higher ad sales.

In 2010, the operating costs of the Radio segment remained flat yoy. Most cost categories were reduced and the only cost items that increased were promotion and marketing costs (up by 5.6%) and the costs of brokerage services, compensated by higher ad sales.

### 3. AUDIENCE SHARES [9]

In the fourth quarter of 2010, the audience share of Agora's radio stations (including *TOK FM*) increased to 11.3% (up by 1.3 yoy).

In 2010, the audience share of Agora's radio stations (included *TOK FM*) increased to 10.8% (up by 0.6pp yoy).

In 2010, *TOK FM* achieved its best audience share results in its history: an 8.1% share of the Warsaw radio audience (6.3% in the same period of 2009). In all the cities of broadcasting the station's audience ratings reached 5.1%, compared to 4.0% in the fourth quarter of 2009.

### 4. OTHER EVENTS

In October 2010, *Golden Oldies (Złote Przeboje)* began broadcasting in Zamosc (the 19th town, where the network is broadcast).

In November 2010 *Golden Oldies (Złote Przeboje)* gained one of the most famous music brands in the world – *Billboard List of Hits*. The programme is broadcast on Saturday evenings.

In December 2010, the results of *the Polish Investor Survey* conducted by the Association of Individual Investors were published, naming *TOK FM* the most popular source of information for investors. *TOK FM* was quoted as the radio station, providing information about economy for people interested in stock markets.

In December 2010, two *TOK FM*'s journalists were awarded in the competition of the internet service *Science in Poland* launched by the Polish Press Agency and the Ministry of Science. They were awarded the title of 'Science Promoter of 2010'.

The newsroom journalists of the radio segment received two nominations for the *Grand Press* prize in the radio feature category. One of them won the *Grand Press* prize.

## IV.F. CINEMA

The Cinema segment includes the pro-forma consolidated financials of the Helios group, consisting of Helios S.A. and Kinoplex Sp. z o.o. The financials of the Helios group are consolidated with the results of Agora Group starting from September 1, 2010. The table below presents data of the Helios group from the acquisition by the Agora Group. Detailed information concerning the acquisition is discussed in note 13 to the condensed consolidated financial statements of the Agora Group.

**Tab. 14**

<i>in PLN million</i>	<b>4Q 2010</b>	<b>September - December 2010</b>
<b>Total sales, including :</b>	<b>46.1</b>	<b>56.0</b>
Tickets sales	<b>33.2</b>	<b>40.1</b>
Sales from foods & beverages	<b>10.0</b>	<b>12.1</b>
Advertising revenues	2.4	3.3
<b>Total cost, including:</b>	<b>(44.0)</b>	<b>(55.4)</b>
Raw materials, energy and consumables	(6.0)	(7.7)
D&A	(4.0)	(5.4)
Staff cost	(6.7)	(8.5)
External services	(25.2)	(31.1)
Promotion and marketing	(1.1)	(1.3)
Other net operating cost	(1.0)	(1.4)
<b>EBIT</b>	<b>2.1</b>	<b>0.6</b>
EBIT margin	4.6%	1.1%
<b>EBITDA</b>	<b>6.1</b>	<b>6.0</b>
EBITDA margin	13.2%	10.7%
<b>Operating EBITDA (1)</b>	<b>6.1</b>	<b>6.0</b>
Operating EBITDA margin (1)	13.2%	10.7%

(1) As far as the Helios group is concerned EBITDA and operating EBITDA ratios are equal as in the period referred to in the table there was not any non-cash cost of share-based payments incurred.

### 1. REVENUE [3]

In the fourth quarter of 2010, total revenue of the Helios group amounted to PLN 46.1 million and was lower yoy. The decline results from a lower number of tickets sold (down by 8.9% yoy) and lower sales from food and beverages. In the fourth quarter of 2010, the number of tickets sold in all the cinemas in Poland was 5.1% lower yoy. [13], [14].

In the fourth quarter of 2010, the average ticket price in Helios cinemas was PLN 17.16 net (down by nearly 5% yoy). In 2010, the average ticket price was PLN 18.03 net, 5.6% higher yoy. Out of the total number of tickets sold in the fourth quarter of 2010, 27.5% were tickets for 3D films (up by 2pp yoy). In the entire 2010, the share of tickets for 3D films amounted to 35.5% (up by nearly 17pp yoy).

In 2010, the number of cinema tickets sold in Poland amounted to 37.5 million (down by 4.4% yoy). In the Helios group cinemas this decline was lower (down by 3.0% yoy). In 2010, the share of tickets for 3D films sold in Poland amounted to 34.0% (up by nearly 17pp yoy) and the average price was PLN 17.53 net - up by 7.9% yoy, mainly due to a greater number of 3D films.

In the fourth quarter of 2010, the share of tickets for 3D films sold in Poland amounted to 28.4% (up by over 3pp yoy) and the average price was PLN 16.39 net (down by nearly 2% yoy). [14].

In the fourth quarter of 2010, the operating result (EBIT) amounted to PLN 2.1 million, while in the period from September to December 2010, it was PLN 0.6 million.

In the period of September - December 2010, the revenues reached PLN 56.0 million, reflecting lower ticket sales (PLN 40.1 million).

## **2. COST**

In the fourth quarter of 2010, the operating cost of the segment reached PLN 44.0 million and was lower yoy. The largest cost items of the Helios group were external services, including cost of film copies and rent of commercial space in shopping centres.

## **3. SHARES IN THE NUMBER OF TICKETS SOLD [14]**

In the fourth quarter of 2010, the number of visitors of the Helios group cinemas was lower by 8.9% yoy. In the discussed period, the total number of visitors in cinemas in Poland was down by 5.1% yoy.

In 2010, the number of tickets sold by the Helios group was 7.7 million (down by 3.0% yoy). During this period, the entire Polish cinema market sold 37.5 million tickets (down by 4.4% yoy).

## **4. OTHER EVENTS**

The cinemas of the Helios group are undergoing the process of digitalization. On the date of acquisition by Agora Group, the Helios group network had 24 3-D digital projectors. To the date of the publication of the fourth quarter report, 35 new 3-D projectors have been installed.

## NOTES

[1] *Operating EBITDA = EBITDA + non-cash expenses relating to share-based payments.*

*EBIT, EBITDA, operating EBITDA of Newspapers, Internet and Magazines are calculated on the basis of cost directly attributable to the appropriate operating segment of the Agora Group and excludes allocations of all Company's overheads (such as: cost of Agora's Management Board and a majority of cost of the supporting divisions), which are included in matching positions.*

[2] *The Group's net result refers to "net result attributable to equity holders of the parent".*

[3] *The data refer to advertising expenditures in six media (print, radio, TV, outdoor, Internet, cinema). In this MD&A Agora has corrected the advertising figures for the first, the second and the third quarter of 2010 and for the fourth quarter of 2009. Unless explicitly stated otherwise, print and radio advertising market data referred to herein are based on Agora's estimates adjusted for average discount rate and are stated in current prices. Given the discount pressure and advertising time and space sell-offs, these figures may not be fully reliable and will be adjusted in the consecutive reporting periods.*

*In case of print, the data do not include classifieds, inserts and obituaries. The estimates are based on rate card data obtained from the following sources: Kantar Media monitoring (previously Expert Monitor), Agora SA monitoring.*

*Presented TV, Internet and cinema figures are based on Starlink media house estimates; TV estimates include regular ad emissions and sponsoring, exclude teleshopping, product placement and other advertising forms.*

*Internet ad spend estimates include display, search engines (Search Engine Marketing), e-mail marketing and affiliated marketing.*

*Outdoor advertising figures are based on Izba Gospodarcza Reklamy Zewnętrznej estimates [8]*

[4] *The data on the number of copies sold of daily newspapers is derived from the National Circulation Audit Office (ZKDP). The term "copy sales" used in this MD&A is consistent with the sales declarations of publishers to the National Circulation Audit Office.*

*The data on dailies readership are based on PBC General, research carried out by MillwardBrown SMG/KRC on a random, nationwide sample of Poles over 15 years of age. The following indices were used: CCS index (weekly readership index) - percentage of respondents reading at least one edition of the title within 7 days of the week or preceding research and CPW index (average issue readership index – shows number and percentage of respondents from surveyed population, which read or skimmed through the average issue of the title). For dailies the average is calculated on the basis of issue readership in seasonal cycles – that is: taken average from CDT indices (readership of weekdays). Size of the sample: nationwide PBC General for January - December 2010: N = 48,445, October- December 2010 N = 12,015.*

[5] *Definition of ratios:*

*Net profit margin =  $\frac{\text{Net profit attributable to equity holders of the parent}}{\text{Sales of finished products, merchandise and materials}}$*

*Gross profit margin =  $\frac{\text{Gross profit on sales}}{\text{Sales of finished products, merchandise and materials}}$*

Return on equity =

$$\frac{\text{Net profit attributable to equity holders of the parent}}{(\text{Equity attributable to equity holders of the parent at the beginning of the period} + \text{Equity attributable to equity holders of the parent at the end of the period}) / 2 / (2 \text{ for four quarters and } 4 \text{ for quarterly results})}$$

Debtors days =

$$\frac{(\text{Trade receivables gross at the beginning of the period} + \text{Trade receivables gross at the end of the period}) / 2}{\text{Sales of finished products, merchandise and materials} / \text{no. of days}}$$

Creditors days =

$$\frac{(\text{Trade creditors at the beginning of the period} + \text{Trade creditors at the end of the period}) / 2}{\text{Cost of sales} / \text{no. of days}}$$

Inventory turnover =

$$\frac{(\text{Inventories at the beginning of the period} + \text{Inventories at the end of the period}) / 2}{\text{Cost of sales} / \text{no. of days}}$$

Current ratio I =

$$\frac{\text{Current Assets}}{\text{Current liabilities}}$$

Gearing ratio =

$$\frac{\text{Current and non-current liabilities from loans} - \text{cash and cash equivalents} - \text{highly liquid short-term monetary assets}}{\text{Total equity and liabilities}}$$

Interest cover =

$$\frac{\text{Operating profit}}{\text{Interest charge}}$$

Free cash flow interest cover =

$$\frac{\text{Free cash flow}^*}{\text{Interest charge}}$$

\* Free cash flow = Net cash from operating activities + Purchase of property plant and equipment and intangibles

[6] The Gazeta.pl Group include online services (including partnership services), which domains are subscribed by Agora. Real users, page views and spent time on the basis of Megapanel PBI/Gemius, cover Internet users age 7 years and above, connecting to Internet from the territory of Poland and include only Internet domains registered on Agora SA. Real users data of the Gazeta.pl Group services are audited by Gemius SA.

[7] Average paid circulation of monthlies is based on the Agora's own data. Rate card data on magazines obtained from Kantar Media monitoring (previously Expert Monitor); commercial brand advertising, excluding specialized monthlies; accounted for 128 titles for the period of January-December 2010.

[8] Source: report on sales of outdoor companies prepared by Izba Gospodarcza Reklamy Zewnętrznej (IGRZ) which include: AMS S.A., Cityboard Media, Clear Channel Poland, Stroeer Out of Home Media, News Outdoor Poland, Gigaboard Polska, Mini Media/Publiprox, Business Consulting, CAM Media, Defi Poland BP Media, Warexpo,

*Wadowicz and Headz Marketing Partner. The report is prepared on the basis of the financials provided by member companies of IGRZ. The reports for the outdoor market (defined by IGRZ as 'the out-of-home market'), include immovable, mobile and digital outdoor advertising.*

*[9] Audience market data referred herein are based on Radio Track surveys, carried out by MillwardBrown SMG/KRC (all places, all days and all quarters):*

*- for radio stations: in cities of broadcasting of Agora's radio stations and in the age group of 15+, for 2009 (sample for October-December: 10,423; sample for January-December: 42,786), for 2010 (sample for October-December: 10,412; sample for January-December: 41,693);*

*- for TOK FM: in Warsaw and in the age group of 15+, for 2009 (sample for October-December: 1,266; sample for January-December: 5,282), for 2010 (sample for October-December: 1,264; sample for January-December: 5,073);*

*- for TOK FM: in cities of broadcasting and in the age group of 15 for 2009 (sample for October-December: 7,742; sample for January-December: 31,363), for 2010 (sample for October-December: 7,729; sample for January-December: 30,976).*

*[10] As a result of an agreement between Axel Springer Polska Sp. z o.o., publisher of Dziennik Polska Europa Swiat, and INFOR PL S.A., publisher of Gazeta Prawna, the company INFOR Biznes Sp. z o.o. became the publisher of Dziennik Polska Europa Swiat. On September 14, 2009, from the blend of the two titles a new daily entitled Dziennik Gazeta Prawna appeared on the market. The title is published from Monday to Friday as the publisher decided not to publish the newspaper on Saturdays.*

*[11] Since March 2009 the number of titles under Polska The Times brand was reduced. Due to the publisher's decision 9 out of 18 titles were closed. The titles which were closed include: Polska Bialystok, Polska Gazeta Opolska, Polska Kielce, Polska Koszalin, Polska Kujawy, Polska Lubuskie, Polska Olsztyn, Polska Rzeszow and Polska Szczecin.*

*Average number of copies sold of Polskapresse titles associated under Polska The Times brand = a sum of all copies sold of the titles /number of days of publishing.*

*[12] Cinema market in Poland includes both: multiplexes (multi – screen cinemas) and traditional cinemas (usually cinemas with one or two screens).*

*[13] The data on cinema ticket sales are estimates of Helios group prepared on the basis of data received from Boxoffice.pl (based on reports submitted by distributors of film copies).*

*[14] Cinema ticket sales are reported for periods, which do not cover a calendar month, quarter or year. The number of tickets sold in the given period is calculated from the first Friday of a given month, quarter or year until the first Thursday of the next reporting month, quarter or year.*

## V. ADDITIONAL INFORMATION

### 1. IMPORTANT EVENTS

#### ► Changes in subsidiaries

On December 17, 2010 on the basis of shares sale agreements Grupa Radiowa Agory sp. z o.o. became the sole shareholder of the company Projekt Inwestycyjny Sp. z o. o.

On December 20, 2010 two companies from the Agora Group, Grupa Radiowa Agory sp. z o.o. and Agencja Reklamowa Jowisz Sp. z o.o., merged by transfer of all assets and liabilities of Agencja Reklamowa Jowisz Sp. z o.o. to Grupa Radiowa Agory Sp. z o.o. (the incorporating company) neither with the increase of the share capital nor with the other changes in articles of association of the incorporating company.

### 2. CHANGES IN OWNERSHIP OF SHARES OR OTHER RIGHTS TO SHARES (OPTIONS) BY MANAGEMENT BOARD MEMBERS IN THE FOURTH QUARTER OF 2010 AND UNTIL THE DATE OF PUBLICATION OF THE REPORT

Tab. 15

a. shares	as of 31 December 2010	decrease	increase	as of 30 September 2010
Piotr Niemczycki	1,548,373	0	0	1,548,373
Zbigniew Bak	68,006	0	0	68,006
Tomasz Jozefacki	0	0	0	0
Grzegorz Kossakowski	44,451	0	0	44,451

  

b. rights to shares	as of 31 December 2010	decrease	increase	as of 30 September 2010
Piotr Niemczycki	0	0	0	0
Zbigniew Bak	0	0	0	0
Tomasz Jozefacki	0	0	0	0
Grzegorz Kossakowski	0	0	0	0

  

c. shares	as of 25 February 2011	decrease	increase	as of 31 December 2010
Piotr Niemczycki	1,548,373	0	0	1,548,373
Zbigniew Bak	68,006	0	0	68,006
Tomasz Jozefacki	0	0	0	0
Grzegorz Kossakowski	44,451	0	0	44,451

  

d. rights to shares	as of 25 February 2011	decrease	increase	as of 31 December 2010
Piotr Niemczycki	0	0	0	0
Zbigniew Bak	0	0	0	0
Tomasz Jozefacki	0	0	0	0
Grzegorz Kossakowski	0	0	0	0

The members of the Management Board participate in incentive plans described in the note 5 of the financial statements.

### 3. CHANGES IN OWNERSHIP OF SHARES OR OTHER RIGHTS TO SHARES (OPTIONS) BY SUPERVISORY BOARD MEMBERS IN THE FOURTH QUARTER OF 2010 AND UNTIL THE DATE OF PUBLICATION OF THE REPORT

Tab. 16

<b>a. shares</b>	as of 31 December 2010	<i>decrease</i>	<i>increase</i>	as of 30 September 2010
Slawomir S. Sikora	0	0	0	0
Tomasz Sielicki	33	0	0	33
Andrzej Szlezak	0	0	0	0
Marcin Hejka	0	0	0	0
Wanda Rapaczynski	924,616	0	0	924,616

  

<b>b. shares</b>	as of 25 February 2011	<i>decrease</i>	<i>increase</i>	as of 31 December 2010
Slawomir S. Sikora	0	0	0	0
Tomasz Sielicki	33	0	0	33
Andrzej Szlezak	0	0	0	0
Marcin Hejka	0	0	0	0
Wanda Rapaczynski	924,616	0	0	924,616

*In the described periods, the members of the Supervisory Board did not have any other rights to shares (e.g. options).*

### 4. SHAREHOLDERS ENTITLED TO EXERCISE OVER 5% OF TOTAL VOTING RIGHTS AT THE GENERAL MEETING OF AGORA SA, EITHER DIRECTLY OR THROUGH AFFILIATES AS OF THE DATE OF PUBLICATION OF THE QUARTERLY REPORT

*Data update is performed on the basis of the official notifications obtained from Shareholders entitled to over 5% of total voting rights at the General Meeting of the Company.*

According to the formal notifications received from the Company's shareholders, particularly on the basis of art. 69 of Act on Public Offer and the Conditions of Introducing Financial Instruments to the Organized Trading System and on Public Companies dated July 29, 2005, as of the day of publication of previous quarterly report (i.e. November 15, 2010), the shareholding structure has changed significantly until the day of publication of this quarterly report.

On the basis of the above mentioned notifications, as of November 15, 2010 the following shareholders were entitled to exercise over 5% of voting rights at the General Meeting of Shareholders of the Company:

**Tab. 17**

	no. of shares	% of share capital	no. of votes	% of voting rights
Agora-Holding Sp. z o.o. <i>(in accordance with the last notification obtained on January 11, 2010)</i>	6,646,955	13.05	23,773,355	34.93
BZ WBK AIB Asset Management S.A. <i>(in accordance with the last notification obtained on September 29, 2010)</i>	17,005,001	33.38	17,005,001	24.98
BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. <i>(in accordance with the last notification obtained on December 29, 2009)</i>	12,749,373	25.03	12,749,373	18.73
Arka BZ WBK FIO <i>(number of shares and votes based on information received on May 30, 2008; the calculation of estimated shares in share capital and in voting rights at General Meeting includes the influence of Company's capital share redemption).</i>	3,629,448	7.13	3,629,448	5.33

#### ■ Significant changes in the shareholders' structure

In the current report published on December 16, 2010 the Management Board announced that the Company obtained a notification from BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A., that due to the transformation of the following funds: Arka BZ WBK Akcji Funduszu Inwestycyjnego Otwartego, Arka BZ WBK Rozwoju Nowej Europy Funduszu Inwestycyjnego Otwartego, Arka BZ WBK Stabilnego Wzrostu Funduszu Inwestycyjnego Otwartego, Arka BZ WBK Zrównoważony Funduszu Inwestycyjnego Otwartego, Arka BZ WBK Energii Funduszu Inwestycyjnego Otwartego, Arka BZ WBK Obligacji Funduszu Inwestycyjnego Otwartego, Arka BZ WBK Ochrony Kapitału Funduszu Inwestycyjnego Otwartego into subfunds of Arka BZ WBK Fundusz Inwestycyjny Otwarty (the Fund) on November 26, 2010 and as of that day this Fund holds shares entitling the Fund to more than 5%, 10% and 15% of the total voting rights at the General Meeting of Shareholders of Agora SA.

BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. informed also that the Fund was established as of the day of the transformation and before that date it had no shares of Agora SA. As of November 26, 2010 the Fund holds in total 10,250,251 shares constituting 20.12% of Agora's share capital and entitling to 10,250,251 votes giving the Wright to 15.06% of the total number of votes at the General Meeting of Shareholders of Agora SA. As a result of transformation, the shares held previously by the above mentioned funds increased the assets of the Fund as of the day of transformation.

In the current report published on December 23, 2010 the Management Board announced that the Company obtained a notification from Agora-Holding sp. z o.o. with its registered seat in Warsaw about decrease in the total voting rights at the General Meeting of Shareholders of Agora SA by 1pp. Agora-Holding informed the Company that it transferred 684,777 shares of Agora SA in the fulfillment of the terms of donation contract for the benefit of Partycypacyjny Fundusz Inwestycyjny Zamknięty with its registered seat in Warsaw managed by Skarbiec Towarzystwo Funduszy Inwestycyjnych SA with its registered seat in Warsaw. The Fund was created for the execution of incentive program in Agora SA and its subsidiaries. As a result of the disposal of shares Agora-Holding held 34.03% of the total voting rights at Agora's General Meeting of Shareholders.

In the current report published on February 14, 2011 the Management Board announced that the Company obtained a notification from Arka BZ WBK Fundusz Inwestycyjny Otwarty about decrease in the total voting rights at

the General Meeting of Shareholders of Agora SA. As a result of disposals of Agora's shares on February 8, 2011 the Fund held 10,118,356 shares of Agora SA constituting 19.86% of Agora's share capital and giving the right to 14.87% of the total number of votes at the General Meeting of Shareholders of Agora SA.

**In the current report published on February 22, 2011** the Management Board announced that the Company obtained a notification from BZ WBK AIB Asset Management S.A. (BZ WBK) about decrease in the total voting rights at the General Meeting of Shareholders of Agora SA. As a result of disposals of Agora's shares on February 16, 2011 clients, whose securities accounts are managed by BZ WBK held 15,632,682 shares of Agora SA constituting 30.69% of Agora's share capital and giving the right to 22.97% of the total number of votes at the General Meeting of Shareholders of Agora SA.

According to the formal notifications received from the Company's shareholders, particularly on the basis of art. 69 of Act on Public Offer and the Conditions of Introducing Financial Instruments to the Organized Trading System and on Public Companies dated July 29, 2005, as of the day of publication of this quarterly report the following shareholders were entitled to exercise over 5% of voting rights at the General Meeting of Shareholders of the Company:

Tab. 18

	no. of shares	% of share capital	no. of votes	% of voting rights
Agora-Holding Sp. z o.o. <i>(in accordance with the last notification obtained on December 23, 2010)</i>	6,032,025	11.84	23,158,425	34.03
BZ WBK AIB Asset Management S.A. <i>(in accordance with the last notification obtained on February 22, 2011)</i>	15,632,682	30.69	15,632,682	22.97
BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. <i>(in accordance with the last notification obtained on December 29, 2009)</i>	12,749,373	25.03	12,749,373	18.73
Arka BZ WBK FIO <i>(in accordance with the last notification obtained on February 14, 2011)</i>	10,118,356	19.86	10,118,356	14.87

## 5. OTHER INFORMATION

### ▶ The Management Board's statement of the possible realization of forecasts

The Management Board did not publish any forecasts of the Company's financial results and because of that this report does not present any Management Board's statement of the possible realization of them.

### ▶ Changes in contingences

Any changes in contingencies since the date of the last financial year were described in note 8 to the condensed consolidated financial statements.

### ▶ Admitting shares for trading

On February 18, 2011, 684,777 shares of Agora SA were admitted for trading on the main market of the Warsaw Stock Exchange. The shares were acquired by Partycypacyjny Fundusz Inwestycyjny Zamkniety (Closed Participatory Investment Fund) with its registered seat in Warsaw.

### ▶ Changing the company's name

On December 17, 2010 the District Court for the city of Lodz, XX Commercial Division, registered the change of subsidiary's company name from Centrum Filmowe Helios Spółka Akcyjna to Helios Spółka Akcyjna.

## **AGORA GROUP**

# **CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

as at 31 December 2010 and for 3 and 12 month period  
ended thereon

## CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2010

	As at 31 December 2010 unaudited	As at 30 September 2010 unaudited	As at 31 December 2009 audited
<b>Assets</b>			
<b>Non-current assets:</b>			
Intangible assets	427,337	429,102	394,166
Property, plant and equipment	763,047	760,926	613,083
Investments	201	166	241
Investments in equity accounted investees	235	724	631
Receivables and prepayments	9,640	8,138	8,451
Deferred tax assets	2,954	7,970	6,936
	<b>1,203,414</b>	<b>1,207,026</b>	<b>1,023,508</b>
<b>Current assets:</b>			
Inventories	22,552	18,061	16,164
Accounts receivable and prepayments	239,351	226,051	215,748
Income tax receivable	2,973	488	4,143
Short-term securities and other financial assets	154,828	98,903	154,448
Cash and cash equivalents	182,358	102,590	124,225
	<b>602,062</b>	<b>446,093</b>	<b>514,728</b>
<b>Total assets</b>	<b>1,805,476</b>	<b>1,653,119</b>	<b>1,538,236</b>

Accompanying notes are an integral part of these condensed interim consolidated financial statements.

## CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2010 (CONTINUED)

	Note	As at 31 December 2010 unaudited	As at 30 September 2010 unaudited	As at 31 December 2009 audited
<b>Equity and liabilities</b>				
<b>Equity attributable to equity holders of the parent:</b>				
Share capital		50,937	50,937	50,937
Treasury shares		-	-	-
Share premium		147,192	147,192	147,192
Translation reserve		(130)	(269)	(482)
Retained earnings and other reserves		1,023,053	1,000,582	998,634
		<b>1,221,052</b>	<b>1,198,442</b>	<b>1,196,281</b>
<b>Non-controlling interest</b>		<b>15,500</b>	<b>15,228</b>	<b>(206)</b>
<b>Total equity</b>		<b>1,236,552</b>	<b>1,213,670</b>	<b>1,196,075</b>
<b>Non-current liabilities:</b>				
Deferred tax liabilities		49,376	50,654	45,105
Long-term borrowings	3	188,833	91,410	52,381
Other financial liabilities	13	30,050	30,209	-
Retirement severance provision		1,865	1,693	1,529
Provisions		-	760	489
Deferred revenues and accruals		3,373	1,985	429
		<b>273,497</b>	<b>176,711</b>	<b>99,933</b>
<b>Current liabilities:</b>				
Retirement severance provision		138	119	67
Accounts payable		164,366	128,399	146,592
Income tax liabilities		874	3,971	-
Short-term borrowings	3	66,369	66,277	42,446
Provisions		10,143	12,117	12,576
Deferred revenues and accruals		53,537	51,855	40,547
		<b>295,427</b>	<b>262,738</b>	<b>242,228</b>
<b>Total equity and liabilities</b>		<b>1,805,476</b>	<b>1,653,119</b>	<b>1,538,236</b>
Weighted average number of shares		50,937,386	50,937,386	50,937,386

Accompanying notes are an integral part of these condensed interim consolidated financial statements.

## CONSOLIDATED INCOME STATEMENT FOR THREE AND TWELVE MONTHS ENDED 31 DECEMBER 2010

	Note	Three months ended 31 December 2010 unaudited	Twelve months ended 31 December 2010 unaudited	Three months ended 31 December 2009 unaudited	Twelve months ended 31 December 2009 audited
Sales	4	340,766	1,116,742	291,108	1,110,127
Cost of sales		(206,334)	(655,824)	(167,173)	(664,810)
<b>Gross profit</b>		<b>134,432</b>	<b>460,918</b>	<b>123,935</b>	<b>445,317</b>
Selling expenses		(70,600)	(252,427)	(71,200)	(273,656)
Administrative expenses		(33,644)	(112,320)	(27,215)	(102,350)
Other operating income		8,664	25,334	5,348	16,125
Other operating expenses		(8,551)	(36,617)	(11,387)	(32,571)
<b>Operating profit</b>	4	<b>30,301</b>	<b>84,888</b>	<b>19,481</b>	<b>52,865</b>
Finance income		3,425	14,114	3,183	12,173
Finance costs		(4,459)	(10,147)	(2,071)	(9,658)
Share of results of equity accounted investees		(157)	(980)	(263)	(1,012)
<b>Profit before income taxes</b>		<b>29,110</b>	<b>87,875</b>	<b>20,330</b>	<b>54,368</b>
Income tax		(10,827)	(16,006)	(5,437)	(17,061)
<b>Net profit for the period</b>		<b>18,283</b>	<b>71,869</b>	<b>14,893</b>	<b>37,307</b>
<b>Attributable to:</b>					
Equity holders of the parent		18,011	71,894	14,918	38,330
Non-controlling interests		272	(25)	(25)	(1,023)
		<b>18,283</b>	<b>71,869</b>	<b>14,893</b>	<b>37,307</b>
Earnings per share (in PLN)		0.35	1.41	0.29	0.75

Accompanying notes are an integral part of these condensed interim consolidated financial statements.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THREE AND TWELVE MONTHS ENDED 31 DECEMBER 2010

	Three months ended 31 December 2010 unaudited	Twelve months ended 31 December 2010 unaudited	Three months ended 31 December 2009 unaudited	Twelve months ended 31 December 2009 audited
<b>Profit for the period</b>	<b>18,283</b>	<b>71,869</b>	<b>14,893</b>	<b>37,307</b>
Foreign currency translation differences for foreign companies	139	352	(298)	(445)
<b>Other comprehensive income for the period</b>	<b>139</b>	<b>352</b>	<b>(298)</b>	<b>(445)</b>
<b>Total comprehensive income for the period</b>	<b>18,422</b>	<b>72,221</b>	<b>14,595</b>	<b>36,862</b>
<b>Attributable to:</b>				
Equity holders of the parent	18,150	72,246	14,620	37,885
Non-controlling interest	272	(25)	(25)	(1,023)
	<b>18,422</b>	<b>72,221</b>	<b>14,595</b>	<b>36,862</b>

Accompanying notes are an integral part of these condensed interim consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THREE AND TWELVE MONTHS ENDED 31 DECEMBER 2010

## Attributable to equity holders of the parent

	Share capital	Treasury shares	Share premium	Foreign currency translation reserve	Retained earnings and other reserves	Total	Non-controlling interest	Total equity
<b>Three months ended 31 December 2010</b>								
<b>As at 30 September 2010 unaudited</b>	<b>50,937</b>	-	<b>147,192</b>	<b>(269)</b>	<b>1,000,582</b>	<b>1,198,442</b>	<b>15,228</b>	<b>1,213,670</b>
<b>Total comprehensive income for the period</b>								
Profit/(loss) for the period	-	-	-	-	18,011	18,011	272	18,283
Other comprehensive income	-	-	-	139	-	139	-	139
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>139</b>	<b>18,011</b>	<b>18,150</b>	<b>272</b>	<b>18,422</b>
<b>Transactions with owners, recorded directly in equity</b>								
<b>Contributions by and distributions to owners</b>								
Equity-settled share based payments	-	-	-	-	4,460	4,460	-	4,460
<b>Total contributions by and distributions to owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,460</b>	<b>4,460</b>	<b>-</b>	<b>4,460</b>
Total transactions with owners	-	-	-	-	4,460	4,460	-	4,460
<b>As at 31 December 2010 unaudited</b>	<b>50,937</b>	-	<b>147,192</b>	<b>(130)</b>	<b>1,023,053</b>	<b>1,221,052</b>	<b>15,500</b>	<b>1,236,552</b>

Accompanying notes are an integral part of these condensed interim consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THREE AND TWELVE MONTHS ENDED 31 DECEMBER 2010 (CONTINUED)

	Attributable to equity holders of the parent					Total	Non-controlling interest	Total equity
	Share capital	Treasury shares	Share premium	Translation reserve	Retained earnings and other reserves			
<b>Twelve months ended 31 December 2010</b>								
<b>As at 31 December 2009 audited</b>	<b>50,937</b>	-	<b>147,192</b>	<b>(482)</b>	<b>998,634</b>	<b>1,196,281</b>	<b>(206)</b>	<b>1,196,075</b>
<b>Total comprehensive income for the period</b>								
Net profit /(loss) for the period	-	-	-	-	71,894	71,894	(25)	71,869
Other comprehensive income	-	-	-	352	-	352	-	352
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>352</b>	<b>71,894</b>	<b>72,246</b>	<b>(25)</b>	<b>72,221</b>
<b>Transactions with owners, recorded directly in equity</b>								
<b>Contributions by and distributions to owners</b>								
Equity-settled share-based payments	-	-	-	-	10,371	10,371	-	10,371
Dividends declared	-	-	-	-	(25,469)	(25,469)	-	(25,469)
Dividends of subsidiaries	-	-	-	-	-	-	(666)	(666)
Put option liability recognition (note 13)	-	-	-	-	(29,669)	(29,669)	-	(29,669)
<b>Total contributions by and distributions to owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(44,767)</b>	<b>(44,767)</b>	<b>(666)</b>	<b>(45,433)</b>
<b>Changes in ownership interests in subsidiaries that do not result in a loss of control</b>								
Acquisition of non-controlling interests	-	-	-	-	(2,708)	(2,708)	2,708	-
Acquisition of a subsidiary (note 13)	-	-	-	-	-	-	13,689	13,689
<b>Total changes in ownership interests in subsidiaries</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,708)</b>	<b>(2,708)</b>	<b>16,397</b>	<b>13,689</b>
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(47,475)</b>	<b>(47,475)</b>	<b>15,731</b>	<b>(31,744)</b>
<b>As at 31 December 2010 unaudited</b>	<b>50,937</b>	-	<b>147,192</b>	<b>(130)</b>	<b>1,023,053</b>	<b>1,221,052</b>	<b>15,500</b>	<b>1,236,552</b>

Accompanying notes are an integral part of these condensed interim consolidated financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THREE AND TWELVE MONTHS ENDED 31 DECEMBER 2010 (CONTINUED)

	Attributable to equity holders of the parent					Total	Non-controlling interest	Total equity
	Share capital	Treasury shares	Share premium	Translation reserve	Retained earnings and other reserves			
<b>Twelve months ended 31 December 2009</b>								
<b>As at 31 December 2008 audited</b>	<b>54,978</b>	<b>(71,007)</b>	<b>290,506</b>	<b>(37)</b>	<b>892,771</b>	<b>1,167,211</b>	<b>(93)</b>	<b>1,167,118</b>
<b>Total comprehensive income for the period</b>								
Profit/(loss) for the period	-	-	-	-	38,330	38,330	(1,023)	37,307
Other comprehensive income	-	-	-	(445)	-	(445)	-	(445)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(445)</b>	<b>38,330</b>	<b>37,885</b>	<b>(1,023)</b>	<b>36,862</b>
<b>Transactions with owners, recorded directly in equity</b>								
<b>Contributions by and distributions to owners</b>								
Share buy-back for their redemption	-	(19,001)	-	-	-	(19,001)	-	(19,001)
Redemption of own shares	(4,041)	90,008	(143,314)	-	57,347	-	-	-
Equity-settled share-based payments	-	-	-	-	10,186	10,186	-	10,186
Dividends of subsidiaries	-	-	-	-	-	-	(1,051)	(1,051)
<b>Total contributions by and distributions to owners</b>	<b>(4,041)</b>	<b>71,007</b>	<b>(143,314)</b>	<b>-</b>	<b>67,533</b>	<b>(8,815)</b>	<b>(1,051)</b>	<b>(9,866)</b>
<b>Changes in ownership interests in subsidiaries that do not result in a loss of control</b>								
Adjustment from consolidation of a subsidiary previously not consolidated	-	-	-	-	-	-	270	270
Additional contribution of non-controlling shareholder	-	-	-	-	-	-	1,691	1,691
<b>Total changes in ownership interests in subsidiaries</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,961</b>	<b>1,961</b>
<b>Total transactions with owners</b>	<b>(4,041)</b>	<b>71,007</b>	<b>(143,314)</b>	<b>-</b>	<b>67,533</b>	<b>(8,815)</b>	<b>910</b>	<b>(7,905)</b>
<b>As at 31 December 2009 audited</b>	<b>50,937</b>	<b>-</b>	<b>147,192</b>	<b>(482)</b>	<b>998,634</b>	<b>1,196,281</b>	<b>(206)</b>	<b>1,196,075</b>

Accompanying notes are an integral part of these condensed interim consolidated financial statements.

## CONSOLIDATED CASH FLOW STATEMENT FOR THREE AND TWELVE MONTHS ENDED 31 DECEMBER 2010

	Three months ended 31 December 2010 unaudited	Twelve months ended 31 December 2010 unaudited	Three months ended 31 December 2009 unaudited	Twelve months ended 31 December 2009 audited
<b>Cash flows from operating activities</b>				
<b>Profit before income taxes</b>	<b>29,110</b>	<b>87,875</b>	<b>20,330</b>	<b>54,368</b>
Adjustments for:				
Share of results of equity accounted investees	157	980	263	1,012
Depreciation of property, plant and equipment	18,998	68,121	15,961	66,694
Amortization of intangible assets	3,557	14,344	4,054	14,540
Interest, net	3,743	6,667	1,127	6,108
(Profit) / loss on investing activities	(391)	2,456	368	(2,324)
(Decrease) / increase in provisions	(2,543)	(3,334)	(1,459)	(2,234)
(Increase) / decrease in inventories	(4,491)	(5,021)	3,254	2,697
(Increase) / decrease in receivables and prepayments	(10,968)	(8,256)	2,338	27,307
(Decrease) / increase in payables	32,048	6,918	23,640	(6,615)
(Decrease) / increase in deferred revenues and accruals	2,884	4,089	557	(9,956)
Other adjustments (1)	4,939	13,056	3,264	11,618
<b>Cash generated from operations</b>	<b>77,048</b>	<b>187,900</b>	<b>73,697</b>	<b>163,215</b>
Income taxes (paid) / returned	(12,387)	(16,346)	(7,830)	(10,560)
<b>Net cash from operating activities</b>	<b>64,661</b>	<b>171,554</b>	<b>65,867</b>	<b>152,655</b>
<b>Cash flows from investing activities</b>				
Proceeds from sale of property, plant and equipment, and intangibles	3,050	3,132	322	2,293
Interest received	-	2,210	-	-
Disposal of short-term securities	-	61,790	-	-
Purchase of property plant and equipment, and intangibles	(17,217)	(51,596)	(10,698)	(54,885)
Acquisition of subsidiary (net of cash acquired) associates and jointly controlled entities	-	(97,640)	-	(1,552)
Acquisition of short-term securities	(54,000)	(56,000)	(30,000)	(150,000)
<b>Net cash used in investing activities</b>	<b>(68,167)</b>	<b>(138,104)</b>	<b>(40,376)</b>	<b>(204,144)</b>

## CONSOLIDATED CASH FLOW STATEMENT FOR THREE AND TWELVE MONTHS ENDED 31 DECEMBER 2010 (CONTINUED)

	Three months ended 31 December 2010 unaudited	Twelve months ended 31 December 2010 unaudited	Three months ended 31 December 2009 unaudited	Twelve months ended 31 December 2009 audited
<b>Cash flows from financing activities</b>				
Proceeds from borrowings	104,900	125,903	190	612
Repurchase of own shares	-	-	(7)	(19,001)
Dividends paid to equity holders of the parent	-	(25,469)	-	-
Dividends paid to non-controlling shareholders	-	(666)	-	(1,051)
Repayment of borrowings	(15,169)	(62,860)	(24,845)	(60,020)
Payment of finance lease liabilities	(2,539)	(3,029)	-	-
Interest paid	(3,628)	(6,718)	(1,127)	(6,108)
Other	(290)	(2,478)	(442)	(2,461)
<b>Net cash used in financing activities</b>	<b>83,274</b>	<b>24,683</b>	<b>(26,231)</b>	<b>(88,029)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>79,768</b>	<b>58,133</b>	<b>(740)</b>	<b>(139,518)</b>
Cash and cash equivalents				
At start of period	102,590	124,225	124,965	263,743
At end of period	182,358	182,358	124,225	124,225

(1) "other adjustments" include mainly equity-settled share-based payment costs.

Accompanying notes are an integral part of these condensed interim consolidated financial statements.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2010 AND FOR THREE AND TWELVE MONTH PERIOD ENDED THEREON

### 1. GENERAL INFORMATION

Agora SA with its registered seat in Warsaw, Czerska 8/10 street ("the Company") principally produces, sells and promotes daily newspapers (including flagship *Gazeta Wyborcza*), magazines as well as other periodicals and carries out the Internet activity. The Company also controls 5 radio broadcasting companies and is active in the outdoor segment through an acquired subsidiary, Art Marketing Syndicate S.A. ("AMS") as well as in the cinema segment through its subsidiary Helios S.A. – previously Centrum Filmowe Helios S.A. ("Helios").

As at 31 December 2010 the Agora Group ("the Group") comprised Agora SA, 14 subsidiaries and two jointly controlled entities A2 Multimedia Sp. z o.o. and Business Ad Network Sp. z o.o. The Group carries out activity in all major cities of Poland and in Ukraine – through LLC Agora Ukraine. Financial statements were prepared as at and for three and twelve months ended 31 December 2010, with comparative figures presented as at and for three and twelve months ended 31 December 2009.

The financial statements were authorized for issue by the Management Board of Agora SA on February 25, 2011.

### 2. STATEMENT OF COMPLIANCE

The Consolidated Balance Sheet as of 31 December 2010, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity for three and twelve months ended 31 December 2010 have not been audited. The Consolidated Balance Sheet as of 31 December 2009, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement and the Consolidated Statement of Changes in Equity for twelve months ended 31 December 2009 have been audited by an independent auditor who issued an unqualified opinion.

The Condensed Interim Financial Statements have been prepared under International Accounting Standard 34 "Interim Financial Reporting", according to art. 55 point 5 and art. 45 point 1a-1c of Accounting Act (Official Journal from 2009, No 152, item 1,223 with subsequent amendments), regulations issued based on that Act and the Decree of Minister of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009, No 33, item 259 with subsequent amendments).

In the preparation of these condensed interim consolidated financial statements, the Group has followed the same accounting policies as used in the Consolidated Financial Statements as at December 31, 2009, except for the changes described below. The condensed interim consolidated financial statements as for December 31, 2010 should be read together with an audited consolidated financial statements as at December 31, 2009.

For the Group's financial statements for the year started with January 1, 2010, new standards, amendments and interpretations to existing standards, which were endorsed by the European Union, are effective:

- 1) Amendments to IFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*,
- 2) Amendments to IAS 27 – *Consolidated and Separate Financial Statements*,
- 3) Amendment to IAS 39, *Financial Instruments: Recognition and Measurement*,
- 4) Amendments to IFRS 3 – *Business combinations*,
- 5) *Improvements to International Financial Reporting Standards 2008*: improvements to IFRS 5 *Non-current Assets Held for Sale*,
- 6) partly: *Improvements to International Financial Reporting Standards 2009*,
- 7) IFRIC 12 *Service Concession Arrangements*,
- 8) IFRIC 15 *Agreements for the Construction of Real Estate*,
- 9) IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*,
- 10) IFRIC 17 *Distributions of Non-cash Assets to Owners*,
- 11) IFRIC 18 *Transfers of Assets from Customers*.

Except for the changes to IFRS 3 and IAS27, the revised standards or new interpretations have not had any significant impact on the financial statements of the Group or Agora SA, because most of them do not apply to their business activities or will apply prospectively.

### IFRS 3

IFRS3 *Business combinations* has been amended. The definition of a business has been expanded and a number of changes were introduced, including:

- all items of consideration transferred by the acquirer are recognised and measured at fair value as of the acquisition date, including contingent consideration;
- subsequent change in contingent consideration will be recognised in profit or loss;
- transaction costs, other than share and debt issuance costs, will be expensed as incurred;
- the acquirer can elect to measure any non-controlling interest at fair value at the acquisition date (full goodwill), or at its proportionate interest in the fair value of the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

Amendments to IFRS 3 were not applied to business combinations prior to the date of adoption by the Agora Group. The revised Standard has had no impact on the financial statements of the Group with respect to business combinations that occur before January 1, 2010.

The Group has measured and is going to measure any non-controlling interest at its proportionate interest in the fair value of the identifiable assets and liabilities of the acquiree.

### IAS 27

The changes to IAS 27 – *Consolidated and Separate Financial Statements* have influenced the following items:

- the term and definition of minority interest (the term has been replaced “non-controlling interest”),
- the accounting for non-controlling interest while retaining control over subsidiary (changes in non-controlling interest are accounted for as transactions with equity holders in adequate proportion to their share in equity; as a result no goodwill is recognised);
- the accounting for a loss of control of a subsidiary,
- the allocation of profit or loss and other comprehensive income between the controlling and non-controlling interest.

The amendments to IAS 27 *Consolidated and Separate Financial Statements* have not had any impact on financial statements presented previously, as the amendments apply prospectively.

The change to IAS 27 concerning the accounting for the non-controlling interest while retaining control are in line with the accounting policy followed by the Group up till now.

To start with the condensed interim consolidated financial statements for the first quarter of 2010, the accounting terms used in the financial statements were changed by the Group: “Minority interest” to “Non-controlling interests” and “Additional contribution of minority shareholder” to “Additional contribution of non-controlling shareholder”, in accordance with the revised standard.

In 2010 a 3-Year-Long Plan has been introduced in the Group (described in note 5.C). One of the components of the plan is accounted for in accordance with IFRS2. It is a cash-settled plan with rules based on share price quotations and appreciation.

Also, from 2010 the consolidated results of the Agora Group include the change in put option valuation for non-controlling shareholders comparing to the value estimated on August 31, 2010 (more in note 13). Put options granted to the non-controlling shareholders meet the definition of a financial liability under IAS 32 *Financial Instruments: Presentation* and were recognised in the consolidated financial statements of Agora Group.

## **3. LONG-TERM AND SHORT-TERM BORROWINGS**

As at 31 December 2010, the Company had a PLN 339.5 million long-term loan facility available from Bank Pekao SA, on the basis of the credit line agreement dated 5 April 2002 (with subsequent annexes). On October 5, 2010 the Company drew a PLN 104,900 thousand to refinance the acquisition of Centrum Filmowe Helios S.A. (nowadays: Helios S.A.). During the year, the Company repaid 4 installments of the credit line used in previous years. The loan liability as at December 31, 2010 amounted to PLN 156,835 thousand, including PLN 114,421 thousand presented as non-current part. The Company is able to use the open credit line up to PLN 95,100 thousand till May 31, 2011.

As at 31 December 2010, AMS had a PLN 16.0 million long-term loan facility available from BRE Bank S.A., on the basis of the credit line agreements dated 23 February 2010. As at December 31, 2010 the company has not used these credit lines.

As at 31 December 2010, the loans and borrowings of the Helios group amounted to PLN 98,363 thousand. This amount consisted of:

- PLN 36,214 thousand of bank loans and borrowings of Helios S.A. (including PLN 22,702 thousand presented in non-current part) and bank loans of Kinoplex Sp. z o.o. in the amount of 25,884 thousand (including PLN 23,297 thousand in non-current part);
- PLN 33,591 thousand of finance lease payables of Helios S.A. (including PLN 26,226 thousand presented in non-current part) and PLN 2,674 thousand of finance lease payables of Kinoplex Sp. z o.o. (including PLN 2,188 thousand presented in non-current part) connected mainly with finance leasing of the cinema equipment and cars.

#### 4. SALES AND SEGMENT INFORMATION

In these condensed interim consolidated financial statements, in accordance with IFRS 8 *Operating segments*, information on operating segments are presented on the basis of components of the entity that management monitors in making decisions about operating matters. Operating segments are components of an entity, about which separate financial information is available, that is evaluated regularly by the chief operating decision maker in the process of decision making regarding allocation of resources and assessing the performance of the Group.

For management purposes, the Group is organized into business units based on their products and services, and has six reportable operating segments as follows:

- 1) the *Newspapers* segment includes the Group's following activities: Special Projects (inter alia book collections) and publishing of *Gazeta Wyborcza* as well as *Metro* (including operating activities of the Agora's Printing Department, Agora Poligrafia Sp. z o.o., which focus mainly on printing of these two newspapers),
- 2) the *Internet* segment includes the following Group's activities: the Internet and multi-media products and services, (the Agora's Internet department, Trader.com (Polska) Sp. z o.o., LLC Agora Ukraine, AdTaily Sp. z o.o.),
- 3) the *Magazines* segment comprises the Group's activities on publishing the magazines within Agora's Magazine Department and Agora Press Ltd. (only till the end of July 2010),
- 4) the *Outdoor* segment includes the activities within the AMS Group, which provides advertising services on different forms of outdoor advertising panels,
- 5) the *Radio* segment includes the Group's activities within local radio stations, super-regional *TOK FM* radio and Agora's Radio Department,
- 6) the *Cinema* segment includes the Group's activities within the cinema management of Helios Group (consolidated financial statements of two companies: Helios S.A. and Kinoplex Sp. z o.o.) comprising multiplexes as well as traditional cinemas. The Group decided to recognise a new operating segment because of its specific business characteristic to start from August 31, 2010 that is from the date of transaction closure as for share acquisition of Helios S.A. (more on business combination in note 13).

Accounting policies for operating segments are the same as followed by the Agora Group, besides some issues described below.

Data within each reportable segment are consolidated pro-forma. The Management Board monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

Operating results of reportable segments do not include:

- a) revenues and total cost of cross-promotion of Agora's different media if such promotion is executed without prior reservation between segments of the Agora Group; the direct variable cost of campaigns carried out on advertising panels is the only cost that is included above; it is allocated from the *Outdoor* segment to other segments,
- b) amortisation recognised on consolidation (described below).

Group financing (including finance costs and finance revenue) and income tax are managed on a Group level and are not allocated to operating segments.

Transfer prices between operating segments are set on the market basis in the manner similar to transactions with third parties.

*Reconciling positions* show data not included in particular segments, inter alia: other revenues and costs of Agora's support divisions and the Management Board, Agora TC Sp. z o.o., intercompany eliminations and other matching adjustments which reconcile the data presented in the management reports to the consolidated financials of the Agora Group.

Operating depreciation and amortisation includes amortisation of intangible assets and fixed assets of each segment.

Amortisation recognised on consolidation can be defined as consolidation adjustments, inter alia: the amortisation of intangible assets and adjustments to property, plant and equipment recognised directly on consolidation.

Impairment losses and reversals of impairment losses show impairment losses and their reversals presented in other operating expenses and income.

Amount of investment in associates and joint ventures accounted for by the equity method include the amounts of loans granted in the reported period, paid-in capital, acquired and contributed shares by Agora SA. The financials presented for three and twelve months ended 31 December 2010 and 31 December 2009 relate to A2 Multimedia Sp. z o.o. and from 28 April 2010 also to Business Ad Network Sp. z o.o.

Capital expenditure consists of additions based on the invoices booked in the reported period (purchases of intangible and fixed assets).

The Agora Group does not present geographical reporting segments, because the business activities in the Ukraine do not have material impact on the financial statements of the Group as a whole.

## 4. SALES AND SEGMENT INFORMATION (CONTINUED)

Three months ended 31 December 2010

	Newspapers	Internet	Magazines	Outdoor	Radio	Cinema	Reconciling positions	Total
Revenues from external customers	171,535	30,630	20,507	46,856	23,522	46,025	1,691	340,766
Intersegment revenues (2)	1,753	723	66	1,455	1,503	86	(5,586)	-
<b>Total revenues</b>	<b>173,288</b>	<b>31,353</b>	<b>20,573</b>	<b>48,311</b>	<b>25,025</b>	<b>46,111</b>	<b>(3,895)</b>	<b>340,766</b>
<b>Total operating cost (1), (2), (3)</b>	<b>(138,576)</b>	<b>(28,454)</b>	<b>(17,073)</b>	<b>(41,396)</b>	<b>(22,210)</b>	<b>(44,011)</b>	<b>(18,745)</b>	<b>(310,465)</b>
<b>Operating profit (loss) (1)</b>	<b>34,712</b>	<b>2,899</b>	<b>3,500</b>	<b>6,915</b>	<b>2,815</b>	<b>2,100</b>	<b>(22,640)</b>	<b>30,301</b>
Net finance income and cost							(1,034)	(1,034)
Share of results of equity accounted investees		(157)						(157)
Income tax expense							(10,827)	(10,827)
<b>Net profit</b>								<b>18,283</b>

(1) segments do not include amortisation recognised on consolidation, which is presented in matching positions;

(2) the amounts do not include revenues and total cost of cross-promotion of Agora's different media if such promotion is executed without prior reservation between segments of the Agora Group; the direct variable cost of campaigns carried out on advertising panels is the only cost that is included above; it is allocated from the *Outdoor* segment to other segments;

(3) *reconciling positions* show data not included in particular segments, inter alia: other cost and the result on other operating activities of Agora's support divisions and the Management Board and Agora TC Sp. z o.o. (PLN 25,033 thousand), intercompany eliminations and other matching adjustments which reconcile the data presented in the management reports to the consolidated financials of the Agora Group.

## 4. SALES AND SEGMENT INFORMATION (CONTINUED)

	Three months ended 31 December 2010							Reconciling positions	Total
	Newspapers	Internet	Magazines	Outdoor	Radio	Cinema			
Operating depreciation and amortisation	(6,241)	(1,560)	(49)	(5,008)	(649)	(4,025)	(4,258)	(21,790)	
Amortisation recognised on consolidation (1)	-	(664)	-	-	(34)	(134)	63	(769)	
Impairment losses	(1,692)	(247)	(64)	(1,907)	(631)	(66)	(93)	(4,700)	
Reversals of impairment losses	1,851	185	90	1,180	558	126	369	4,359	
Equity-settled share-based payment	(2,008)	(281)	(192)	(367)	(246)	-	(1,365)	(4,459)	
Amount of investment in associates and joint ventures accounted for by the equity method	-	-	-	-	-	-	-	-	
Capital expenditure (2)	2,704	533	6	3,452	1,117	13,494	5,832	27,138	

(1) is not presented in operating result of the Group's segments;

(2) based on invoices booked in the period.

## 4. SALES AND SEGMENT INFORMATION (CONTINUED)

Twelve months ended 31 December 2010

	Newspapers	Internet	Magazines	Outdoor	Radio	Cinema (4)	Reconciling positions	Total
Revenues from external customers	638,894	100,078	83,423	156,340	73,659	55,899	8,449	1,116,742
Intersegment revenues (2)	5,089	1,726	174	7,736	3,950	115	(18,790)	-
<b>Total revenues</b>	<b>643,983</b>	<b>101,804</b>	<b>83,597</b>	<b>164,076</b>	<b>77,609</b>	<b>56,014</b>	<b>(10,341)</b>	<b>1,116,742</b>
<b>Total operating cost (1), (2), (3)</b>	<b>(496,612)</b>	<b>(97,062)</b>	<b>(67,676)</b>	<b>(158,904)</b>	<b>(73,903)</b>	<b>(55,399)</b>	<b>(82,298)</b>	<b>(1,031,854)</b>
<b>Operating profit (loss) (1)</b>	<b>147,371</b>	<b>4,742</b>	<b>15,921</b>	<b>5,172</b>	<b>3,706</b>	<b>615</b>	<b>(92,639)</b>	<b>84,888</b>
Net finance income and cost							3,967	3,967
Share of results of equity accounted investees		(980)						(980)
Income tax							(16,006)	(16,006)
<b>Net profit</b>								<b>71,869</b>

(1) segments do not include amortisation recognised on consolidation, which is presented in matching positions;

(2) the amounts do not include revenues and total cost of cross-promotion of Agora's different media if such promotion is executed without prior reservation between segments of the Agora Group; the direct variable cost of campaigns carried out on advertising panels is the only cost that is included above; it is allocated from the *Outdoor* segment to other segments;

(3) *reconciling positions* show data not included in particular segments, inter alia: other cost and the result on other operating activities of Agora's support divisions and the Management Board and Agora TC Sp. z o.o. (PLN 102,183 thousand), intercompany eliminations and other matching adjustments which reconcile the data presented in the management reports to the consolidated financials of the Agora Group;

(4) data presented to start from August 31, 2010 (being incorporated into the Agora Group); for profit and loss statement include only September-December 2010.

## 4. SALES AND SEGMENT INFORMATION (CONTINUED)

## Twelve months ended 31 December 2010

	<u>Newspapers</u>	<u>Internet</u>	<u>Magazines</u>	<u>Outdoor</u>	<u>Radio</u>	<u>Cinema (4)</u>	<u>Reconciling positions</u>	<u>Total</u>
Operating depreciation and amortisation	(25,685)	(6,689)	(253)	(21,300)	(2,725)	(5,370)	(17,228)	(79,250)
Amortisation recognised on consolidation (1)	-	(2,654)	-	-	(636)	(179)	254	(3,215)
Impairment losses	(6,307)	(3,506)	(391)	(5,993)	(3,029)	(94)	(7,867)	(27,187)
Reversals of impairment losses	4,959	2,571	236	3,248	2,047	126	591	13,778
Equity-settled share-based payment	(5,054)	(539)	(459)	(927)	(507)	-	(2,885)	(10,371)
Amount of investment in associates and joint ventures accounted for by the equity method	-	906	-	-	-	-	-	906
Capital expenditure (2)	9,727	3,284	42	8,915	1,924	13,901	17,021	54,814

## As at 31 December 2010

	<u>Newspapers</u>	<u>Internet</u>	<u>Magazines</u>	<u>Outdoor</u>	<u>Radio</u>	<u>Cinema (4)</u>	<u>Reconciling positions</u>	<u>Total</u>
Property, plant and equipment and intangible assets (3)	296,199	75,527	73,300	271,018	64,757	206,774	202,809	1,190,384

(1) is not presented in operating result of the Group's segments;

(2) based on invoices booked in the period.

(3) *reconciling positions* include mainly Company's headquarter (PLN 143,347 thousand) and other property, plant and equipment and intangible assets of Agora's support divisions and Agora TC Sp. z o.o. not included in particular segments and intercompany eliminations;

(4) data presented to start from August 31, 2010 (being incorporated into the Agora Group); for profit and loss statement include only September-December 2010; the capital expenditure include also spendings on leased property, plant and equipment in the amount of PLN 10,662 thousand.

## 4. SALES AND SEGMENT INFORMATION (CONTINUED)

	Three months ended 31 December 2009							
	Newspapers	Internet	Magazines	Outdoor	Radio	Cinema	Reconciling positions	Total
Revenues from external customers	176,856	25,923	22,227	43,984	20,142	-	1,976	291,108
Intersegment revenues (2)	1,127	468	57	1,664	721	-	(4,037)	-
<b>Total revenues</b>	<b>177,983</b>	<b>26,391</b>	<b>22,284</b>	<b>45,648</b>	<b>20,863</b>	-	<b>(2,061)</b>	<b>291,108</b>
<b>Total operating cost (1), (2), (3)</b>	<b>(138,000)</b>	<b>(29,189)</b>	<b>(18,371)</b>	<b>(47,543)</b>	<b>(19,429)</b>	-	<b>(19,095)</b>	<b>(271,627)</b>
<b>Operating profit (loss) (1)</b>	<b>39,983</b>	<b>(2,798)</b>	<b>3,913</b>	<b>(1,895)</b>	<b>1,434</b>	-	<b>(21,156)</b>	<b>19,481</b>
Net finance income and cost							1,112	1,112
Share of results of equity accounted investees		(263)						(263)
Income tax expense							(5,437)	(5,437)
<b>Net profit</b>								<b>14,893</b>

(1) segments do not include amortisation recognised on consolidation, which is presented in matching positions;

(2) the amounts do not include revenues and total cost of cross-promotion of Agora's different media if such promotion is executed without prior reservation between segments of the Agora Group; the direct variable cost of campaigns carried out on advertising panels is the only cost that is included above; it is allocated from the *Outdoor* segment to other segments;

(3) *reconciling positions* show data not included in particular segments, inter alia: other cost and the result on other operating activities of Agora's support divisions and the Management Board and Agora TC Sp. z o.o. (PLN 25,046 thousand), intercompany eliminations and other matching adjustments which reconcile the data presented in the management reports to the consolidated financials of the Agora Group.

## 4. SALES AND SEGMENT INFORMATION (CONTINUED)

	Three months ended 31 December 2009							
	Newspapers	Internet	Magazines	Outdoor	Radio	Cinema	Reconciling positions	Total
Operating depreciation and amortisation	(6,579)	(1,886)	(103)	(5,714)	(755)	-	(4,178)	(19,215)
Amortisation recognised on consolidation (1)	-	(664)	-	-	(199)	-	63	(800)
Impairment losses	(2,361)	(1,520)	(547)	(2,965)	(1,064)	-	(129)	(8,586)
Reversals of impairment losses	1,709	173	50	620	267	-	26	2,845
Equity-settled share-based payment	(1,523)	(129)	(134)	(280)	(215)	-	(772)	(3,053)
Amount of investment in associates and joint ventures accounted for by the equity method	-	-	-	-	-	-	-	-
Capital expenditure (2)	4,478	919	8	3,875	297	-	2,897	12,474

(1) is not presented in operating result of the Group's segments;

(2) based on invoices booked in the period.

## 4. SALES AND SEGMENT INFORMATION (CONTINUED)

Twelve months ended 31 December 2009

	Newspapers	Internet	Magazines	Outdoor	Radio	Cinema	Reconciling positions	Total
Revenues from external customers	692,806	83,554	92,078	161,056	73,065	-	7,568	1,110,127
Intersegment revenues (2)	4,068	1,370	204	6,908	2,044	-	(14,594)	-
<b>Total revenues</b>	<b>696,874</b>	<b>84,924</b>	<b>92,282</b>	<b>167,964</b>	<b>75,109</b>	-	<b>(7,026)</b>	<b>1,110,127</b>
<b>Total operating cost (1), (2), (3)</b>	<b>(556,903)</b>	<b>(95,309)</b>	<b>(75,144)</b>	<b>(178,357)</b>	<b>(73,976)</b>	-	<b>(77,573)</b>	<b>(1,057,262)</b>
<b>Operating profit (loss) (1)</b>	<b>139,971</b>	<b>(10,385)</b>	<b>17,138</b>	<b>(10,393)</b>	<b>1,133</b>	-	<b>(84,599)</b>	<b>52,865</b>
Net finance income and cost							2,515	2,515
Share of results of equity accounted investees		(1,012)						(1,012)
Income tax							(17,061)	(17,061)
<b>Net profit</b>								<b>37,307</b>

(1) segments do not include amortisation recognised on consolidation, which is presented in matching positions;

(2) the amounts do not include revenues and total cost of cross-promotion of Agora's different media if such promotion is executed without prior reservation between segments of the Agora Group; the direct variable cost of campaigns carried out on advertising panels is the only cost that is included above; it is allocated from the *Outdoor* segment to other segments;

(3) *reconciling positions* show data not included in particular segments, inter alia: other cost and the result on other operating activities of Agora's support divisions and the Management Board and Agora TC Sp. z o.o. (PLN 93,540 thousand), intercompany eliminations and other matching adjustments which reconcile the data presented in the management reports to the consolidated financials of the Agora Group.

## 4. SALES AND SEGMENT INFORMATION (CONTINUED)

	Twelve months ended 31 December 2009							
	Newspapers	Internet	Magazines	Outdoor	Radio	Cinema	Reconciling positions	Total
Operating depreciation and amortisation	(27,112)	(6,969)	(415)	(23,635)	(2,950)	-	(16,961)	(78,042)
Amortisation recognised on consolidation (1)	-	(2,654)	-	-	(801)	-	262	(3,193)
Impairment losses	(7,027)	(2,446)	(966)	(6,189)	(2,824)	-	(492)	(19,944)
Reversals of impairment losses	4,772	588	333	729	1,330	-	49	7,801
Equity-settled share-based payment	(4,863)	(360)	(481)	(807)	(649)	-	(3,026)	(10,186)
Amount of investment in associates and joint ventures accounted for by the equity method	-	1,235	-	-	-	-	-	1,235
Capital expenditure (2)	10,459	6,544	109	11,898	2,418	-	13,125	44,553
	As at 31 December 2009							
	Newspapers	Internet	Magazines	Outdoor	Radio	Cinema	Reconciling positions	Total
Property, plant and equipment and intangible assets (3)	311,642	65,352	74,050	288,427	66,249	-	201,530	1,007,249

(1) is not presented in operating result of the Group's segments;

(2) based on invoices booked in the period;

(3) *reconciling positions* include mainly Company's headquarter (PLN 150,296 thousand) and other property, plant and equipment and intangible assets of Agora's support divisions and Agora TC Sp. z o.o. not included in particular segments and intercompany eliminations.

## 5. INCENTIVE PLANS BASED ON FINANCIAL INSTRUMENTS

During periods covered by these financial statements, the following incentive plans were carried out in the Group:

- A. Incentive Plan based on equity-settled share-based payments,
- B. Employee Stock Purchase Plan and Stock Incentive Plan for the management (carried out until the end of 2004),
- C. Incentive Plan based on realization on operating result goal and share price increase (from 2010).

### A. Incentive plan based on equity-settled share-based payments (carried out from 2005)

In the Agora Group the share incentive plans fuelled by Agora's shares are run. These plans fall within the scope of IFRS 2 "Share-based Payment" which came into force on 1 January 2005.

Eligible employees are entitled to purchase investment certificates in closed end mutual fund. The fair value of certificates is determined by applying described below valuation techniques and is included in staff cost with corresponding increase in equity.

The number of certificates granted depends on meeting performance criteria, not on market conditions.

Detailed information on Incentive Plans for 2008, 2009 were presented in the consolidated financial statements for the year of 2008, 2009 respectively.

In 2010 another Incentive Program was run based on equity-settled share-based payments (investment certificates).

The summary of new Incentive Plan 2010:

	Incentive Plan 2010 (certificates K)
Grant date:	23 December 2010
Month in which certificates are purchased by eligible employees	September 2010
Total number of certificates purchased by employees of the Group	684,777
Vesting date and vesting period	25 June 2011, 9 months (October 2010 – June 2011)
Vesting conditions	1.0 Agora's share falls on each certificate K described in incentive plan regulations, specifically the employment in Group companies as at the vesting date
Purchase price of each certificate	PLN 1
Type of the plan	equity settled
During the vesting period Agora Holding Sp. z o.o. has a irrevocable, unconditional right to buy back certificates for purchase price	

The fair value of certificates is determined by applying valuation model, which takes into consideration such variables as: market value of Agora's shares, which are disposed on behalf of the investment fund, specific characteristics and running costs of the fund type of transferred shares and rights and limitations associated with the certificates. Consequently, the discount factor was established at the level of 23.6% (detailed description of the valuation model is disclosed below).

The fair value of certificates is established as at the grant date and posted to the income statement from the month following the month in which certificates are purchased by the eligible employees. The costs are recognized over the vesting period.

Historical ratio of forfeited certificates (FR ratio, described below) adjusts the number of certificates granted included in the calculation of incentive plan cost (due to non-compliance with conditions attached to the scheme - obligation to

work in the Group, in particular).

The fair value of investment certificates and the total cost of the Group as at the grant date were determined using the following formula:

$$\text{FMV} = (\text{B-S@grant date}) \times (1-\text{CD}),$$

$$\text{Cost} = \text{FMV} \times \text{IC} \times (1-\text{FR})$$

where:

1. FMV - fair market value of certificate as at the grant date,
2. B-S@grant date - the value of certificates as at the grant date, calculated using Black - Scholes model (B-S), with following assumptions:
  - a. the value of certificates as at the grant date was determined as 6 month European call option for Agora's shares as at that date,
  - b. parameters of B-S model:

		Incentive Plan 2010 (certificates K)
Market value of base instrument (Agora' share)	PLN	27.3
Volatility of 6 month option	%	20.5
Exercise price of the option	PLN	1.0
Risk-free rate	%	4.1
6 month option value	PLN	26.4

3. CD - discount for closed mutual fund, representing:
  - a. valuation of closed funds assets,
  - b. rights of owners of PCMF certificates,
  - c. PCMF's running costs.
4. IC - total number of certificates in PCMF purchased by the employees,
5. FR - factor which adjusts the number of certificates by the historic percentage of forfeited shares by the employees which did not fulfill vesting conditions in past schemes,
6. The valuation calculation:

		Incentive Plan 2010 (certificates K)
B-S@grant date	PLN	26.4
CD	%	23.6
Market value of certificates as at grant date	PLN	20.1
FR	%	2.7
IC	in number of certificates	684,777
Total cost	PLN thousand	13,421

**The impact of equity-settled share-based payments on the financial statements of the Agora Group:**

	Three months ended 31 December 2010	Twelve months ended 31 December 2010	Three months ended 31 December 2009	Twelve months ended 31 December 2009
Income statement – staff cost	4,460	10,371	3,053	10,186
Equity	4,460	10,371	3,053	10,186

The impact on the financial statements of the Group described above, results in 2010 exclusively from the recognition of the plan carried out in 2009-2010; in 2009 – from the recognition of the plans carried out in 2008-2009.

**The table below shows the number of certificates purchased by the employees of the Group in incentive schemes (in number of certificates, including certificates purchased by the Management Board of Agora SA):**

	Three months ended 31 December 2010	Twelve months ended 31 December 2010	Three months ended 31 December 2009	Twelve months ended 31 December 2009
At the beginning of the period	-	591,835	-	966,967
Granted	684,777	684,777	595,435	595,435
Forfeited	(4,422)	(17,282)	(3,600)	(16,431)
Vested	-	(578,975)	-	(954,136)
<b>At the end of the period</b>	<b>680,355</b>	<b>680,355</b>	<b>591,835</b>	<b>591,835</b>

**Investment certificates acquired by the Management Board of Agora SA (number of certificates):**

	As at 31 December 2010	Vested in 2010	Forfeited in 2010	Granted in 2010	As at 31 December 2009
<b>Incentive plan 2009 &amp; 2010 (I &amp; K series)</b>					
Piotr Niemczycki	16,560	(12,240)	-	16,560	12,240
Zbigniew Bak	19,320	(12,240)	-	19,320	12,240
Tomasz Jozefacki	15,548	(3,008)	-	15,548	3,008
Grzegorz Kossakowski	15,748	(6,955)	-	15,748	6,955
	<b>67,176</b>	<b>(34,443)</b>	<b>-</b>	<b>67,176</b>	<b>34,443</b>

**Vesting date and vesting period for purchased certificates:**

Certificates	Vesting date	Vesting period	Time interval	No. of certificates
G	25 June 2009	9 months	October 2008 – June 2009	107,329
I	25 June 2010	9 months	October 2009 – June 2010	34,443
K	25 June 2011	9 months	October 2010 – June 2011	67,176

In the fourth quarter of 2010 the cost of equity-settled share-based payments acquired by the Management Board, recognized according to IFRS2 amounted to PLN 438 thousand (fourth quarter of 2009: PLN 177 thousand). For the whole 2010, this cost amounted to PLN 792 thousand (2009: PLN 987 thousand).

### B. Employee Stock Purchase Plan and Stock Incentive Plan for the management (carried out until the end of 2004)

In these plans, Agora Holding Sp. z o.o. sold Agora's shares to eligible employees for fixed price of PLN 1 for each share with the following restrictions: they were registered, not admitted for public trade and could not be sold for a period of up to 10 years.

During the vesting period Agora Holding Sp. z o.o. has had an irrevocable right to buy back shares for PLN 1 in case of non-compliance with share incentive plan regulations by employees.

The number of shares granted depended on meeting performance criteria (non-market criteria) by eligible managers.

**The shares outstanding are as follows (including shares granted to Members of the Management Board of Agora SA):**

	Three months ended 31 December 2010	Twelve months ended 31 December 2010	Three months ended 31 December 2009	Twelve months ended 31 December 2009
At the beginning of the period	-	152,881	152,369	342,326
Granted	-	-	-	-
Forfeited	-	-	-	(3,023)
Vested	-	(152,881)	-	(186,934)
<b>At the end of the period</b>	<b>-</b>	<b>-</b>	<b>152,369</b>	<b>152,369</b>

The shares granted have vesting and selling restrictions (with selling obligation) for the period from 5 to 10 years.

The shares not vested yet as at December 31, 2004 were granted before November 7, 2002; consequently they are outside the scope of IFRS 2 (they are not valued and recognised in the books). As a result they do not affect the results and equity of the Group.

All shares have full dividend and voting rights.

The movements in shares purchased by Management Board of Agora are shown in point V.2 of the Management Discussion and Analysis.

### C - Incentive plan based on realization on operating result goal and share price increase (from 2010)

Eligible employees of the Group (the Management Board and top managers) participate in incentive program based on two components ("3-Year-Long Incentive Plan") described below:

- (i) the stage of realisation of the target based on the operating EBITDA of the Agora Group ("the EBITDA target"). The target is based on the accumulated operating EBITDA (excluding some adjustments, for example related to business combinations) to be reached in the years 2010-2012. The amount of potential reward depends on the stage of the EBITDA target fulfillment and will be determined on the basis of the audited consolidated financial statements of the Agora Group for the period of 2010-2012. If the stage of achieving the target will be up to 70%, the EBITDA target is not satisfied and the reward will not be granted in this component of the 3-Year-Long Incentive Plan,
- (ii) the percent of Company's share price increase ("the Target of Share Price Increase"). The amount of potential reward in this component of the 3-Year-Long Incentive Plan will depend on the share price increase in the future, accounted as the difference between the average of the quoted closing Company's share prices in the period of

January 1, 2010 till March 31, 2010, that is equal to PLN 23.09 ("the Basic Share Price") and the average of the quoted closing Company's share prices in the period of January 1, 2013 till March 31, 2013 ("the Reference Share Price"), but not more than PLN 35.00, adjusted by: (i) the accumulated dividend per one share, to which the shareholders will be eligible in the period of April 1, 2010 till March 31, 2013 and (ii) the adjustments resulting from the share-buy back program in the period of April 1, 2010 till March 31, 2013 ("the Share Price for Reward Calculation"). If the Reference Share Price will be lower than PLN 25.41, the Target of Share Price Rise is not satisfied and the reward will not be granted in this component of the 3-Year-Long Incentive Plan.

The reward for 3-Year-Long Incentive Plan depends also on the fulfillment of other conditions, which are non-market conditions (for example: continuation of the employment within the Agora Group, holding the same post).

The rules, goals, adjustments and conditions for 3-Year-Long Incentive Plan fulfillment for the Management Board members are described in the Supervisory Board resolution and for top managers in the Management Board resolution.

The fair value of potential reward from the fulfillment of the EBITDA target has been calculated on the basis of the best estimate of the expected fulfillment value of the EBITDA target and is charged to the Income Statement over the whole period of the Incentive Plan, in proportion of the actual accumulated EBITDA operating level of the Group (excluding any adjustments) reached from January 1, 2010 till the balance sheet of the current financial statements in the estimated value of the operating EBITDA target.

The fair value of the provision for the cost of potential reward concerning the realization of the Target of Share Price Rise, was estimated on the basis of the Binomial Option Price Model (Cox, Ross, Rubinstein model), which takes into account – inter alia – actual share price of the Company (as at the balance sheet date of the current financial statements) and volatility of the share price of Company during the last 12 months preceding the balance sheet date. The value is charged to the Income Statement in proportion to the full period of the 3-Year-Long Incentive Plan, that is from December 1, 2010 (the grant date) till June 30, 2013 (the vesting date). The basic parameters of the Binomial Option Price Model used for calculation of the fair value of the potential reward from the realization of the Target of Share Price Rise and the cost to the Income statement of the Agora Group for the period, are described below:

		the Target of Share Price Rise
the share price of Agora SA as at the present balance sheet date	PLN	26.1
volatility of the share price of Agora SA during the last 12 months	%	28.94
the Basic Share Price	PLN	23.09
Risk-free rate	%	3.1 – 5.16 (at the maturity date)

To estimate the fair values above, the probability ratio of the fulfillment by eligible employees of the non-market conditions mentioned above is equal to 75%.

#### Total impact of the 3-Year-Long Incentive Plan on the financial statements of the Agora Group:

	Three months ended 31 December 2010	Twelve months ended 31 December 2010
Income statement – staff cost	1,729	1,729
Income statement - deferred income tax	(329)	(329)
Non-current borrowings - accruals	1,729	1,729
Deferred tax asset	329	329

**Total cost of 3-Year-Long Incentive Plan concerning the Management Board of Agora SA:**

	Three months ended 31 December 2010	Twelve months ended 31 December 2010
Piotr Niemczycki	227	227
Zbigniew Bak	257	257
Tomasz Jozefacki	190	190
Grzegorz Kossakowski	190	190
Total	864	864

**6. PROVISIONS AND IMPAIRMENT LOSSES**

In the period from January 1, 2010 to December 31, 2010 the following impairment losses were accounted for (in brackets the amounts for the fourth quarter of 2010):

- impairment loss for receivables: decrease by PLN 1,980 thousand (decrease by PLN 2,303 thousand),
- impairment loss for inventory: increase by PLN 1,922 thousand (increase by PLN 1,020 thousand),
- impairment loss on financial assets – increase by PLN 311 thousand (increase by PLN 311 thousand),
- impairment loss for tangible assets and intangible assets: increase by PLN 377 thousand (increase by PLN 451 thousand).

Additionally in the period from January 1, 2010 to December 31, 2010 the following provisions were changed:

- provision for certain and probable losses: decrease by PLN 2,251 thousand (decrease by PLN 2,763 thousand),
- provision for reorganization: used in the amount of PLN 480 thousand (increase by PLN 29 thousand),
- provision for the costs connected with the sentence passed by the Constitutional Tribunal concerning sick benefits: used in the amount of PLN 3 thousand (no change),
- provision for the remuneration and severances for the former Management Board Members: used in the amount of PLN 218 thousand (no change),
- retirement severance provision: increase by PLN 407 thousand (increase by PLN 109 thousand).

**7. EQUITY**

According to IAS 29 "Financial Reporting in Hyperinflationary Economies", the Polish economy was regarded as hyperinflationary up to 1996.

IAS 29 requires the share capital of the Group to be restated by applying the general price index.

Retrospective application of IAS 29 with regard to equity would result in an increase of share capital of the Group with corresponding decrease of retained earnings by the same amount.

Consequently, the restatement of equity due to hyperinflation does not affect the value of equity of the Group, only the structure of the equity is affected.

Polish regulations, commercial code in particular, do not rule the way how this type of adjustment should be carried out (especially adjustments to equity of companies).

Consequently, due to lack of impact on equity of the Group following the hyperinflationary adjustment and lack of regulations in Polish law, the Group did not post any adjustment to equity as a consequence of IAS 29 application.

## 8. CONTINGENCIES

As of 31 December 2010 the Group had contingent liabilities (inter alia guarantees and other matters arising in the ordinary course of business) from which it is anticipated that no material liabilities will arise, other than those noted below.

Benefiting party	Debtor	Valid till	Amount		Provisions booked
			31 Dec 2010	31 Dec 2009	
<b>Guarantees provided by Agora SA</b>					
Bank Pekao SA	Agora's employees	3 Jan 2011 - 30 Dec 2013	911	763	-
<b>Bills of exchange issued by AMS SA</b>					
Gmina Wroclaw	AMS SA	31 Dec 2012	156	751	-
Przedsiębiorstwo Komunikacji Miejskiej, Katowice	AMS SA	31 Dec 2011	100	100	-
Gmina Miasto Szczecin	AMS SA	indefinite period	90	90	-
BRE Bank SA	AMS SA	18 Feb 2011	29,000	-	-

The total amount of the contingences (including guarantees) is smaller than 10% of the Group's equity.

Additionally, Helios S.A. and Kinoplex Sp. z o.o. issued bills of exchange as collaterals for bank loan agreements and finance lease agreements and guarantees on rent agreements.

### Advertising panels of the AMS group situated near the side of a road

In 2008, AMS finished to replace its advertising panels situated near the side of the road in Warsaw. Simultaneously, the Management Board of AMS does not abandon its efforts to receive positive administrative decisions for these panels which meet criteria, stated in the decree of the President of Warsaw, dated November 14, 2007, no. 961/2007. Shall AMS receive positive administrative decisions; the company is able to use the sides of the road in its business activities.

AMS received many administrative fines for using the waysides for its panels. The appeal procedures are conducted to the Local Self-government Appeals Committee (Samorzadowe Kolegium Odwolawcze) or to the Voivodeship Administrative Court (Wojewodzki Sad Administracyjny). In 2010, a part of these court cases were finished. In accordance with resolution taken by the Management Board of AMS on March 31, 2007, the company set up provisions for possible administrative fines in the amount of PLN 6,390 thousand as at December 31, 2010.

## 9. COURT CASES

As at 31 December 2010 the Group has not entered into litigation for claims or liabilities that in total exceed 10% of the Group's equity.

## 10. SEASONALITY

Advertising revenues are subject to seasonality – revenues earned in the first and third quarters are lower than in the second and fourth quarters.

Cinema revenues are subject to seasonality – revenues earned in the second and third quarters are usually lower than in the first and fourth quarters.

## 11. RELATED-PARTY TRANSACTIONS

### (a) remuneration of Management and Supervisory Boards

The remuneration of Management Board members of Agora SA paid pursuant to employment and management contracts amounted to PLN 2,086 thousand (twelve months ended 31 December 2009: PLN 2,449 thousand).

The remuneration of Supervisory Board members of Agora SA amounted to PLN 396 thousand (twelve months ended 31 December 2009: PLN 392 thousand).

Management Board members did not acquire shares in the period of twelve months ended 31 December 2010.

### (b) transactions with companies related to Agora Group (not fully consolidated)

There were no material transactions and balances with entities other than those disclosed below:

	Three months ended 31 December 2010	Twelve months ended 31 December 2010	Three months ended 31 December 2009	Twelve months ended 31 December 2009
<b>Related companies</b>				
Sales	1,408	2,149	47	318
Purchases of goods and services	(251)	(957)	(174)	(866)
Other operating income	-	63	-	72

	As at 31 December 2010	As at 30 September 2010	As at 31 December 2009
<b>Related companies</b>			
Receivables	340	48	24
Other payables	49	45	33

All transactions carried out between related parties are of routine nature.

## 12. DESCRIPTION OF THE GROUP

The list of companies from the Group:

	% of shares held (effectively)	
	31 December 2010	30 September 2010
<b>Subsidiaries consolidated</b>		
1 Agora Poligrafia Sp. z o.o., Tychy	100.0%	100.0%
2 Art Marketing Syndicate SA (AMS), Warsaw	100.0%	100.0%
3 IM 40 Sp. z o.o., Warsaw (1)	72.0%	72.0%
4 Grupa Radiowa Agory Sp. z o.o., Warsaw	100.0%	100.0%
5 Agencja Reklamowa Jowisz Sp. z o.o., Warsaw (1), (4)	-	100.0%
6 Adpol Sp. z o.o., Warsaw (2)	100.0%	100.0%
7 Inforadio Sp. z o.o., Warsaw (1)	66.1%	66.1%
8 Agora TC Sp. z o.o., Warsaw	100.0%	100.0%
9 Radiowe Doradztwo Reklamowe Sp. z o.o., Warsaw (1)	100.0%	100.0%
10 LLC Agora Ukraine, Kiev, Ukraine	100.0%	100.0%
11 Trader.com (Polska) Sp. z o.o., Warszawa	100.0%	100.0%
12 AdTaily Sp. z o.o., Cracow	70.9%	70.9%
13 Helios S.A., Lodz	82.78%	82.78%
14 Kinoplex Sp. z o.o., Lodz (3)	82.78%	82.78%
<b>Jointly controlled entities accounted for the equity method</b>		
15 A2 Multimedia Sp. z o.o., Warsaw	50.0%	50.0%
16 Business Ad Network Sp. z o.o., Wroclaw	50.0%	50.0%
<b>Companies excluded from consolidation and equity accounting</b>		
17 Polskie Badania Internetu Sp. z o.o., Warsaw	20.0%	20.0%
18 Projekt Inwestycyjny Sp. z o.o., Warsaw (1)	100.0%	73.0%
19 Polskie Badania Outdooru Sp. z o.o., Warsaw (2)	41.0%	41.0%

(1) indirectly through GRA Sp. z o.o.;

(2) indirectly through AMS SA;

(3) indirectly through Helios SA.

(4) company merged with GRA Sp. z o.o. on December 20, 2010

## 13. BUSINESS COMBINATIONS

- **December 17, 2010** on the basis of shares sale agreements Grupa Radiowa Agory Sp. z o.o. became the sole shareholder of the company Projekt Inwestycyjny Sp. z o.o.
- **On December 20, 2010** two companies from the Agora Group, Grupa Radiowa Agory Sp. z o.o. and Agencja Reklamowa Jowisz Sp. z o.o., merged by transfer of all assets and liabilities of Agencja Reklamowa Jowisz Sp. z o.o. to Grupa Radiowa Agory Sp. z o.o. (the incorporating company) neither with the increase of the share capital nor with the other changes in articles of association of the incorporating company.
- **Acquisition of the Capital Group Helios S.A.**

On August 31, 2010 Agora SA acquired 84.44% of shares (entitling to 84.44% of votes at the general meeting of shareholders) of the company Helios S.A. with its registered seat in Lodz ("Helios"). As a result of this transaction it became indirectly the shareholder in a subsidiary of Helios – Kinoplex Sp. z o.o. (100% share in share capital) with its seat in Lodz. Both companies constitute the Capital Group of Helios S.A. ('Helios group').

Agora acquired Helios inter alia to approach a new, perspective media segment – cinemas, which is dynamically growing in connection with new shop malls development.

The remaining 15.56% of shares of Helios at the moment of share purchase have belonged to four natural persons, two of them being Management Board members of Helios.

The total price paid for 84.44% of shares of Helios amounted to EUR 26,200,128.24 (PLN 104,900,073.45).

Furthermore, on August 31, 2010, the Company has signed agreements with the non-controlling shareholders holding 12.36% of the shares of Helios which, inter alia, grant for those shares a conditional put option to the non-controlling shareholders and a conditional call option to Agora.

Additionally, the Company is obliged to vote at the general meeting of shareholders of Helios for the resolution to issue 2% (at issue price equal to the nominal value) of the total number of shares existing on the date of executing the Agreement, i.e. 200,264 shares addressed to top executive managers of Helios, who have been not at the moment of share purchase the shareholders of Helios. The general meeting of shareholders of Helios being held on November 9, 2010 approved resolution on this share issue. After the share capital increase was executed in November 2010, Agora's share in Helios have decreased from 84.44% to 82.78%. Agora has also signed with the above mentioned key managers agreements to grant conditional option rights for their shares (call option for the Company to buy shares held by them and put option as for a liability to acquire these shares by the Company).

#### Business combination accounting

Accounting for acquisition of Helios has been made according to the best knowledge of the Company at the date of the publication of this report and has not been changed since the date of the publication of the report for the third quarter of 2010. Under IFRS 3, the Company has a 12 month measurement period since the acquisition date for determining the final difference between the consideration transferred and the fair value of the identifiable assets acquired and liabilities assumed. Completion of the identification and valuation process may result in adjustments to below recognised assets and liabilities as well as recognizing additional assets and liabilities, not recognised below, which may affect the amount of goodwill recognised below.

The Helios Group is fully consolidated starting from August 31, 2010. From the date of acquisition till December 31, 2010, Helios has contributed a loss of PLN 0.8 million and revenues of PLN 56 million to the net profit and revenues of the Agora Group, respectively. If the acquisition had occurred at the beginning of the year, the revenue of the Agora Group for the period ended 31 December 2010 would have been PLN 1,305.9 million and the net profit for the period would have been PLN 74.5 million.

The acquisition-related costs of PLN 2,916 thousand (including PLN 424 thousand incurred in 2009) related to tax on civil law actions, law and consulting services and other, have been expensed and included in administrative expenses in the profit and loss statement.

The Group decided to measure the non-controlling interest in the Helios Group at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Due to the issue of additional 2% shares for non-controlling shareholders which were managers of Helios, which has been executed as at acquisition date, the Agora's effective share of 82.78% in Helios Group has been applied to the acquisition accounting.

#### The identifiable assets acquired and liabilities assumed

The consolidated balance sheet of the Helios Group as of the acquisition date, August 31, 2010, prepared under IFRS EU is the basis for the recognition of the fair value of assets acquired and liabilities assumed.

The fair value of assets and liabilities as of the acquisition date is as follows:

in PLN thousands	Book value as at acquisition date	Fair value as at acquisition date
<b>Assets</b>		
<b>Non-current assets:</b>		
Intangible assets	18,757	1,071
including goodwill	17,687	-
Property, plant and equipment (1)	161,002	186,349
Deferred tax assets	682	682
Inventories	1,367	1,367
Accounts receivable and prepayments	8,774	8,774
Cash and cash equivalents	8,186	8,186
<b>Total assets</b>	<b>216,456</b>	<b>206,429</b>
<b>Liabilities</b>		
<b>Non-current liabilities:</b>		
Deferred tax liabilities (1)	(2,850)	(7,665)
Interest bearing loans and borrowings	(72,742)	(72,191)
Other financial liabilities	(551)	(551)
Retirement severance provision	(59)	(59)
Deferred revenues and accruals	(1,962)	(1,962)
<b>Current liabilities</b>		
Accounts payable	(14,381)	(14,381)
Income tax liabilities	(1,773)	(1,773)
Short-term borrowings	(17,327)	(17,878)
Provisions	(760)	(760)
Deferred revenues and accruals	(9,716)	(9,716)
<b>Total liabilities</b>	<b>(122,121)</b>	<b>(126,937)</b>
Identifiable net assets at fair value		79,492
Non-controlling interests		(13,689)
Goodwill as at acquisition date		39,096
Purchase price		104,900

(1) adjustment to fair value of lands and real estates

#### Fair value of acquired assets

As at August 31, 2010 lands and real estates of the Helios Group had a book value of PLN 57,292 thousand in companies' accounting books. Their fair value was estimated on the basis of valuation prepared by independent experts and was higher than their book value by PLN 25,347 thousand. The Group recognised also a deferred tax liability from this value excess (PLN 4,815 thousand).

The fair value of the acquired trade receivables amounted to PLN 2,248 thousand. The gross contractual amounts of acquired trade receivables is PLN 2,592 thousand, of which PLN 344 thousand is expected to be uncollectible.

### Goodwill

Goodwill is attributable inter alia to strong position of the Helios group on the cinema market, the skills and technical talent of Helios' work force and customer relationships (including leading film distributors). None of the goodwill recognised is expected to be deductible for income tax purposes.

### Recognition of the put option in the consolidated financial statements

Put options granted to the non-controlling shareholders meet the definition of a financial liability under IAS 32 *Financial Instruments: Presentation* and were recognised in the consolidated financial statements of Agora Group.

Together with the 2% share issue for Helios executive managers, the total share of non-controlling shareholders, who hold put option rights, is 14.08%. Non-controlling shareholders holding put options have retained their rights to the economic benefits associated with the underlying shares.

The estimated redemption amount of the put options classified as a financial liability as at August 31, 2010, recognised in the consolidated balance sheet of the Agora Group amounted to PLN 29,669 thousand (line item in the consolidated balance sheet of the Agora Group: other financial liabilities) and decreased other reserves (line item in the consolidated balance sheet of the Agora Group: Retained earnings and other reserves). Subsequent changes in the value of the liability will be recognised through the income statement. The value of the Agora's liability related to put options is calculated on the basis of the estimated option exercise price, which depends on the estimated future value of the Helios equity, which is calculated on the basis of a constant EV/EBITDA multiplier specified in agreements and estimated future values of EBITDA and net debt of Helios Group. The range of future values of this liability is difficult to estimate, because it depends on EBITDA growth in future. The EBITDA growth is correlated to the growth in the number of multiplex cinemas, which depends on the number of new shopping centres constructed by developers.

Estimated value of put option exercise price classified as financial liability as at August 31, 2010 has not changed comparing to December 31, 2010 (line item in the consolidated balance sheet of the Agora Group: other financial liabilities).

## **14. FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY FOR THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND CONDENSED UNCONSOLIDATED FINANCIAL STATEMENTS OF AGORA SA AND THE TRANSLATION METHOD OF FINANCIAL DATA**

The functional currency for Agora SA and other companies as well as for the presentation of the presented consolidated financial statements is Polish zloty. As at December 31, 2010 there is one foreign company within the Agora Group – LLC Agora Ukraine, for which functional currency is hryvnia (UAH). Its financial statements for the purpose of consolidation was translated into Polish zloty.

Selected financial data presented in the financial statements has been translated into EURO in the following way:

- ▶ income statement and cash flow statement figures for the four quarters of 2010 (four quarters of 2009) using the arithmetic average of exchange rates published by NBP and ruling on the last day of each month for four quarters. For the four quarters 2010 EURO 1 = PLN 4.0044 (EURO 1 = PLN 4.3406).
- ▶ balance sheet figures using the average exchange rates published by NBP and ruling as at the balance sheet date. The exchange rate as at 31 December 2010 – EURO 1 = PLN 3.9603; as at 31 December 2009: EURO 1 = PLN 4.1082.

## 15. SELECTED CONSOLIDATED FINANCIAL DATA TOGETHER WITH TRANSLATION INTO EURO

	in PLN thousand		in EUR thousand	
	Twelve months ended 31 December 2010 unaudited	Twelve months ended 31 December 2009 audited	Twelve months ended 31 December 2010 unaudited	Twelve months ended 31 December 2009 audited
Sales	1,116,742	1,110,127	278,879	255,754
Operating profit	84,888	52,865	21,199	12,179
Profit before income taxes	87,875	54,368	21,945	12,525
Net profit for the period attributable to equity holders of the parent	71,894	38,330	17,954	8,831
Net cash from operating activities	171,554	152,655	42,841	35,169
Net cash used in investing activities	(138,104)	(204,144)	(34,488)	(47,031)
Net cash used in financing activities	24,683	(88,029)	6,164	(20,280)
Net increase / (decrease) in cash and cash equivalents	58,133	(139,518)	14,517	(32,143)
Total assets	1,805,476	1,538,236	455,894	374,431
Non-current liabilities	273,497	99,933	69,060	24,325
Current liabilities	295,427	242,228	74,597	58,962
Equity attributable to equity holders of the parent	1,221,052	1,196,281	308,323	291,193
Share capital	50,937	50,937	12,862	12,399
Weighted average number of shares	50,937,386	50,937,386	50,937,386	50,937,386
Earnings per share (in PLN / in EURO)	1.41	0.75	0.35	0.17
Book value per share (in PLN / in EURO)	23.97	23.49	6.05	5.72

**16. POST BALANCE-SHEET EVENTS****▶ Admitting shares for trading**

On February 18, 2011, 684,777 shares of Agora SA were admitted for trading on the main market of the Warsaw Stock Exchange. The shares were acquired by Partycypacyjny Fundusz Inwestycyjny Zamkniety with its registered seat in Warsaw.

**17. CONDENSED UNCONSOLIDATED FINANCIAL STATEMENTS OF AGORA SA****Unconsolidated balance sheet as at 31 December 2010**

	As at 31 December 2010 unaudited	As at 30 September 2010 unaudited	As at 31 December 2009 audited
<b>Assets</b>			
<b>Non-current assets:</b>			
Intangible assets	87,332	88,364	89,375
Property, plant and equipment	362,974	363,983	381,786
Investments	497,496	551,734	393,423
Receivables and prepayments	50,523	51,626	57,238
	<b>998,325</b>	<b>1,055,707</b>	<b>921,822</b>
<b>Current assets:</b>			
Inventories	15,595	12,114	11,592
Accounts receivable and prepayments	178,845	175,336	165,770
Income tax receivable	1,929	-	3,218
Short-term securities and other financial assets	205,975	96,887	164,500
Cash and cash equivalents	80,745	15,740	97,527
	<b>483,089</b>	<b>300,077</b>	<b>442,607</b>
<b>Total assets</b>	<b>1,481,414</b>	<b>1,355,784</b>	<b>1,364,429</b>

## Unconsolidated balance sheet as at 31 December 2010 (continued)

	As at 31 December 2010 unaudited	As at 30 September 2010 unaudited	As at 31 December 2009 audited
<b>Equity and liabilities</b>			
<b>Equity:</b>			
Share capital	50,937	50,937	50,937
Treasury shares	-	-	-
Share premium	147,192	147,192	147,192
Other reserves	104,669	100,879	95,863
Retained earnings	829,018	820,558	790,514
	<b>1,131,816</b>	<b>1,119,566</b>	<b>1,084,506</b>
<b>Non-current liabilities:</b>			
Deferred tax liabilities	38,191	40,153	41,153
Long-term borrowings	114,421	20,118	52,381
Retirement severance provision	1,505	1,407	1,325
Deferred revenues and accruals	1,564	258	1
Other	234	173	406
	<b>155,915</b>	<b>62,109</b>	<b>95,266</b>
<b>Current liabilities:</b>			
Retirement severance provision	117	110	62
Accounts payable	114,051	93,645	109,399
Income tax liabilities	-	2,743	-
Short-term borrowings	42,414	42,425	42,442
Provisions	2,066	1,961	2,676
Deferred revenues and accruals	35,035	33,225	30,078
	<b>193,683</b>	<b>174,109</b>	<b>184,657</b>
<b>Total equity and liabilities</b>	<b>1,481,414</b>	<b>1,355,784</b>	<b>1,364,429</b>
Weighted average number of shares	50,937,386	50,937,386	50,937,386

## Unconsolidated income statement for three and twelve months ended 31 December 2010

	Three months ended 31 December 2010 unaudited	Twelve months ended 31 December 2010 unaudited	Three months ended 31 December 2009 unaudited	Twelve months ended 31 December 2009 audited
Sales	220,161	813,028	222,957	857,824
Cost of sales	(115,652)	(428,960)	(118,502)	(475,291)
<b>Gross profit</b>	<b>104,509</b>	<b>384,068</b>	<b>104,455</b>	<b>382,533</b>
Selling expenses	(67,928)	(237,269)	(68,741)	(259,810)
Administrative expenses	(22,936)	(79,700)	(20,691)	(73,620)
Other operating income	2,637	10,135	2,839	8,528
Other operating expenses	(3,477)	(21,697)	(3,789)	(14,161)
<b>Operating profit</b>	<b>12,805</b>	<b>55,537</b>	<b>14,073</b>	<b>43,470</b>
Finance income	6,403	31,168	2,627	24,791
Finance costs	(6,593)	(13,017)	(3,358)	(22,849)
<b>Profit before income taxes</b>	<b>12,615</b>	<b>73,688</b>	<b>13,342</b>	<b>45,412</b>
Income tax	(4,156)	(9,715)	(1,647)	(9,056)
<b>Net profit for the period</b>	<b>8,459</b>	<b>63,973</b>	<b>11,695</b>	<b>36,356</b>
Earnings per share (in PLN)	0.17	1.26	0.23	0.71

## Unconsolidated statement of comprehensive income for three and twelve months ended 31 December 2010

	Three months ended 31 December 2010 unaudited	Twelve months ended 31 December 2010 unaudited	Three months ended 31 December 2009 unaudited	Twelve months ended 31 December 2009 audited
<b>Profit net</b>	<b>8,459</b>	<b>63,973</b>	<b>11,695</b>	<b>36,356</b>
<b>Other comprehensive income for the period</b>	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>8,459</b>	<b>63,973</b>	<b>11,695</b>	<b>36,356</b>

## Unconsolidated statement of changes in equity for three and twelve months ended 31 December 2010

	Share capital	Treasury shares	Share premium	Other reserves	Retained earnings	Total equity
<b>Three months ended 31 December 2010</b>						
<b>As at 30 September 2010 unaudited</b>	<b>50,937</b>	-	<b>147,192</b>	<b>100,879</b>	<b>820,558</b>	<b>1,119,566</b>
<b>Total comprehensive income for the period</b>						
Net profit	-	-	-	-	8,459	8,459
<b>Total comprehensive income for the period</b>	-	-	-	-	<b>8,459</b>	<b>8,459</b>
<b>Transactions with owners, recorded directly in equity</b>						
<b>Contributions by and distributions to owners</b>						
Equity-settled share-based payments	-	-	-	3,790	-	3,790
Other	-	-	-	-	1	1
<b>Total transactions with owners</b>	-	-	-	<b>3,790</b>	<b>1</b>	<b>3,791</b>
<b>As at 31 December 2010 unaudited</b>	<b>50,937</b>	-	<b>147,192</b>	<b>104,669</b>	<b>829,018</b>	<b>1,131,816</b>

## Unconsolidated statement of changes in equity for three and twelve months ended 31 December 2010 (continued)

	Share capital	Treasury shares	Share premium	Other reserves	Retained earnings	Total equity
<b>Twelve months ended 31 December 2010</b>						
As at 31 December 2009 audited	50,937	-	147,192	95,863	790,514	1,084,506
<b>Total comprehensive income for the period</b>						
Net profit	-	-	-	-	63,973	63,973
<b>Total comprehensive income for the period</b>	-	-	-	-	<b>63,973</b>	<b>63,973</b>
<b>Transactions with owners, recorded directly in equity</b>						
<b>Contributions by and distributions to owners</b>						
Dividends declared	-	-	-	-	(25,469)	(25,469)
Equity-settled share-based payments	-	-	-	8,806	-	8,806
<b>Total transactions with owners</b>	-	-	-	<b>8,806</b>	<b>(25,469)</b>	<b>(16,663)</b>
As at 31 December 2010 unaudited	50,937	-	147,192	104,669	829,018	1,131,816

## Unconsolidated statement of changes in equity for three and twelve months ended 31 December 2010 (continued)

	Share capital	Treasury shares	Share premium	Other reserves	Retained earnings	Total equity
<b>Twelve months ended 31 December 2009</b>						
<b>As at 31 December 2008 audited</b>	<b>54,978</b>	<b>(71,007)</b>	<b>290,506</b>	<b>87,245</b>	<b>696,811</b>	<b>1,058,533</b>
<b>Total comprehensive income for the period</b>						
Net profit	-	-	-	-	36,356	36,356
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36,356</b>	<b>36,356</b>
<b>Transactions with owners, recorded directly in equity</b>						
<b>Contributions by and distributions to owners</b>						
Share buy-back for their redemption	-	(19,001)	-	-	-	(19,001)
Redemption of own shares	(4,041)	90,008	(143,314)	-	57,347	-
Equity-settled share-based payments	-	-	-	8,618	-	8,618
<b>Total transactions with owners</b>	<b>(4,041)</b>	<b>71,007</b>	<b>(143,314)</b>	<b>8,618</b>	<b>57,347</b>	<b>(10,383)</b>
<b>As at 31 December 2009 audited</b>	<b>50,937</b>	<b>-</b>	<b>147,192</b>	<b>95,863</b>	<b>790,514</b>	<b>1,084,506</b>

**Unconsolidated cash flow statement for three and twelve months ended 31 December 2010**

	Three months ended 31 December 2010 unaudited	Twelve months ended 31 December 2010 unaudited	Three months ended 31 December 2009 unaudited	Twelve months ended 31 December 2009 audited
<b>Cash flows from operating activities</b>				
Profit before income taxes	12,615	73,688	13,342	45,412
Adjustments for:				
Depreciation of property, plant and equipment	8,075	33,253	8,576	34,963
Amortization of intangible assets	2,048	8,441	2,079	7,854
Foreign exchange (gain) /loss	(721)	(3,439)	836	3,058
Interest, net	819	1,699	237	1,595
(Profit) / loss on investing activities	181	1,503	352	9,430
Dividend income	-	(8,212)	-	(10,889)
(Decrease) / increase in provisions	210	(375)	(2,956)	(7,301)
(Increase) / decrease in inventories	(3,482)	(4,004)	3,009	2,613
(Increase) / decrease in receivables and prepayments	(4,251)	(6,639)	4,789	16,963
(Decrease) / increase in payables	18,283	6,678	16,605	(2,840)
(Decrease) / increase in deferred revenues and accruals	3,116	6,520	(3,655)	(6,596)
Other adjustments (1)	4,122	10,710	3,051	10,613
<b>Cash generated from operations</b>	<b>41,015</b>	<b>119,823</b>	<b>46,265</b>	<b>104,875</b>
Income taxes paid	(10,788)	(13,376)	(6,646)	(8,254)
<b>Net cash from operating activities</b>	<b>30,227</b>	<b>106,447</b>	<b>39,619</b>	<b>96,621</b>
<b>Cash flows from investing activities</b>				
Proceeds from sale of property, plant and equipment, and intangibles	11	33	-	596
Disposal of subsidiaries, associates and jointly controlled entities	-	2,165	-	-
Disposal of financial assets	-	-	50	50
Dividends received	3,000	8,212	3,000	10,889
Repayment of loans granted	-	85,000	-	-
Interest received	345	3,987	1,124	4,159
Disposal of short-term securities	-	61,790	-	-
Repayment of finance lease receivables	2,213	9,056	1,852	7,946

	Three months ended 31 December 2010 unaudited	Twelve months ended 31 December 2010 unaudited	Three months ended 31 December 2009 unaudited	Twelve months ended 31 December 2009 audited
Purchase of property plant and equipment, and intangibles	(8,642)	(35,476)	(7,662)	(29,766)
Acquisition of subsidiaries, associates and jointly controlled entities	-	(108,061)	-	(2,178)
Acquisition of short-term securities	(54,000)	(54,000)	(30,000)	(150,000)
Loans granted	(102)	(125,723)	(10,926)	(15,842)
<b>Net cash used in investing activities</b>	<b>(57,175)</b>	<b>(153,017)</b>	<b>(42,562)</b>	<b>(174,146)</b>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings	104,900	104,900	-	-
Repurchase of own shares	-	-	(7)	(19,001)
Dividends paid	-	(25,469)	-	-
Repayment of borrowings	(10,729)	(42,917)	(10,729)	(42,917)
Interest paid	(1,980)	(4,611)	(1,081)	(5,474)
Other	(238)	(2,115)	(468)	(2,588)
<b>Net cash used in financing activities</b>	<b>91,953</b>	<b>29,788</b>	<b>(12,285)</b>	<b>(69,980)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>65,005</b>	<b>(16,782)</b>	<b>(15,228)</b>	<b>(147,505)</b>
Cash and cash equivalents				
At start of period	15,740	97,527	112,755	245,032
At end of period	80,745	80,745	97,527	97,527

(1) "other adjustments" include mainly equity-settled share-based payment costs.

### Additional information to unconsolidated financial statements of Agora SA

In the period from January 1, 2010 to December 31, 2010 (in brackets the amounts for the fourth quarter of 2010) the following impairment losses and provisions were changed in the unconsolidated financial statements of Agora SA:

- impairment loss for receivables: decrease by PLN 1,030 thousand (decrease by PLN 1,239 thousand),
- impairment loss for financial assets: decrease by PLN 54,412 thousand (increase by 2,381 thousand), including the usage of the provision on the investment in Inforadio Sp. z o.o. in the amount PLN 59,463 thousand,
- impairment loss for inventory: increase by PLN 2,088 thousand (increase by PLN 1,271 thousand),
- provision for certain and probable losses: decrease by PLN 57 thousand (increase by PLN 105 thousand),
- provision for reorganization: used in the amount of PLN 331 thousand (no change),
- provision for the costs connected with the sentence passed by the Constitutional Tribunal concerning sick benefits: used in the amount of PLN 3 thousand (no change),
- provision for the remuneration and severances for the former Management Board Members: used in the amount of PLN 218 thousand (no change),
- retirement severance provision: increase by PLN 235 thousand (increase by PLN 104 thousand).

**Selected unconsolidated financial data together with translation into EURO**

	in PLN thousand		in EUR thousand	
	Twelve months ended 31 December 2010 unaudited	Twelve months ended 31 December 2009 audited	Twelve months ended 31 December 2010 unaudited	Twelve months ended 31 December 2009 audited
Sales	813,028	857,824	203,034	197,628
Operating profit	55,537	43,470	13,869	10,015
Profit before income taxes	73,688	45,412	18,402	10,462
Net profit for the period	63,973	36,356	15,976	8,376
Net cash from operating activities	106,447	96,621	26,583	22,260
Net cash used in investing activities	(153,017)	(174,146)	(38,212)	(40,120)
Net cash used in financing activities	29,788	(69,980)	7,439	(16,122)
Net increase / (decrease) in cash and cash equivalents	(16,782)	(147,505)	(4,191)	(33,983)
Total assets	1,481,414	1,364,429	374,066	332,123
Non-current liabilities	155,915	95,266	39,369	23,189
Current liabilities	193,683	184,657	48,906	44,948
Equity	1,131,816	1,084,506	285,790	263,986
Share capital	50,937	50,937	12,862	12,399
Weighted average number of shares	50,937,386	50,937,386	50,937,386	50,937,386
Earnings per share (in PLN / in EURO)	1.26	0.71	0.31	0.16
Book value per share (in PLN / in EURO)	22.22	21.29	5.61	5.18

Warsaw, 25 February 2011

*Piotr Niemczycki – President of the Management Board*

*Signed on the Polish original*

*Zbigniew Bak – Deputy President of the Management Board*

*Signed on the Polish original*

*Tomasz Jozefacki – Member of the Management Board*

*Signed on the Polish original*

*Grzegorz Kossakowski – Member of the Management Board*

*Signed on the Polish original*