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AGORA GROUP

Management Discussion and Analysis for **the first half of 2018** to the financial statements

August 10, 2018

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AGORA GROUP

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) OF THE GROUP'S RESULTS FOR THE FIRST HALF OF 2018

REVENUE PLN 536.3 MILLION
EBITDA PLN 33.9 MILLION
NET PROFIT PLN 9.9 MILLION
OPERATING CASH FLOW PLN 23.7 MILLION

Unless indicated otherwise, all data presented herein represent the period of January - June 2018, while comparisons refer to the same period of 2017. All data sources are presented in part IV of this MD&A.

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

- In the first half of 2018 Agora Group ("the Group") generated revenues of PLN 536.3 million, which means that they were lower by 8.1% yoy as compared to the first half of 2017. The main factor contributing to such a fall was a decrease in revenues both in the first and second quarter of 2018. In the period from April to June 2018 this decrease amounted to 8.6% yoy, and revenues reached the amount of PLN 258.3 million. The main reason behind a decrease in the Group's inflows in the first half of 2018 were lower yoy inflows from the segments: Print, Movies and Books as well as Press. In the Print segment a decrease in revenues both in the first half of 2018 – to PLN 36.1 million, and in the second quarter of 2018 - to PLN 18.7 million – resulted mainly from a lower yoy volume of provided print services, particularly in the coldset technology. Due to a falling attendance in the Polish cinemas the inflows in the Movies and Books segment were lower in the second quarter and in the first half of 2018 - they amounted to PLN 67.7 million and to PLN 182.8 million, respectively. The inflows of the Press segment in the first half of 2018 decreased to PLN 104.4 million, and in the very second quarter of this year – to PLN 54.7 million. It was mainly due to a difficult situation on the printed press market and discontinuation of publishing selected titles in this segment. On the other hand, the inflows of the segments: Internet, Outdoor and Radio in the period from January to June 2018 were higher yoy. The revenues of the Internet segment in the second quarter of 2018 increased by 10.7% yoy up to PLN 46.5 million, which translated into their increase by 7.0% yoy to PLN 86.7 million in the first half of 2018. Such a high result is mainly attributable to dynamic development of the Yieldbird company. The inflows of the Outdoor segment were higher by 4.6% yoy and reached the level of PLN 47.3 million in the second quarter of 2018, which in connection with higher revenues recorded by this segment in the first quarter of 2018 ensured the growth of the inflows in this segment to PLN 83.2 million in the first half of 2018. It was possible to achieve such a growth owing to higher yoy inflows from advertising campaigns carried out on the advertising panels from the: Citylight Premium, Digital and City Transport segments. The revenues of the Radio segment in the period from January to June 2018 increased by 2.8% yoy to PLN 55.2 million. Higher yoy inflows of the segment reported in the first and second quarter of 2018 had an impact on this increase. In the period from April to June 2018 they rose by 4.7% yoy up to PLN 29.2 million. The increase in revenue resulted mainly from higher air time sales in own radio stations.
- In the first half of 2018 operating costs of the Group were lower by 4.8% yoy and amounted to PLN 546.0 million, despite their slight increase in the second quarter of 2018 up to PLN 281.1 million. The main reasons for the increase in operating costs in the period from April to June 2018 were: write-off of receivables from one of the Company's business partners at the amount of PLN 15.6 million and the restructuring provision of PLN 2.2

million created in the Press segment. In the first quarter of 2018, the Group's operating costs were decreased by profits from sales of the Group's real estates amounting to PLN 13.9 million. In this period the segment's operating costs were adversely affected by the restructuring provision in the Print segment, which amounted to PLN 1.4 million. A segment where operating costs were reduced to a greatest extent was Print. The decrease in operating costs in this area in the period from April to June 2018 by 44.0% yoy to PLN 19.1 million allowed for their further reduction in the whole period from January to June 2018 to the amount of PLN 38.3 million. Another segment where operating costs were reduced to a significant extent was Movies and Books. In the second quarter of 2018, operating costs of this business segment decreased by 3.8% yoy to PLN 77.5 million, in the first half of 2018 they decreased by 6.0% yoy to PLN 176.0 million. This decrease resulted mainly from: lower costs of film copies purchase due to lower yoy attendance in Polish cinemas compared to the same period of 2017, lower yoy depreciation and lower yoy costs of materials, energy, consumables and the value of goods sold. In the first half of 2018, operating costs in the Radio segment decreased by 3.1% yoy to PLN 47.1 million despite the fact that in the second quarter of 2018 they were slightly higher than in the same period of 2017. A decrease in operating costs in this segment in the period from January to June 2018 resulted mainly from reduction of expenses for promotion and marketing purposes. In the Press segment operating costs increased both in the second quarter and in the first half of 2018. The main reasons for this increase were: a write-off of receivables from one of the business partners and the restructuring provision. If we had eliminated the effect of this write-off and the restructuring provision, the operating costs of the Press segment would have been lower comparing to the second quarter and the entire first half of 2017. In the Internet segment in the first half of 2018, the operating costs were higher by 4.5% yoy and amount to PLN 78.2 million, mainly due to their increase by 13.7% yoy up to PLN 40.6 million in the period from April to June 2018. In both periods this increase was mainly due to higher yoy costs of external services and staff costs. Additionally, in the second quarter of 2018 the segment spent some of the resources for the promotional campaign of the Sport.pl brand. In the Outdoor segment operating costs both in the second quarter and in the first half of 2018 increased yoy, which was connected with development activities of the segment and sucessful execution of the sales objectives.

- In the first half of 2018 the Group's EBITDA amounted to PLN 33.9 million, despite the loss of PLN 2.4 million on the EBITDA level in the second quarter of 2018. The Group recorded a loss at the EBIT level both in the second quarter and in the first half of 2018. In the period from April to June 2018 this loss amounted to PLN 22.8 million, and in the first half of 2018 to PLN 9.7 million. In the first half of 2018 the net profit of Agora Group amounted to PLN 9.9 million, and in the second quarter of 2018 to PLN 0.2 million. In the period from January to June of 2018, the net profit attributable to the equity holders of the parent company amounted to PLN 8.5 million, and in the second quarter of 2018 to PLN 0.3 million.
- The profit from the transaction of sale of shares in the company Stopklatka S.A. had a significant impact on the Group's net result both in the second quarter and in the first half of 2018. As a result of this transaction Agora sold all shares held in Stopklatka (i.e. 4,596,203 ordinary shares constituting 41.14% of the share capital of Stopklatka). The price for one share amounted to PLN 7.0, and the transaction value amounted to ca. PLN 32 million.
- At the end of June 2018, the Group had PLN 161.0 million in cash and short-term monetary assets, which comprised cash and cash equivalents in the amount of PLN 42.7 million (cash on hand and bank accounts) and PLN 118.3 million invested in short-term securities.
- At the end of June 2018, the Group's debt amounted to PLN 88.7 million (including external debt of Helios S.A. consisting of bank loans and finance lease liabilities in the amount of PLN 60.5 million).

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

1. EXTERNAL FACTORS

1.1. Advertising market [3]

According to the Agora S.A. estimates ("Company", "Agora"), based on public data sources, in the second quarter of 2018, total advertising spending in Poland amounted to ca PLN 2.5 billion and increased by 8.0% yoy.

Tab. 1

	2Q 2016	3Q 2016	4Q 2016	1Q 2017	2Q 2017	3Q 2017	4Q 2017	1Q 2018	2Q 2018
% change yoy in ad market value	3.0%	1.5%	3.5%	2.0%	0.5%	0.5%	5.0%	8.5%	8.0%

In the second quarter of 2018 advertisers increased advertising expenditure in TV, radio, outdoor and in Internet. They spent less in press and in cinema. The data relating to the changes in the value of advertising expenditure in particular media segments are presented in the table below:

Tab. 2

Total advertising expenditure	Television	Internet	Magazines	Radio	Outdoor	Dailies	Cinema
8.0%	8.0%	13.0%	(7.5%)	9.0%	3.5%	(8.0%)	(6.0%)

The share of particular media segment in total advertising expenditure, in the second quarter of 2018, is presented in the table below:

Tab. 3

Advertising spendings, in total	Television	Internet	Magazines	Radio	Outdoor	Dailies	Cinema
100.0%	47.0%	33.0%	4.5%	6.5%	6.0%	2.0%	1.0%

In the first half of 2018, total advertising spending in Poland amounted to ca PLN 4.65 billion and increased by over 8.0% yoy. At that time, advertisers limited their expenditure in press and in cinema. The growth of advertising expenditure was visible in television, Internet, radio and in outdoor. The data relating to the changes in the value of advertising expenditure in particular media segments are presented in the table below:

Tab. 4

Total advertising expenditure	Television	Internet	Magazines	Radio	Outdoor	Dailies	Cinema
8.0%	8.5%	12.0%	(6.5%)	8.5%	2.0%	(7.0%)	(1.5%)

The share of particular media segment in total advertising expenditure, in the first half of 2018, is presented in the table below:

Tab. 5

Advertising spendings, in total	Television	Internet	Magazines	Radio	Outdoor	Dailies	Cinema
100.0%	47.5%	32.5%	4.5%	7.0%	5.5%	2.0%	1.0%

1.2. Copy sales of dailies [4]

In the second quarter of 2018, the total paid circulation of dailies decreased by 11.3% yoy and in the first half of 2018 by 10.9% yoy. In both periods under discussion the largest decrease was observed in regional dailies.

1.3. Cinema admissions [10]

In the second quarter of 2018, the number of tickets sold in Polish cinemas decreased by 15.7% yoy and amounted to over 9.5 million.

In the first half of 2018, the number of tickets sold in Polish cinemas decreased by 5.8% yoy to over 26.8 million.

The main reason for the decrease in the cinema attendance were: hot weather, the ban on Sunday trade, which caused outflow of people from shopping malls on Sundays and football worldcup, due to which selected titles entered the cinemas later.

2. INTERNAL FACTORS

2.1. Revenue

Tab. 6

in million PLN	**2Q 2018**	**% share**	**2Q 2017**	**% share**	***% change yoy***
Total sales (1)	**258.3**	***100.0%***	**282.7**	***100.0%***	***(8.6%)***
Advertising revenue	146.8	*56.8%*	142.8	*50.5%*	*2.8%*
Ticket sales	35.0	*13.6%*	43.6	*15.4%*	*(19.7%)*
Copy sales	31.6	*12.2%*	34.4	*12.2%*	*(8.1%)*
Concession sales in cinemas	13.8	*5.3%*	17.5	*6.2%*	*(21.1%)*
Printing services	16.5	*6.4%*	30.9	*10.9%*	*(46.6%)*
Other	14.6	*5.7%*	13.5	*4.8%*	*8.1%*

in million PLN	**1H 2018**	**% share**	**1H 2017**	**% share**	***% change yoy***
Total sales (1)	**536.3**	***100.0%***	**583.7**	***100.0%***	***(8.1%)***
Advertising revenue	267.0	*49.8%*	262.2	*44.9%*	*1.8%*
Ticket sales	101.2	*18.9%*	108.0	*18.5%*	*(6.3%)*
Copy sales	65.5	*12.2%*	68.1	*11.7%*	*(3.8%)*
Concession sales in cinemas	37.8	*7.0%*	39.7	*6.8%*	*(4.8%)*
Printing services	32.1	*6.0%*	58.9	*10.1%*	*(45.5%)*
Other	32.7	*6.1%*	46.8	*8.0%*	*(30.1%)*

(1) particular sales positions, apart from ticket and concession sales in cinemas and printing services, include sales of the Agora's Publishing House and film activities (functioning within the Movies and Books segment), described in details in point IV.A in this report.

In the second quarter of 2018, **the Group's total revenues** amounted to PLN 258.3 million and decreased by 8.6% yoy.

In the second quarter of 2018, Agora Group's **advertising revenue** increased by 2.8% yoy and amounted to PLN 146.8 million. This category of revenues was higher yoy in most business segments of the Group. The sharpest increase – by 16.7% yoy to PLN 41.2 million – was recorded in the Internet segment, mainly due to the development of Yieldbird company. Dynamic yoy increase in advertising revenue – by 5.4% to the amount of PLN 46.9 million – was also observed in the Outdoor segment, first of all owing to the inflows from advertising campaigns carried out on advertising panels from the: Premium Citylight, Digital and City Transport segments. Advertising revenue in the Radio segment grew by 5.0% yoy to PLN 25.1 million. The small increase in advertising revenue — by 1.8% yoy to PLN 5.7 million — was also visible in the Movies and Books segment. Advertising revenue was lower yoy in the Press segment, where it decreased by 13.7% yoy to PLN 27.8 million. The sales dynamics of advertising services, apart from being affected by market trends, was also impacted by the discontinuation of publishing of selected press titles. In October 2017, the Company decided to discontinue the publishing of two titles: *Dom&Wnętrze* and *Magnolia.* At the beginning of 2018, it also sold publication rights of *Świat motocykli* to a company established by one of the editorial office employees.

In the second quarter of 2018, **the Group's copy sales revenue** amounted to PLN 31.6 million and decreased by 8.1% yoy. The main reason for this fall was discontinuation of publishing of selected press titles, decrease in the number of issues of *Gazeta Wyborcza* in the dual price offer and reductions in volumes of printed publications. Inflows from the sales of digital subscriptions of *Gazeta Wyborcza* and revenues of Agora's Publishing House were higher yoy.

In the second quarter of 2018, **revenues from tickets sold in the cinemas** comprising the Helios network decreased by 19.7% yoy and amounted to PLN 35.0 million. In the reporting period, nearly 1.9 million tickets were purchased at the Helios cinemas, i.e. by 21.0% less than in the second quarter of 2017. In the same period, the overall number of cinema tickets sold in Poland amounted to over 9.5 million and dropped by 15.7% yoy *[10]*.

In the second quarter of 2018, **revenue from the sales of printing services** in Agora Group amounted to PLN 16.5 million and decreased by 46.6% yoy. This mainly resulted from a lower volume of orders, particularly in the coldset technology.

Cinema concession sales decreased by 21.1% yoy to PLN 13.8 million. It was mainly due to lower yoy cinema attendance in the second quarter of 2018.

The revenue from other sales amounted to PLN 14.6 million and increased by 8.1% yoy, mainly as a result of higher yoy revenues from the film business of the Group.

In the first half of 2018, **the Group's total revenues** amounted to PLN 536.3 million and decreased by 8.1% yoy.

In the first half of 2018, Agora Group's **advertising revenue** increased by 1.8% yoy and amounted to PLN 267.0 million. Their highest increase – up by 13.5% yoy to PLN 75.6 million – was visible in the Internet segment. Advertising revenue in the Outdoor segment also dynamically increased – by 4.0% yoy to PLN 82.4 million, whereas in the Radio segment advertising revenue grew by 4.5% yoy to PLN 46.9 million. A fall in this category of inflows was recorded in the Press as well as the Movies and Books segments. Lower by 10.9% yoy advertising revenue recorded in the Press segment – amounting to PLN 49.8 million – were due to the condition of the press advertising market and the discontinuation of selected press titles. In the Movies and Books segment lower yoy cinema attendance had an impact on the decrease in advertising revenue by 14.9% yoy to PLN 12.0 million.

In the first half of 2018, **the Group's copy sales revenue** amounted to PLN 65.5 million and was lower by 3.8% than those recorded in the corresponding period of 2017. The factors that influenced the level of the Group's copy sales revenue were, among others, the continued downward trend in copy sales of printed press and discontinuation of selected press titles, offset to some extent by a yoy increase in the sales of publications by Agora's Publishing House and digital subscriptions of *Gazeta Wyborcza*.

In the first half of 2018, **revenue from tickets sold in the cinemas** comprising the Helios network decreased by 6.3% yoy and amounted to PLN 101.2 million. In the analysed period, the number of tickets sold in the Helios cinemas amounted to over 5.3 million, i.e. by 10.1% less than in the first half of 2017. In the same period, the overall number of cinema tickets sold in Poland amounted to over 26.8 million and decreased by 5.8% *[10]*.

In the first half of 2018, **revenue from the sales of printing services** in the Group amounted to PLN 32.1 million (down by 45.5% yoy). This was mainly due to a lower volume of orders, mainly in the coldset technology.

Cinema concession sales decreased by 4.8% yoy to PLN 37.8 million, first of all due to lower yoy cinema attendance.

Revenue from other sales amounted to PLN 32.7 million and decreased by 30.1% yoy. This was mainly driven by high revenue generated by Agora Group's film business in the first half of 2017. In that time the NEXT FILM company released three movies for cinema distribution: *Po prostu przyjaźń, Sztuka kochania. Historia Michaliny Wisłockiej* and *Pokot*. Agora was the leading producer of the first title and the co-producer of the other two.

2.2. Operating cost

Tab. 7

in million PLN	**2Q 2018**	**% share**	**2Q 2017**	**% share**	***% change yoy***
Operating cost net, including:	**(281.1)**	***100.0%***	**(276.0)**	***100.0%***	***1.8%***
External services	(100.9)	*35.9%*	(99.5)	*36.1%*	*1.4%*
Staff cost	(80.9)	*28.8%*	(80.5)	*29.2%*	*0.5%*
Raw materials, energy and consumables	(35.8)	*12.7%*	(46.6)	*16.9%*	*(23.2%)*
D&A	(20.5)	*7.3%*	(24.7)	*8.9%*	*(17.0%)*
Promotion and marketing	(15.6)	*5.5%*	(15.5)	*5.6%*	*0.6%*
Cost of restructuring (1)	(2.2)	*0.8%*	-	-	-

in million PLN	**1H 2018**	**% share**	**1H 2017**	**% share**	***% change yoy***
Operating cost net, including:	**(546.0)**	***100.0%***	**(573.4)**	***100.0%***	***(4.8%)***
External services	(209.0)	*38.3%*	(211.9)	*37.0%*	*(1.4%)*
Staff cost	(164.6)	*30.1%*	(163.3)	*28.5%*	*0.8%*
Raw materials, energy and consumables	(73.0)	*13.4%*	(94.3)	*16.4%*	*(22.6%)*
D&A	(43.8)	*8.0%*	(50.0)	*8.7%*	*(12.4%)*
Promotion and marketing	(29.1)	*5.3%*	(36.5)	*6.4%*	*(20.3%)*
Cost of restructuring (1)	(3.6)	*0.7%*	-	-	-

(1) includes costs related to group lay-offs executed in Print segment in the first quarter of 2018 and costs of restructuring in Magazines division in the second quarter of 2018.

The Group's **net operating costs** went up by 1.8% yoy in the second quarter of 2018 and amounted to PLN 281.1 million. Their increase was recorded in the Press, Internet, Outdoor and Radio segments. The following factors had a significant impact on the level of operating costs in the second quarter of 2018: write-off of receivables burdened with the risk of being uncollectible from one of the Company's business partners at the amount of PLN 15.6 million and the restructuring provision of PLN 2.2 million created in the Press segment. However, in the Print, as well as in the Movies and Books segments operating costs were lower yoy.

Costs of external services, which were higher by 1.4% than in the corresponding period of 2017 and amounted to PLN 100.9 million, were the largest cost item in the Group. This cost item significantly increased in the Internet segment – by 20.1% yoy to PLN 20.9 million, which was connected with higher expenditure for the lease of advertising space, mainly in the Yieldbird company. Costs of external services were also slightly higher yoy in the Radio segment, which was mainly due to higher yoy costs of marketing research. However, this item was limited in the Movies and Books segment due to lower yoy purchase costs of film copies. The increase in this cost item in the Group was also influenced by higher yoy costs of consulting and auditing services.

In the second quarter of 2018, **staff costs** amounted to PLN 80.9 million and were at the similar level to those recorded in the second quarter of 2017. This is an effect of the growth of this cost item in most operating segments of the Group, which was mainly connected with an increase in revenues in those segments. This cost position was reduced in the Press and Print segments. In the Press segment this decrease was connected with lower yoy level of employment, and in the Print segment with restructuring activities.

The Group's headcount at the end of June 2018 amounted to 2,776 full time employees and decreased by 76 FTEs yoy. This reduction results mainly from a lower level of employment in the Print, Press and Internet segments, as well as in the supporting divisions.

The decrease in the cost of materials and energy consumed, and the value of goods and materials sold as compared to the second quarter of 2017, results mainly from a lower volume of press titles published by Agora Group, discontinuation of publishing selected press titles and a lower yoy volume of orders in the Print segment.

The Group's costs of promotion and marketing amounted to PLN 15.6 million and their level was similar to that recorded in the second quarter of 2017. The decrease in this cost position was observed in the Press and Radio segments, while its growth was visible in the Internet and Outdoor segments. In the Movies and Books segment expenditure on promotion and marketing remained on the same level as in the second quarter of 2017.

In the first half of 2018, the Group reduced **net operating costs** by 4.8% yoy to PLN 546.0 million, despite their increase in the second quarter of 2018, due to a write-off of receivables amounting to PLN 16.3 million and the restructuring provision amounting to PLN 3.6 million. The level of operating costs in the first half of 2018 was reduced by the profit from sales of real estates of the Company in Gdańsk and Warsaw amounting to PLN 13.9 million, recorded in the first quarter of 2018.

The reduction of the Group's operating costs in the Print, Movies and Books and Radio segments also contributed to the overall decrease in operating costs of the Group in the period from January to June 2018. However, they were higher in the Press segment (due to the write-off of receivables and the restructuring provision), as well as in the Outdoor and Internet segments.

In the first half of 2018, the **costs of external services** declined by 1.4% yoy to PLN 209.0 million. The decrease in this cost item was mainly driven by the Movies and Books, the Press and the Internet segments. In the Movies and Books segment this decrease results mainly from lower yoy fees for film producers related to the Group's film business. However, in the Press segment a yoy decrease in the costs of external services wass connected with the reduction of printed press volumes, inter alia, due to discontinuation of publishing of selected titles. In the Print segment the reduction of this cost item was connected with a lower yoy volume of orders. The increase in the costs of external services was observed in the Internet and Radio segments.

In the first half of 2018, **staff costs** increased by 0.8% yoy to PLN 164.6 million. This cost position was slightly higher yoy in most operating segments of the Group, except for the Press and Print segments, in which they were reduced yoy. This was mainly the effect of restructuring activities carried out in these areas of operation in previous periods.

A significant decrease in **the cost of materials and energy consumed, and the value of goods and materials sold** (by 22.6% yoy to PLN 73.0 million) resulted mainly from the lower volume of orders in the Print segment, lower yoy volume of main press titles published by the Agora Group, as well as from the discontinuation of publishing of selected press titles of the Group.

Promotion and marketing costs were lower by 20.3% yoy in the reporting period, amounting to PLN 29.1 million. This was mainly an effect of their significant reduction in most operating segments of the Group. A slight yoy increase in expenditure for promotion and marketing was observed only in the Outdoor segment.

3. PROSPECTS

3.1. Revenue

3.1.1. Advertising market[3]

In the second quarter of 2018, the advertising market in Poland increased by 8.0% yoy. Advertisers spent ca. PLN 2.55 billion yoy to promote their products and services. In the first half of 2018, the total amount of expenditure on advertising increased by over 8.0% and amounted to ca PLN 4.65 billion.

Having analysed available data on advertising market and observed market trends, the Company decided to modify its estimates regarding the growth dynamics of advertising market segments and total expenditure on advertising in Poland in 2018. Currently the Company estimates that advertising market expenditure in 2018 shall grow by 3.5-5.5% yoy. The data on estimated changes in the dynamics of particular media segments are presented in the table below:

Tab. 8

Total advertising expenditure	Television	Internet	Magazines	Radio	Outdoor	Dailies	Cinema
3.5 – 5.5%	4-6%	7-10%	(8%)-(6%)	3-5%	1-3%	(10%)-(8%)	0-2%

The Company did not change its estimates relating to the growth of expenditure in Internet and in outdoor. However, the Company is of the opinion that there is a high probability that both in internet and in outdoor the reported growth dynamics will be in higher limit of the presented range or will even slightly exceed the limit.
The company expects higher growth dynamics of advertising expenditure in television and in radio, and lower in cinemas. Additionally, according to the Company's analysis the decrease in advertising expenditure in press shall be less sharp than assumed initially.

3.1.2. Copy sales

In the second half of 2018, negative trends relating to copy sales of dailies and magazines shall continue, although the dynamics of drop shall not be higher yoy. In October 2017, the Company decided to cease publication of two title: *Dom&Wnętrze* and *Magnolia*. In the beginning of 2018 Agora also sold rights to publish *Świat Motocykli* to the company established by an employee of an editorial team. The above decisions affected the level of revenues in the Magazines division. In the second quarter of 2018, the Company decided to discontinue publication of consecutive four titles since October 2018, which will further impact the Group's revenues in coming quarters of 2018. In July 2018 Agora decided to write-off receivables from one of the Company's business partners. This write-off burdened the results of Press segment in the second quarter and in the first half of 2018. Further problems of this partner may adversely affect the level of Company's revenues from copy sales of press publications in the printed version. The Company is continuously developing its offer of digital content. As at the end of 2017, the number of digital subscriptions of *Gazeta Wyborcza* reached nearly 133 thousand. In the Company's opinion, such activities, together with other factors, should stabilise the Press segment's financial results in the long term.

3.1.3. Ticket sales

The most significant factors affecting attendance in Polish cinemas are: the repertoire as well as weather conditions, wealth of Polish people and distance from the nearest cinema location. According to the available data, the number of tickets sold in Polish cinemas in the first half of 2018 amounted to over 26.8 million, which means drop by 5.8% yoy *[10]*. Taking into account information about the repertoire for the coming months, the Company is of the opinion that in 2018 it will be hard to achieve attendance rates similar to those reported in 2017. The Company also draws attention to continued exceptional warm and sunny weather which may further affect number of tickets sold in the second half of 2018 and to the ban on trade on selected Sundays impacting the number of visitors in shopping centres.

3.2. Operating cost

Total, comparable operating costs in 2018 should be significantly lower yoy. The drop in operating cost may results from lower costs of D&A and lower yoy cost of raw materials, energy and consumables. The Group's operating costs may also be affected by restaurant activity, which the Group is planning to commence as early as in the second half of 2018.

3.2.1. Costs of external services

The cost of external services recorded in consecutive quarters of 2018 will largely depend on level of demand for advertising space in third party services — in particular in the Internet segment, costs of film copy purchase related directly to the level of revenue from ticket sales and the EUR/PLN exchange rate. In addition, the increase in this cost item will be affected by opening of new cinema facilities in 2018, as well as by execution of other development projects. On the other hand, the decision to cease publication of selected press titles will decrease this cost position.

3.2.2. Staff cost

According to the Company's estimates, in 2018 staff costs will be slightly higher yoy. Staff costs will grow in the Movies and Books segment, mainly due to development of Helios cinema network and opening of new cinema facilities, as well as another change in minimum hourly wage. The increase of staff costs is planned also in the Radio and Internet segments, while a reduction in this cost item will still be affected by the group lay-offs executed in Agora S.A. in 2016 (mainly in the Press segment) and discontinuation of publishing of selected Group's press titles. Additionally, in February 2018, the Company informed on group lay-offs in the Print segment, weighing down on the Agora Group's result in the first quarter of 2018 by a provision in the amount of PLN 1.4 million. The estimated savings from the restructuring process will amount to, throughout the year, over PLN 2.0 million.In the second quarter of 2018 the Company decided to discontinue publication of selected press titles and due to that fact created a restructuring reserve in the amount of PLN 2.2 million.

3.2.3. Promotion and marketing cost

In the consecutive quarters of 2018, the Agora Group is planning to implement another development activities, with which promotional activities are related. The dynamics of changes in individual media, the number of launched development projects, as well as market activities of the Group's competitors may affect the level of these expenses. Considering the above factors, the Company estimates that in 2018 this cost item may decrease.

3.2.4. Cost of raw materials and energy

According to the Company, in 2018 this cost item will be shaped by similar market trends to those in 2017. The Group's Print segment has the largest impact on this cost item, especially the cost of production materials, the volume of production and the EUR/PLN exchange rate. The Company estimates that due to reduction in volume of printed titles, the value of this cost item will be lower yoy in 2018. At the same time, the Company points out that in the first quarter of 2018, one of the largest paper mills in Poland stopped the production of paper for printing newspapers due to fortuituos event. The production has been already restored, so it should not affect the availability of the paper and further increase of market prices.

III. FINANCIAL RESULTS

1. THE AGORA GROUP

The consolidated financial statements of the Agora Group for the first half of 2018 include: Agora S.A. and 18 subsidiaries, which operate principally in the internet, print, cinema, radio and outdoor segments. Additionally, as at 30 June 2018 the Group held shares in a jointly controlled entity Online Technologies HR Sp. z o.o. as well as in associated companies: Instytut Badan Outdooru IBO Sp. z o.o. and Hash.fm Sp. z o.o.

A detailed list of companies of the Agora Group is presented in note 11 and the changes in the composition of the Group are described in note 12 to the the condensed semi-annual consolidated financial statements. The selected financial data together with translation into EURO are presented in note 19 to the condensed semi-annual consolidated financial statements.

2. PROFIT AND LOSS ACCOUNT OF THE AGORA GROUP

Tab. 9

in PLN million	**2Q 2018**	**2Q 2017**	*% change yoy*	**1H 2018**	**1H 2017**	*% change yoy*
Total sales (1)	**258.3**	**282.7**	***(8.6%)***	**536.3**	**583.7**	***(8.1%)***
Advertising revenue	146.8	142.8	*2.8%*	267.0	262.2	*1.8%*
Ticket sales	35.0	43.6	*(19.7%)*	101.2	108.0	*(6.3%)*
Copy sales	31.6	34.4	*(8.1%)*	65.5	68.1	*(3.8%)*
Concession sales in cinemas	13.8	17.5	*(21.1%)*	37.8	39.7	*(4.8%)*
Printing services	16.5	30.9	*(46.6%)*	32.1	58.9	*(45.5%)*
Other	14.6	13.5	*8.1%*	32.7	46.8	*(30.1%)*
Operating cost net, including:	**(281.1)**	**(276.0)**	***1.8%***	**(546.0)**	**(573.4)**	***(4.8%)***
External services	(100.9)	(99.5)	*1.4%*	(209.0)	(211.9)	*(1.4%)*
Staff cost	(80.9)	(80.5)	*0.5%*	(164.6)	(163.3)	*0.8%*
Raw materials, energy and consumables	(35.8)	(46.6)	*(23.2%)*	(73.0)	(94.3)	*(22.6%)*
D&A	(20.5)	(24.7)	*(17.0%)*	(43.8)	(50.0)	*(12.4%)*
Promotion and marketing	(15.6)	(15.5)	*0.6%*	(29.1)	(36.5)	*(20.3%)*
Cost of restructuring (2)	(2.2)	-	-	(3.6)	-	-
Gain on sale of property (3)	-	-	-	13.9	-	-
Operating result - EBIT	**(22.8)**	**6.7**	**-**	**(9.7)**	**10.3**	**-**
Finance cost, net, incl.:	**26.3**	**(0.4)**	**-**	**26.2**	**(1.0)**	**-**
Income from short-term investment	0.5	0.5	-	1.1	1.2	*(8.3%)*
Costs related to bank loans and finance lease	(0.8)	(1.1)	*(27.3%)*	(1.6)	(2.1)	*(23.8%)*
Gain on sale of shares (4)	26.7	-	-	26.7	-	-
Share of results of equity accounted investees	**(0.2)**	**(1.7)**	***88.2%***	**(0.7)**	**(3.7)**	***81.1%***
Profit before income tax	**3.3**	**4.6**	***(28.3%)***	**15.8**	**5.6**	***182.1%***
Income tax	(3.1)	(3.9)	*(20.5%)*	(5.9)	(11.0)	*(46.4%)*
Net profit/(loss) for the period	**0.2**	**0.7**	***(71.4%)***	**9.9**	**(5.4)**	**-**
Attributable to:						
Equity holders of the parent	0.3	0.4	*(25.0%)*	8.5	(7.8)	-
Non - controlling interest	(0.1)	0.3	-	1.4	2.4	*(41.7%)*
EBIT margin (EBIT/Sales)	*(8.8%)*	*2.4%*	*(11.2pp)*	*(1.8%)*	*1.8%*	*(3.6pp)*
EBITDA (5)	**(2.4)**	**31.4**	**-**	**33.9**	**60.3**	***(43.8%)***
EBITDA margin (EBITDA/Sales)	*(0.9%)*	*11.1%*	*(12.0pp)*	*6.3%*	*10.3%*	*(4.0pp)*

(1) particular sales positions, apart from ticket and concession sales in cinemas and printing services, include sales of Publishing House division and film activities (functioning within the Movies and Books segment), described in details in point IV.A in this report;

(2) includes costs related to group lay-offs executed in Print segment in the first quarter of 2018 and costs of restructuring in Magazines division in the second quarter of 2018;

(3) the line item includes the gain achieved by Agora S.A. on sale of properties located in Gdansk and Warsaw;

(4) relates to gain on sale of shares in Stopklatka S.A.;

(5) the performance measure "EBITDA" is defined as EBIT increased by depreciation and amortization and impairment losses of property, plant and equipment and intangible assets. The amount of impairment losses included in the calculation of EBITDA in the first half of 2018 amounted to PLN 0.2 million (in the second quarter of 2018 PLN 0.1 million). Detailed information on definitions of financial ratios are presented in the Notes to part IV of this MD&A.

2.1. Financial results presented according to major segments of the Agora Group for the first half of 2018 [1]

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. 10

in PLN million	**Movies and Books**	**Press**	**Outdoor**	**Internet**	**Radio**	**Print**	**Reconciling positions (3)**	**Total (consoli-dated) IH 2018**
Total sales (1)	**182.8**	**104.4**	**83.2**	**86.7**	**55.2**	**36.1**	**(12.1)**	**536.3**
% share	34.1%	19.5%	15.5%	16.2%	10.3%	6.7%	(2.3%)	100.0%
Operating cost net (1)	**(176.0)**	**(125.5)**	**(69.1)**	**(78.2)**	**(47.1)**	**(38.3)**	**(11.8)**	**(546.0)**
EBIT	**6.8**	**(21.1)**	**14.1**	**8.5**	**8.1**	**(2.2)**	**(23.9)**	**(9.7)**
Finance cost, net								26.2
Share of results of equity accounted investees								(0.7)
Income tax								(5.9)
Net profit for the period								**9.9**
Attributable to:								
Equity holders of the parent								8.5
Non-controlling interest								1.4
EBITDA	**21.9**	**(20.4)**	**23.8**	**10.8**	**10.1**	**1.6**	**(13.9)**	**33.9**
CAPEX (2)	(22.9)	(0.6)	(3.8)	(3.3)	(0.8)	(0.2)	(3.0)	(34.6)

(1) 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;

(2) based on invoices booked in the period, the amount in the Movies and Books segment includes also PLN 13.4 million of non-current assets in lease;

(3) reconciling positions show data not included in particular segments, i.a.: other revenues and costs of Agora's supporting divisions (centralized IT, administrative, finance and HR functions, etc., excluding costs of office space in the Company`s headquarters, which are allocated to segments since the first quarter of 2018), the Management Board of Agora S.A., Agora TC Sp. z o.o. and Agora Finanse 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.

2.2. Finance cost, net

Net financial activities of the Group for the first half of 2018 were influenced mainly by gain on sale of shares in Stopklatka S.A. in the amount of PLN 26.7 million. The Group also recognised interest income from bank deposits and incurred costs of commissions and interest on bank loans and finance lease liabilities.

3. BALANCE SHEET OF THE AGORA GROUP

Tab. 11

in PLN million	30-06-2018	31-03-2018	*% change to 31-03-2018*	31-12-2017*	*% change to 31-12-2017*
Non-current assets	**976.6**	**990.4**	**(1.4%)**	**991.3**	**(1.5%)**
share in balance sheet total	*70.6%*	*71.2%*	*(0.6pp)*	*70.5%*	*0.1 pp*
Current assets	**407.6**	**400.6**	**1.7%**	**414.4**	**(1.6%)**
share in balance sheet total	*29.4%*	*28.8%*	*0.6pp*	*29.5%*	*(0.1 pp)*
TOTAL ASSETS	**1,384.2**	**1,391.0**	**(0.5%)**	**1,405.7**	**(1.5%)**
Equity holders of the parent	**979.9**	**1,002.9**	**(2.3%)**	**995.6**	**(1.6%)**
share in balance sheet total	*70.8%*	*72.1%*	*(1.3pp)*	*70.8%*	-
Non-controlling interest	**17.8**	**21.8**	**(18.3%)**	**19.1**	**(6.8%)**
share in balance sheet total	*1.3%*	*1.6%*	*(0.3pp)*	*1.4%*	*(0.1pp)*
Non-current liabilities and provisions	**109.6**	**104.0**	**5.4%**	**106.4**	**3.0%**
share in balance sheet total	*7.9%*	*7.5%*	*0.4pp*	*7.6%*	*0.3 pp*
Current liabilities and provisions	**276.9**	**262.3**	**5.6%**	**284.6**	**(2.7%)**
share in balance sheet total	*20.0%*	*18.8%*	*1.2pp*	*20.2%*	*(0.2 pp)*
TOTAL LIABILITIES AND EQUITY	**1,384.2**	**1,391.0**	**(0.5%)**	**1,405.7**	**(1.5%)**

**data adjusted as described in note 2 to the condensed semi-annual consolidated financial statements.*

3.1. Non-current assets

The decrease in non-current assets, versus 31 March 2018 and 31 December 2017, resulted mainly from depreciation and amortisation charges of property, plant and equipment and intangible assets, which were, to some extent, compensated by new investments as well as from lower investments in equity accounted investees due to the sale of shares in Stopklatka S.A.

3.2. Current assets

The increase in current assets, versus 31 March 2018, results mainly from the increase in short-term securities, which were, to some extent, compensated by a decrease in cash and cash equivalents and lower accounts receivable. The decrease in current assets, versus 31 December 2017, results mainly from the decrease in accounts receivable and the sale of properties by Agora S.A., which were presented as non-current assets held for sale as at 31 December 2017.

3.3. Non-current liabilities and provisions

The increase in non-current liabilities and provisions, versus 31 March 2018 and 31 December 2017, stems mainly from the increase in finance lease liabilities and set up of provisions.

3.4. Current liabilities and provisions

The increase in current liabilities and provisions, versus 31 March 2018, stems mainly from the recognition of dividend liabilities and higher liabilities related to bank loans and finance lease.

The decrease in current liabilities and provisions, versus 31 December 2017, stems mainly from the decrease in accounts payables, liabilities related to purchase of property, plant and equipment and accruals, which were, to some extent, compensated by the recognition of dividend liabilities.

4. CASH FLOW STATEMENT OF THE AGORA GROUP

Tab. 12

in PLN million	**2Q 2018**	**2Q 2017**	*% change yoy*	**1H 2018**	**1H 2017**	*% change yoy*
Net cash from operating activities	(3.4)	(6.6)	*(48.5%)*	23.7	24.2	*(2.1%)*
Net cash from investment activities	(77.8)	58.1	-	12.7	37.2	*(65.9%)*
Net cash from financing activities	(4.1)	(22.4)	*(81.7%)*	(12.9)	(35.2)	*(63.4%)*
Total movement of cash and cash equivalents	**(85.3)**	**29.1**	**-**	**23.5**	**26.2**	***(10.3%)***
Cash and cash equivalents at the end of period	**42.7**	**76.4**	***(44.1%)***	**42.7**	**76.4**	***(44.1%)***

At the end of June 2018, the Group had PLN 161.0 million in cash and short-term monetary assets, which comprised cash and cash equivalents in the amount of PLN 42.7 million (cash on hand and bank accounts) and PLN 118.3 million invested in short-term securities.

In the first half of 2018, Agora S.A. has not been engaged in any currency options or any other derivatives used for speculative purposes.

On May 18, 2018, Agora S.A. signed Annex No. 1 to the Credit Line Agreement ("Agreement") with DNB Bank Polska S.A. signed on 25 May 2017 Agora S.A. on the basis of which the Company has a credit limit at its disposal of PLN 110.0 million, which can be used by May 23, 2019 in accordance with rules similar to those set out in the Agreement. According to the Agreement the Company is provided with a credit facility in the current account of up to PLN 75.0 million ("Overdraft 1") that may be used to e.g. finance or refinance acquisitions, investment expenditure and the working capital and after the Agreement period will be automatically converted into a non-renewable loan repayable in quarterly instalments. The Company is also provided with a credit facility in the current account of up to PLN 35.0 million ("Overdraft 2") that can be used within the Agreement period to finance the working capital and other corporate purposes of the Company including cash pooling facility.

As at the date of this MD&A report, considering the cash position, the cash pooling system functioning in the Group and available credit facility, the Group does not anticipate any liquidity problems with regards to its further investment plans (including capital investments).

4.1. Operating activities

The cash inflows from operating activities, in the first half of 2018, were similar to the level recorded in the comparative period of the prior year.

4.2. Investment activities

Net inflows from investing activities, in the first half of 2018, result mainly from proceeds related to the sale of property, plant and equipment and proceeds from the sale of shares in Stopklatka S.A. Those inflows were, to some extent, compensated by expenditure on property, plant and equipment and intangibles and net outflows from the purchase of short-term securities.

4.3. Financing activities

Net outflows from financing activities, in the first half of 2018, result mainly from net outflows from bank loans and repayments of finance lease liabilities.

5. SELECTED FINANCIAL RATIOS [5]

Tab.13

	2Q 2018	2Q 2017	*% change yoy*	1H 2018	1H 2017	*% change yoy*
Profitability ratios						
Net profit margin	0.1%	0.1%	*0.0pp*	1.6%	(1.3%)	*2.9pp*
Gross profit margin	29.6%	30.6%	*(1.0pp)*	29.4%	29.5%	*(0.1pp)*
Return on equity	0.1%	0.1%	*0.0pp*	1.7%	(1.4%)	*3.2pp*
Efficiency ratios						
Inventory turnover	15 days	13 days	*15.4%*	16 days	13 days	*23.1%*
Debtors days (1)	64 days	58 days	*10.3%*	66 days	61 days	*8.2%*
Creditors days (1)	27 days	30 days	*(10.0%)*	29 days	26 days	*11.5%*
Liquidity ratio						
Current ratio	1.5	1.6	*(6.3%)*	1.5	1.6	*(6.3%)*
Financing ratios						
Gearing ratio (2)	-	-	-	-	-	-
Interest cover	(34.5)	7.5	-	(7.4)	5.7	-
Free cash flow interest cover	(30.1)	(19.7)	*(52.8%)*	(17.1)	(3.3)	*(418.2%)*

1) the value of ratios in the comparative period was adjusted in connection to the adjustments of comparative amounts in the balance sheet as described in note 2 to the condensed interim consolidated financial statements.

2) as at 30 June 2018 and 30 June 2017 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. MOVIES AND BOOKS [1]

The Movies and Books segment includes the pro-forma consolidated financials of Helios S.A., NEXT FILM Sp. z o.o., Next Script Sp. z.o.o. and Foodio Concepts Sp. z o.o., which form the Helios group, and Agora's Publishing House. Since April 1, 2017, NEXT FILM Sp. z o.o. is responsible for all activities of the Agora Group in film business.

Tab. 14

in PLN million	**2Q 2018**	**2Q 2017**	*% change yoy*	**1H 2018**	**1H 2017**	*% change yoy*
Total sales, including :	**67.7**	**78.9**	***(14.2%)***	**182.8**	**205.8**	***(11.2%)***
Tickets sales	35.0	43.5	*(19.5%)*	101.3	108.1	*(6.3%)*
Concession sales	13.8	17.5	*(21.1%)*	37.8	39.7	*(4.8%)*
Advertising revenue (1)	5.7	5.6	*1.8%*	12.0	14.1	*(14.9%)*
Revenues from film activities (1), (2)	1.7	1.4	*21.4%*	7.1	21.5	*(67.0%)*
Revenues from Publishing House	9.6	8.3	*15.7%*	20.3	16.8	*20.8%*
Total operating cost, including:	**(77.5)**	**(80.6)**	***(3.8%)***	**(176.0)**	**(187.2)**	***(6.0%)***
External services (3)	(35.8)	(38.3)	*(6.5%)*	(85.8)	(96.4)	*(11.0%)*
Staff cost (3)	(12.4)	(12.2)	*1.6%*	(26.1)	(25.1)	*4.0%*
Raw materials, energy and consumables (3)	(6.8)	(7.8)	*(12.8%)*	(16.3)	(17.2)	*(5.2%)*
D&A (3)	(6.9)	(7.6)	*(9.2%)*	(14.6)	(15.9)	*(8.2%)*
Promotion and marketing (1), (3)	(4.4)	(4.4)	-	(9.1)	(11.4)	*(20.2%)*
Costs related to Publishing House (4)	(9.4)	(8.2)	*14.6%*	(19.4)	(16.6)	*16.9%*
EBIT	**(9.8)**	**(1.7)**	***(476.5%)***	**6.8**	**18.6**	***(63.4%)***
EBIT margin	*(14.5%)*	*(2.2%)*	*(12.3pp)*	*3.7%*	*9.0%*	*(5.3pp)*
EBITDA (4)	**(2.6)**	**6.1**	**-**	**21.9**	**34.9**	***(37.2%)***
EBITDA margin	*(3.8%)*	*7.7%*	*(11.5pp)*	*12.0%*	*17.0%*	*(5.0pp)*

(1) 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;

(2) the amounts comprise mainly the revenues from co-production and distribution of films;

(3) the amounts do not include costs related to Publishing House division;

(4) the amounts include D&A cost in Publishing House division, which in the first half of 2018 amounted to PLN 0.5 million, and PLN 0.3 million in the second quarter of 2018 (in the comparable period of 2017 it amounted to PLN 0.4 million and PLN 0.2 million, respectively).

The segment's financial result was under pressure due to lower attendance in Polish cinemas both in the second quarter and the entire first half of 2018. As a result, in the second quarter of 2018, the loss recorded by the Movies and Books segment at the EBITDA level was PLN 2.6 million and at the EBIT level it amounted to PLN 9.8 million.

In the first half of 2018, the Movies and Books segment's operating results on the EBIT and EBITDA levels were lower yoy and amounted to PLN 6.8 million and PLN 21.9 million, respectively.

1. REVENUE [3]

In the second quarter of 2018, the revenue recorded by the Movies and Books segment decreased by 14.2% yoy and amounted to PLN 67.7 million.

In the second quarter of 2018, the segment recorded lower yoy revenues from ticket sales, totalling PLN 35.0 million, and lower yoy concession sales, amounting to PLN 13.8 million. The drop in both categories of revenues was influenced by lower yoy cinema attendance – during this period, the number of viewers visiting Helios cinemas amounted to 1.9 million and decreased by 21.0% yoy.

However, revenue from advertising sales in the Helios cinemas went up yoy to PLN 5.7 million. This is related to increased number of advertising campaigns settled in the form of barter.

In the second quarter of 2018, the Movies and Books segment's total revenue from film co-production and distribution grew yoy and amounted to PLN 1.7 million. During this period, NEXT FILM did not release new film productions for cinema distribution, but cinemas still showed films released to the big screen in previous periods. The segment also recorded inflows from the sale of rights to screen selected movies in paid TV channels.

In the second quarter of 2018, revenues of Agora's Publishing House totalled PLN 9.6 million and grew by 15.7% yoy.

Agora's Publishing House sold approximately 0.4 million books in the second quarter of 2018. Some of the best-selling titles were, among others, books about mountaineering: *Spod zmarzniętych powiek* by Adam Bielecki and Dominik Szczepański and *Skazany na góry* by Denis Urubko, as well as *Czerwony Głód* (Red Famine: Stalin's War on Ukraine) by Anne Applebaum and *Dodaj do znajomych* by Zuzanna Łapicka, the music albums *Dobrze, że jesteś* by Zbigniew Wodecki and *LP1* by Lady Pank, as well as the film *Twój Vincent* (Loving Vincent) on DVD.

In the first half of 2018, total revenue of the Movies and Books segment amounted to PLN 182.8 million and decreased by 11.2% yoy. Record-high revenues from the Group's film business segment made a significant contribution to the level of the segment's revenue in 2017.

In the first half of 2018, the segment recorded lower yoy revenues from ticket sales, totalling PLN 101.3 million, and decreased yoy concession sales, amounting to PLN 37.8 million. The drop in both categories of revenues was affected by lower yoy cinema attendance – during this period, the number of viewers visiting Helios cinemas amounted to 5.3 million and decreased by 10.1% yoy.

In the first half of 2018, the Movies and Books segment's total revenue from film co-production and distribution amounted to PLN 7.1 million, showing a considerable decrease yoy. In the first half of 2017, the level of revenue from the Group's film business was highly influenced by the revenues contributed by the films *Sztuka kochania. Historia Michaliny Wisłockiej* and *Po prostu przyjaźń.* In the first half of 2018, NEXT FILM released two new Polish film productions for cinema distribution: *Plan B* and *Kobieta sukcesu*. At the same time, cinemas continued screening films introduced to the cinemas in earlier periods. However, these films attracted fewer viewers compared to those released by the company in the same period of 2017.

In the first half of 2018, revenue of Agora's Publishing House amounted to PLN 20.3 million, and increased by 20.8% yoy.

Agora's Publishing House sold approximately 0.7 million books in the first half of 2018. Some of the best-selling titles were, among others, books about mountaineering: *Spod zmarzniętych powiek* by Adam Bielecki and Dominik Szczepański, *Kurtyka. Sztuka wolności* (Art of Freedom – The life and climbs of Voytek Kurtyka) by Bernadette McDonald, and *Skazany na gory* by Denis Urubko, as well as *Czerwony Głód* (Red Famine: Stalin's War on Ukraine) by Anne Applebaum. In addition, the list of best-selling titles included the music albums *The greatest hits* by Sławomir, *Dobrze, że jesteś* by Zbigniew Wodecki and *LP1* by Lady Pank, as well as films on DVD: season two of *Belfer* TV series and *Twój Vincent* (Loving Vincent).

2. COST

In the second quarter of 2018, the operating costs of the Movies and Books segment decreased by 3.8% yoy and amounted to PLN 77.5 million.

The drop in the segment's operating costs in that period resulted from lower yoy costs of external services (down by 6.5% yoy) associated mainly with lower costs of film copy purchase due to decreased cinema attendance in Helios cinemas. As a result of lower concession sales, a 12.8% yoy decrease was recorded in the costs of materials and energy consumed and in the value of goods and materials sold. Lower yoy costs of depreciation were the result of shortening of the depreciation period for selected cinema projectors in the fourth quarter of 2017.

However, there was a 1.6% yoy increase in staff costs, which amounted to PLN 12.4 million. This increase was attributable mostly to a higher headcount - due to an increase in the number of Helios cinemas - and - to an increase in the minimum hourly wage from PLN 13.0 to PLN 13.7.

The operating costs of Agora's Publishing House were also higher (up by 14.6% yoy) and amounted to PLN 9.4 million. This increase was associated with higher book sales and printing additional copies of popular titles.

In the first half of 2018, the operating costs of the Movies and Books segment decreased by 6.0% yoy and amounted to PLN 176.0 million.

The decrease in the segment's operating costs in the first half of 2018 resulted mainly from lower yoy costs of external services (down by 11.0% yoy) due to lower yoy payments to film producers with regard to films released for cinema distribution by NEXT FILM due to the fact that they attracted smaller number of viewers than films screened in the first half of 2018. A 20.2% yoy decrease in promotion and marketing costs, which totalled PLN 9.1 million, was another factor contributing to the drop in the segment's operating costs. This reduction is the result of a yoy decrease in spending on promotion in the film distribution area. Lower yoy costs of depreciation were the result of shortening of the depreciation period for selected cinema projectors in the fourth quarter of 2017. A 5.2% yoy decrease was recorded in the costs of materials and energy consumed and in the value of goods and materials sold as a result of lower yoy concession sales.

However, there was a 4.0% yoy increase in staff costs, which amounted to PLN 26.1 million. Such costs were attributable mostly to a higher headcount due to an increase in the number of Helios cinemas and to an increase in the minimum hourly wage from PLN 13.0 to PLN 13.7.

The operating costs of Agora's Publishing House were also higher (up by 16.9% yoy) and amounted to PLN 19.4 million. The increase was driven, among other things, by the high popularity of books about mountaineering and the fact that additional copies were printed by Agora's Publishing House in the first half of 2018.

3. NEW INITIATIVES

The Helios cinema chain continues to pursue its growth plans. In February 2018, it signed a contract regarding the opening of a new multiplex in Piła. A 4-screen, 700-seat cinema will be located in the VIVO! Piła shopping centre and will invite movie fans in spring 2019.

In June 2018, the Helios cinema chain opened its latest, 45th venue in the Forum Gdańsk shopping and entertainment centre. This is the fourth Helios multiplex in Tricity. A total of 1,100 viewers can watch movies in nine modern auditoriums. The Helios Dream project was launched in the newly-opened cinema. According to this innovative concept, auditoriums should be an intimate and cozy space for watching movies, offering top quality sound and image. In the recently opened Helios multiplex in the Forum Gdańsk, cinemagoers can buy tickets to two Helios Dream screening rooms equipped with leather recliners with electric seat adjustment, 4K image resolution and Dolby Atmos sound.

What is more, three new screens were added at the Helios cinema in Konin in the second quarter of 2018. At present, Helios is the largest cinema chain in Poland with regard to the number of venues – it has 45 locations with 253 screens and over 50,000 seats.

In February 2018, *Plan B* – the latest movie by Kinga Dębska, the author of the blockbuster *Moje córki krowy,* was released in Poland and was promoted and distributed byNEXT FILM company in April 2017. *Kobieta sukcesu*, a romantic comedy directed by Robert Wichrowski and casting young generation stars in the main roles, premiered in March 2018. NEXT FILM is the movie's co-producer and distributor.

Some film productions launched in cinemas by NEXT FILM were released on DVD in the first half of 2018. These were, for example: *Tarapaty*, the most popular Polish family movie; *Plan B*, a comedy featuring A-list stars; *Loving Vincent* nominated for the Academy Award; and the second season of the popular criminal drama *Belfer*.

The Agora's Publishing House has some new interesting offers for Polish music fans. The most popular albums are: *Dobrze, że jesteś*, an album-tribute for the late Zbigniew Wodecki, comprising material selected by the artist and his unfinished songs, and *LP1*, a remake of the first and iconic album of Lady Pank, featuring several top Polish artists. Readers enjoyed Agora Publishing House's new titles, especially *Dodaj do znajomych* - the book of first-time novelist Zuzanna Łapicka and Jerzy Bralczyk's, Lucyna Kirwil's and Karolina Oponowicz's *Pokochawszy. O miłości w języku*, as well as the next edition of the *Skazany na góry* by Denis Urubko, a bestseller in the mountaineering book category.

In March 2018, Helios S.A. concluded an investment agreement with its business partners in order to set up a company active in the food service industry. The objective of the new company is to open several restaurants in the fast casual segment within four years. The first restaurant is going to be opened already in the second half of 2018.

With this project, the Agora Group is starting its business activity in a completely new market segment, responding to a growing popularity of eating out among Poles and the growth of value of the Polish food service industry. This initiative complements the offer of Agora Group and the Helios cinema chain in the entertainment category.

IV.B. PRESS [1]

The Press segment includes the pro-forma consolidated financials of *Gazeta Wyborcza* and Magazines division.

Tab. 15

in PLN million	**2Q 2018**	**2Q 2017**	***% change yoy***	**1H 2018**	**1H 2017**	***% change yoy***
Total sales, including (3):	**54.7**	**62.8**	***(12.9%)***	**104.4**	**115.4**	***(9.5%)***
Copy sales	25.5	29.5	*(13.6%)*	52.3	57.5	*(9.0%)*
incl. Gazeta Wyborcza	*21.8*	*24.3*	*(10.3%)*	*44.6*	*47.4*	*(5.9%)*
incl. Magazines	*1.8*	*2.8*	*(35.7%)*	*4.0*	*5.9*	*(32.2%)*
Advertising revenue (1), (2)	27.8	32.2	*(13.7%)*	49.8	55.9	*(10.9%)*
incl. Gazeta Wyborcza (6)	*22.1*	*24.8*	*(10.9%)*	*39.3*	*43.3*	*(9.2%)*
incl. Magazines	*4.3*	*5.9*	*(27.1%)*	*8.0*	*10.1*	*(20.8%)*
Total operating cost, including (3), (4):	**(71.2)**	**(58.9)**	***20.9%***	**(125.5)**	**(113.9)**	***10.2%***
Raw materials, energy, consumables and printing services	(13.9)	(15.2)	*(8.6%)*	(27.9)	(30.0)	*(7.0%)*
Staff cost	(24.9)	(26.0)	*(4.2%)*	(50.8)	(52.2)	*(2.7%)*
D&A	(0.4)	(0.4)	-	(0.7)	(0.8)	*(12.5%)*
Promotion and marketing (1)	(6.4)	(8.0)	*(20.0%)*	(11.8)	(14.2)	*(16.9%)*
Cost of restructuring (5)	(2.2)	-	-	(2.2)	-	-
Impairment loss for receivables (7)	(15.6)	-	-	(16.3)	-	-
EBIT	**(16.5)**	**3.9**	**-**	**(21.1)**	**1.5**	**-**
EBIT margin	*(30.2%)*	*6.2%*	*(36.4pp)*	*(20.2%)*	*1.3%*	*(21.5pp)*
EBITDA	**(16.1)**	**4.3**	**-**	**(20.4)**	**2.3**	**-**
EBITDA margin	*(29.4%)*	*6.8%*	*(36.2pp)*	*(19.5%)*	*2.0%*	*(21.5pp)*

(1) 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;

(2) the data include inflows from the sales of advertising on the websites: Wyborcza.pl, Wyborcza.biz, Wysokie obcasy.pl as well as on the local webistes;

(3) the data include transfer of magazines' websites from the Magazines division in the Press segment to the Internet segment. The presentation of data for the corresponding periods of time was adjusted accordingly ;

(4) the data include the allocated costs of office space occupied by the segment. The presentation of data for the corresponding periods of 2017 was adjusted accordingly;

(5) the amounts include the costs of the provision related to the restructuring of the publishing activity in the Magazine division due to the suspension of publishing selected titles: Cztery Kąty, Ładny Dom, Dziecko *i* Niezbędnik ogrodnika*;*

(6) the data includes advertising revenues in Gazeta Wyborcza's *paper editions as well as advertisements published on Wyborcza.pl, Wyborcza.biz, Wysokieobcasy.pl and local websites. The comparative data for 2017 have been restated accordingly;*

(7) the amounts include write-off of receivables from one of the Company's contractors, which are burdened with a large probability of being uncollectible. Due to legal expertise received by the Company, Agora did not disclose the name of the contractor.

Both in the second quarter and in the first half of 2018, the Press segment recorded a yoy decrease in its financial results. This was influenced to a large extent by write-offs of receivables from one of the business partners of the

Company amounting to PLN 15.6 million recognised in the second quarter of 2018 (in the entire first half of 2018, the write-offs of receivables totalled PLN 16.3 million). In June 2018, Agora decided to discontinue publication of four magazines: *Cztery Kąty, Ładny Dom, Dziecko* and *Niezbędnik ogrodnika*, starting from their October issues. Consequently, a restructuring provision of PLN 2.2 million was established and charged to the financial results for the second quarter and the first half of 2018.

In the second quarter of 2018 and in the first half of 2018, the Press segment's revenue continued to be under pressure of market trends, while the reduction of the production and promotion and marketing costs as well as growing revenue from digital offer had a positive impact on its financial results.

1. REVENUE

In the second quarter of 2018, total revenue of the Press segment amounted to PLN 54.7 million and decreased by 12.9% yoy, mainly due to negative trends in the press market.

A decrease in advertising sales by 13.7% yoy had an impact on the segment's lower yoy revenue. It was mainly the result of lower sales of advertising services in the paper issue of *Gazeta Wyborcza*, of the discontinuation of the magazines *Dom&Wnętrze* and *Magnolia*, as well as of the sale of publication rights to *Świat Motocykli*. During the period in question, revenues from copy sales also decreased (down by 13.6% yoy). This was mainly due to reduced levels of copy sales of printed press, a lower number of dual-price editions and the discontinuation of selected magazines. At the same time, the segment recorded higher yoy revenue from digital subscriptions of *Gazeta Wyborcza* and from the sale of advertising on *Gazeta Wyborcza* websites.

In the first half of 2018, total revenue of the Press segment decreased by 9.5% yoy to PLN 104.4 million, mainly due to adverse trends in the press market.

A decrease in advertising sales by 10.9% yoy had an impact on the segment's lower yoy revenue. It was mainly the result of lower yoy sales of advertising services in the paper issue of *Gazeta Wyborcza*, of the discontinuation of the magazines *Dom&Wnętrze* and *Magnolia*, and of the sale of publication rights to *Świat Motocykli*. During the period in question, revenues from copy sales also decreased (down by 9.0% yoy). This was mainly due to reduced levels of copy sales of printed press, a lower yoy number of dual-price editions and the discontinuation of selected magazines. At the same time, the segment recorded higher yoy revenue from digital subscriptions of *Gazeta Wyborcza* and from the sale of advertising on *Gazeta Wyborcza* websites.

1.1. Copy sales

1.1.1. Copy sales and readership of Gazeta Wyborcza *[4]*

In the second quarter of 2018, *Gazeta Wyborcza* maintained its leading position among the opinion-forming dailies. The average payable distribution of *Gazeta Wyborcza* amounted to 106 thousand copies and decreased by 17.5% yoy. In the analysed period, the revenue from copy sales of *Gazeta Wyborcza* decreased by 10.3% yoy. In the period under discussion, the weekly readership of *Gazeta Wyborcza* stood at 3.5% (1.0 million readers; CCS, weekly readership index), which placed it as the second daily among nationwide dailies.

In the first half of 2018, *Gazeta Wyborcza* maintained its leading position among the opinion-forming dailies. The average payable distribution of *Gazeta Wyborcza* amounted to 108 thousand copies and decreased by 17.1% yoy. In the analysed period, the revenue from copy sales of *Gazeta Wyborcza* decreased by 9.2% yoy. In the period under discussion, the weekly readership of *Gazeta Wyborcza* stood at 3.7% (1.1 million readers; CCS, weekly readership index), which placed it as the second daily among nationwide dailies.

1.1.2. Copy sales of Agora's magazines

Both in the second quarter and in the entire first half of 2018, the level of revenue from copy sales was adversely affected not only by trends in the printed press market, but also by the decision to discontinue the *Magnolia* monthly and the *Dom&Wnętrze* bimonthly as of the end of 2017. Additionally, in January 2018, publication rights to the *Świat Motocykli* monthly were sold.

In the second quarter of 2018, revenue from copy sales of Agora's monthlies decreased by 35.7% yoy and in the entire first half of 2018 a 32.2% yoy decrease in revenues was recorded. In the second quarter, the average number of copies sold by Agora's monthlies was 143.2 thousand, showing a decrease by 34.6% yoy. In the entire first half of 2018, the average number of copies sold by Agora's monthlies was 158.9 thousand, showing a decrease by 29.5% yoy.

1.2. Advertising sales [3]

1.2.1. Advertising sales of Gazeta Wyborcza

In the second quarter of 2018, *Gazeta Wyborcza*'s net advertising revenue (including display advertising, classifieds, inserts and online advertising) amounted to PLN 22.1 million (down by 10.9% yoy).

In the first half of 2018, *Gazeta Wyborcza*'s net advertising revenue (including display advertising, classifieds, inserts and online advertising) amounted to PLN 39.3 million (down by 9.2% yoy).

In the second quarter of 2018, the ad spend in dailies in Poland decreased by almost 8.0% yoy. In the discussed period of time, *Gazeta Wyborcza*'s revenues from display advertising decreased by 15.5% yoy, and its estimated share in display ad spend in dailies decreased by over 2.5pp yoy and amounted to almost 30.0%.

In the second quarter of 2018, *Gazeta Wyborcza*'s share in the national newspapers ad spend amounted to ca. 40.5% and decreased by ca 3.0pp yoy. During this period of time, *Gazeta Wyborcza*'s share in Warsaw ad spend in dailies increased by almost 1.0pp yoy. At the same time, *Gazeta Wyborcza*'s share in local dailies (excluding Warsaw) decreased by ca. 1.5pp yoy.

In the first half of 2018, the adspend in dailies in Poland decreased by over 7.0% yoy. *Gazeta Wyborcza*'s revenues from display advertising decreased by almost 13.5% yoy, and its estimated share in display ad spend in dailies decreased by over 2.0pp yoy and amounted to over 29.5%.

In the first half of 2018, *Gazeta Wyborcza*'s share in the national newspapers ad spend amounted to over 38.5% and decreased by 3.0pp yoy. At that time, *Gazeta Wyborcza*'s share in Warsaw ad spend in newspapers increased by over 1.5pp yoy. In the analysed period, *Gazeta Wyborcza*'s share in local dailies (excluding Warsaw) decreased by almost 1.5pp.

One should bear in mind that these advertising market estimations may represent some margin of error due to significant discounting pressure on the part of the advertisers. Once the Company has more reliable market data, it may adjust the ad spending estimations in the consecutive reporting periods.

1.2.2. Advertising sales of Agora's magazines

In the second quarter of 2018, the advertising sales of the Agora's magazines decreased by 27.1% yoy to PLN 4.3 million. At the same time advertisers limited their expenditure in the magazines by 7.5% yoy. Agora had 3.6% share in the total national magazines ad spend (based on rate card data) *[7]* and 7.1% share in monthlies (based on rate card data) *[7]*.

In the first half of 2018, the advertising sales of the Agora's magazines decreased by 20.8% yoy to PLN 8.0 million. At the same time, advertisers limited their expenditure in the magazines by ca 6.5% yoy. Agora had 3.5% share in the total national magazines ad spend (based on rate card data) *[7]* and 7.2% share in monthlies (based on rate card data) *[7]*.

The drop in advertising revenues of Agora's monthlies resulted from the decision to cease publication of the monthly *Magnolia* and bi-monthly *Dom&Wnętrze* as well as the sales of rights to publish the monthly *Świat motocykli.*

2. COST

In the second quarter of 2018, the segment's operating costs increased by 20.9% yoy and amounted to PLN 71.2 million. This was influenced to a large extent by write-offs of receivables from one of the Company's business partners amounting to PLN 15.6 million and the establishment of a PLN 2.2 million provision related to the restructuring costs related to discontinuation of several periodicals.

The yoy increase in operating costs was partly reduced by lower yoy costs of materials, energy, printing goods and services caused by lower yoy volumes of *Gazeta Wyborcza* and the decision to discontinue the *Dom&Wnętrze* and

Magnolia magazines, as well as the sale of publication rights to *Świat Motocykli.* Moreover, promotion and marketing costs were lower by 20.0% yoy, mainly in *Gazeta Wyborcza* and staff costs decreased yoy to PLN 24.9 million.

In the first half of 2018, the operating costs of the segment increased by 10.2% yoy to PLN 125.5 million. The factor that contributed to the yoy increase in the level of operating costs was a write-off of ovrdue receivables from the Company's business partner totalling PLN 16.3 million and the establishment of a PLN 2.2 million provision related to the restructuring costs related to the discontinuation of several periodicals.

Both in the second quarter and in the entire first half of 2018, the level of operating costs for the segment was also impacted by higher yoy costs of newsprint.

The yoy increase in operating costs was partly reduced by lower costs of materials, energy, printing goods and services due to lower printing volumes of *Gazeta Wyborcza* and the decision to discontinue publication of *Dom&Wnętrze* and *Magnolia* magazines, as well as the sales of publication rights to *Świat Motocykli.* Moreover, promotion and marketing costs were 16.9% lower yoy, mainly in *Gazeta Wyborcza* and the staff cost was reduced to PLN 50.8 million, mainly due to a drop in a variable component of remuneration.

3. NEW INITIATIVES

At the end of April 2018, *Gazeta Wyborcza* joined the elite Leading European Newspaper Alliance (LENA), whose goal is to raise journalistic standards, share editorial work on important material and promote high-quality journalism in Europe. The editorial office of *Gazeta Wyborcza* is the first one to join the group of LENA's founders, which are top 7 titles from 6 European countries. The LENA membership has so far resulted in the issue of a new Tuesday supplement of the *Gazeta Wyborcza* called *Więcej świata* and a Wyborcza.pl/wiecejswiata website.

In the first half of 2018, Agora's magazine team prepared redesigned versions of the most popular monthlies, *Avanti*, *Logo* and *Kuchnia*. The April issues of these titles rolled out a refreshed, attractive formula with new sections and articles by new authors.

The bimonthly *Książki. Magazyn do czytania* has been constantly improving its publishing format. With a record volume of 118 pages, the April issue featured a new look, allowing a reader-friendly presentation both of the new sections introduced in the previous issue and of additional graphic forms.

At the beginning of July 2018, further changes were introduced to the Press segment. They are the result of streamlining Agora's press portfolio. *Gazeta Wyborcza* took over the responsibility for four magazines published so far by the Magazine Division, namely: *Avanti*, *Logo*, *Kuchnia* and *Opiekun*. Moreover, the newspaper was handed down the responsibilities of Agora Custom Publishing, the team active in the publishing and marketing areas. The remaining magazines, i.e. *Cztery Kąty*, *Ładny Dom*, *Dziecko* and *Niezbędnik ogrodnika* are going to be suspended from the October issues that will be published in September 2018.

The third edition of the urban cultural Co Jest Grane 24 Festival took place on 15th & 16th June 2018. Ujazdowski Castle Centre for Contemporary Art in Warsaw was the venue of the ticketed festival for the second time. 16 concerts, 2 spectacles, 18 audience-artists meetings, workshops, games, music films and short films, an extensive programme for children and good food attracted over 15,000 visitors this year.

IV.C. OUTDOOR

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

Tab. 16

in PLN million	2Q 2018	2Q 2017	*% change yoy*	1H 2018	1H 2017	*% change yoy*
Total sales, including:	**47.3**	**45.2**	***4.6%***	**83.2**	**80.5**	***3.4%***
Advertising revenue (1)	46.9	44.5	*5.4%*	82.4	79.2	*4.0%*
Total operating cost, including:	**(36.6)**	**(33.1)**	***10.6%***	**(69.1)**	**(62.7)**	***10.2%***
Maintenance cost (1)	(14.1)	(13.5)	*4.4%*	(27.5)	(26.9)	*2.2%*
Execution of campaigns (1)	(7.1)	(6.7)	*6.0%*	(12.5)	(11.8)	*5.9%*
Staff cost	(5.9)	(5.3)	*11.3%*	(11.4)	(10.3)	*10.7%*
Promotion and marketing	(1.5)	(1.1)	*36.4%*	(2.5)	(2.0)	*25.0%*
D&A	(5.0)	(4.2)	*19.0%*	(9.9)	(8.5)	*16.5%*
Impairment losses (2)	0.1	-	-	0.2	-	-
EBIT	**10.7**	**12.1**	***(11.6%)***	**14.1**	**17.8**	***(20.8%)***
EBIT margin	*22.6%*	*26.8%*	*(4.2pp)*	*16.9%*	*22.1%*	*(5.2pp)*
EBITDA (3)	**15.6**	**16.3**	***(4.3%)***	**23.8**	**26.3**	***(9.5%)***
EBITDA margin	*33.0%*	*36.1%*	*(3.1pp)*	*28.6%*	*32.7%*	*(4.1pp)*
Number of advertising spaces (3)	24,322	24,089	*1.0%*	24,322	24,089	*1.0%*

(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) the amounts include reversals of impairment losses on non-current assets included in the calculation of the EBIDTA index;

(3) excluding small advertising panels of AMS group installed on bus shelters as well as advertising panels on busses and trams.

In the second quarter of 2018, the Outdoor Advertising segment's EBITDA decreased to PLN 15.6 million due to a 10.6% yoy increase in the level of operating costs. The EBITDA margin reached the level of 33.0%.

In the first half of 2018, the segment's EBITDA decreased yoy to PLN 23.8 million, while the EBITDA margin decreased to 28.6%.

The segment's results were adversely impacted by the higher yoy operating costs and a lower result from other operating activities. In the first half of 2017, the result included profits from the sale of system of panels in Warsaw metro cars after the contract for their exploitation had been completed.

1. REVENUE [8]

In the second quarter of 2018, outdoor advertising spending, as estimated by IGRZ (the Outdoor Advertising Chamber), increased by 3.5% yoy. In the entire first half of 2018, spending in the outdoor advertising market was almost 2.0% higher yoy.

In the second quarter of 2018, the estimated share of AMS in outdoor advertising expenditure amounted to over 32.5%, and in the entire first half of 2018 to 33.5% *[8]*.

Both in the second quarter and in the entire first half of 2018, the AMS group's advertising sales grew in comparison to the corresponding periods of 2017 (increase by 5.4% yoy and by 4.0% yoy, respectively). The growth of AMS group's revenue was positively affected by advertisers' higher spending on campaigns on Citylight Premium panels, Digital and City Transport segments.

2. COST

The AMS group recorded a yoy increase in operating costs, both in the second quarter and in the entire first half of 2018, by 10.6% and 10.2%, respectively.

Higher system maintenance costs (up by 4.4% yoy in the second quarter of 2018 and by 2.2% yoy in the first half of 2018) were mainly due to higher lease and ongoing maintenance costs as a result of developing the AMS' offering in the digital area.

The costs of executed campaigns increased by 6.0% yoy in the second quarter of 2018 and by 5.9% yoy in the first half of 2018 as a result of a higher number of advertising campaigns executed on advertising panels on buses and higher yoy volume of posters printed for the customers.

The increase in staff costs by 11.3% yoy in the second quarter and by 10.7% yoy in the first half of 2018 resulted from better performance in terms of sales targets which, among other things, caused the yoy growth of variable components of remuneration. The creation of higher yoy provision for the Group's motivation plans also influenced the level of this cost position.

A yoy increase in promotion and marketing costs in the second quarter of 2018 by 36.4% was triggered by higher total costs of non-profit/commercial campaigns, where the non-profit part is settled in the form of barter and charged to promotion and marketing costs. In the entire first half of 2018, marketing and promotion expenses increased by 25.0% yoy due to a higher costs of advertising associated with sponsorship campaigns and higher total costs of non-profit/commercial campaigns.

High yoy depreciation costs result from execution of agreements on the construction and use of bus/tram shelters in Warsaw and Krakow.

3. NEW INITIATIVES

AMS expanded its urban furniture offer. It run a pilot, eco-friendly project called *Zielone przystanki* in Cracow, an initiative set up by the trilateral agreement between the Board of Communal Infrastructure and Transportation, the Board of Parks and Recreation and AMS. Moreover, in Lublin and Poznan it presented a fully solar powered advertising pole at the Dobra Energia conference. The technologically and architecturally advanced structure is the effect of years of tests and experiences.

AMS also works on new solutions in the field of digital outdoor. During the Congress of Polish Urban Planning in Gdynia, the firm presented free-standing digital citylight and digital panels integrated with bus/tram shelters. Since May 2018, AMS's customers can place their advertisement on the screens of over 2,300 Planet Cash ATMs. This type of promotion ensures a broad campaign reach and an undisturbed contact with the recipient. Adverts are displayed in a static and video form, advertisers my take advantage of geotargeting and exclusivity guarantee.

IV.D. INTERNET [1], [6]

The Internet segment includes the pro-forma consolidated financials of Agora's Internet Department, Trader.com (Polska) Sp. z o.o., Yieldbird Sp. z o.o., Sir Local Sp. z o.o. (till March 31, 2017), GoldenLine Sp. z o.o. and Optimizers Sp.z o.o.

Tab. 17

in PLN million	**2Q 2018**	**2Q 2017**	***% change yoy***	**1H 2018**	**1H 2017**	***% change yoy***
Total sales , including (2)	**46.5**	**42.0**	***10.7%***	**86.7**	**81.0**	***7.0%***
Display ad sales (1), (2)	41.2	35.3	*16.7%*	75.6	66.6	*13.5%*
Total operating cost, including (3)	**(40.6)**	**(35.7)**	***13.7%***	**(78.2)**	**(74.8)**	***4.5%***
External services	(20.9)	(17.4)	*20.1%*	(39.0)	(34.0)	*14.7%*
Staff cost	(13.6)	(13.0)	*4.6%*	(28.0)	(27.2)	*2.9%*
D&A	(1.1)	(1.3)	*(15.4%)*	(2.3)	(2.5)	*(8.0%)*
Promotion and marketing (1)	(3.7)	(2.9)	*27.6%*	(6.3)	(8.6)	*(26.7%)*
EBIT	**5.9**	**6.3**	***(6.3%)***	**8.5**	**6.2**	***37.1%***
EBIT margin	*12.7%*	*15.0%*	*(2.3pp)*	*9.8%*	*7.7%*	*2.1pp*
EBITDA	**7.0**	**7.6**	***(7.9%)***	**10.8**	**8.7**	***24.1%***
EBITDA margin	*15.1%*	*18.1%*	*(3.0pp)*	*12.5%*	*10.7%*	*1.8pp*

(1) the amounts do not include total revenues and 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 exclude the inter-company sales between Agora's Internet Department, Trader.com (Polska) Sp. z o.o., Yieldbird Sp. z o.o., Sir Local Sp. z o.o., GoldenLine Sp. z o.o. and Optimizers Sp. z o.o.;

(2) the data include transfer of magazines' websites from the Magazines division in the Press segment to the Internet segmen, as well as reassignment of incomes from e-commerce transactions from other revenues to advertising revenues. The presentation of data for the corresponding period of 2017 was adjusted accordingly;

(3) the data include the allocated costs of office space occupied by the Agora's Internet Department. The presentation of data for the corresponding period of 2017 was adjusted accordingly.

In the second quarter of 2018, the financial result of the Internet segment at the EBIT level decreased yoy to PLN 5.9 million and at the EBITDA level – to PLN 7.0 million *[1]*. The decrease was mainly caused by the segment's higher yoy operating costs and especially a negative balance of barter transactions. Excluding the impact of barter transaction the segment's result on the EBIT and EBITDA level would be higher yoy. In the entire first half of 2018, the Internet segment's EBIT amounted to PLN 8.5 million and decreased by 37.1% yoy. However, the segment's EBITDA increased by 24.1% yoy to PLN 10.8 million.

1. REVENUE

In the second quarter of 2018., the Internet segment's total revenue increased by 10.7% yoy to PLN 46.5 million. In the first half of 2018, the Internet segment's total revenue increased by 7.0% yoy and amounted to PLN 86.7 million. Both in the second quarter and the entire first half of 2018, higher advertising sales generated by Yieldbird were the main factor behind the increase in the segment's revenue.

2. COST

In the second quarter of 2018, the Internet segment's operating costs went up by 13.7% yoy, and in the entire first half of 2018 they increased by 4.5% yoy to PLN 78.2 million. The increase in operating costs was largely driven by higher spending on external services, associated mainly with lease of advertising space.

In the second quarter of 2018, the costs of external services increased by 20.1% yoy to PLN 20.9 million, and in the entire first half of 2018 they went up by 14.7% yoy. The increase in expenditure on external services was mostly driven by higher yoy lease costs of advertising space for Yieldbird. The increase in this cost category was, however, offset by higher revenues from the sale of advertising.

In the first half of 2018, promotion and marketing costs decreased by 26.7% yoy. The decrease was mainly due to lower expenditure on promotion for the Gazeta.pl and Goldenline.pl websites, despite higher yoy spending on promotion for the Sport.pl website in the second quarter of 2018.

Both in the second quarter and the first half of 2018, staff costs increased by 4.6% and 2.9%, respectively. This was mainly due to an increased headcount at Yieldbird, higher bonuses and awards as well as a higher holiday provision.

3. IMPORTANT INFORMATION ON INTERNET ACTIVITIES

In June 2018, the overall reach of the Gazeta.pl group websites among Polish Internet users stood at 59.4%, and the number of users reached 16.2 million. The total number of page views of the Gazeta.pl group websites reached 637.2 million, with the average viewing time was 54 minutes per user *[6]*.

In June 2018, 11.5 million Internet users (reach of 42.3%) viewed the websites of Gazeta.pl group on mobile devices, which made the Gazeta.pl group the ninth market player according to a survey by Gemius PBI. The number of mobile page views amounted to 403.9 million, and the share of mobile page views on the websites of Gazeta.pl group stood at 63.4% and was the highest among Polish horizontal portals *[6]*.

The websites of Gazeta.pl group are ranked among the top thematic market players. In accordance with the data from Gemius PBI for June 2018, Gazeta.pl group is the runner-up in the Local and regional news category. The group's website rank third in the following categories: Information and journalism – general, Work (e.g. Gazetapraca.pl), Sport (e.g. Sport.pl), Gossip, celebrity life (e.g. Plotek.pl). The group's websites also rank third in the categories of Construction and real property as well as Fashion and beauty (e.g. Avanti24.pl).

4. NEW INITIATIVES

In the first half of 2018, the Internet Division expanded its offer both for internauts and advertisers.

The advertisement office of Gazeta.pl prepared new, non-intrusive advertisement forms that help attract users' attention effectively. Modern and user-friendly solutions for PCs and mobile devices were developed in line with Coalition for Better Ads and Google standards as, among many things, a solution to the problem of irritating forms that lead internauts to install ad blockers.

Since April 2018, all entertainment contents prepared by the editors of the Gazeta.pl portal have been published on the Buzz.Gazeta.pl website. It is a website dedicated to those interested in what is new and popular in the Internet: a base of funny and shocking information, video material enjoying record viewership, sensational tabloid articles, memes and photo galleries.

In June 2018, an image campaign of the Sport.pl brand under the slogan *Sport.pl to jest Twój live* was launched throughout Poland to promote the website and the most popular Polish sports mobile application Sport.pl LIVE. Kamil Grosicki, brand ambassador, starred in the adverts broadcasted before the Football World Cup on the radio and shown in TV, the Internet, the press, the cinema and on outdoor advertising panels.

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, which are parts of the Agora Group. These include: 23 Golden Hits (Złote Przeboje) local radio stations, 4 local radio stations under the brand Rock Radio, 8 local stations broadcasting under the brand Radio Pogoda (since March 2018 Radio Pogoda broadcasts in Gdańsk) and a super-regional news radio TOK FM broadcasting in 23 metropolitan areas (in July 2017 Radio TOK FM started broadcasting in Tarnowskie Góry).

Tab. 18

in PLN million	**2Q 2018**	**2Q 2017**	***% change yoy***	**1H 2018**	**1H 2017**	***% change yoy***
Total sales, including :	**29.2**	**27.9**	***4.7%***	**55.2**	**53.7**	***2.8%***
Radio advertising revenue (1), (2)	25.1	23.9	*5.0%*	46.9	44.9	*4.5%*
Total operating cost, including: (2)	**(23.4)**	**(23.1)**	***1.3%***	**(47.1)**	**(48.6)**	***(3.1%)***
External services	(10.4)	(10.2)	*2.0%*	(21.4)	(20.6)	*3.9%*
Staff cost	(8.2)	(7.6)	*7.9%*	(16.3)	(15.3)	*6.5%*
D&A	(1.0)	(0.8)	*25.0%*	(2.0)	(1.7)	*17.6%*
Promotion and marketing (2)	(1.9)	(2.6)	*(26.9%)*	(4.0)	(7.7)	*(48.1%)*
EBIT	**5.8**	**4.8**	***20.8%***	**8.1**	**5.1**	***58.8%***
EBIT margin	*19.9%*	*17.2%*	*2.7pp*	*14.7%*	*9.5%*	*5.2pp*
EBITDA	**6.8**	**5.6**	***21.4%***	**10.1**	**6.8**	***48.5%***
EBITDA margin	*23.3%*	*20.1%*	*3.2pp*	*18.3%*	*12.7%*	*5.6pp*

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

(2) 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 the second quarter of 2018, the Radio segment improved significantly its operating results at the EBIT and EBITDA level, which reached PLN 5.8 million and PLN 6.8 million respectively.

In the first half of 2018, the Radio segment improved significantly its operating results at the EBIT and EBITDA level, which reached PLN 8.1 million and PLN 10.1 million respectively.

1. REVENUE [3]

In the second quarter of 2018, revenue of the Radio segment increased by 4.7% yoy and totalled PLN 29.2 million. As a result, in the first half of 2018, the segment's revenue went up by 2.8% yoy, totalling PLN 55.2 million. In both of these periods the increase was mainly attributable to higher revenues from selling airtime in the radio stations of Agora Radio Group. However, there was lower advertising revenue from the sales brokerage service provided to the Helios cinema network and from sales brokerage of air time in stations of other broadcasters.

It should also be noted that in the second quarter of 2018, the market's radio advertising expenditure increased by 9.0% yoy and between January and June 2018 by 8.5% yoy.

2. COST

In the second quarter of 2018, the operating costs of the Radio segment were at a similar level as in the second quarter of 2017 and amounted to PLN 23.4 million. However, in the first half of 2018, the segment managed to reduce such costs by 3.1% yoy to PLN 47.1 million.

Costs of external services were the largest cost item for the segment. In the second quarter of 2018, this cost item increased by 2.0% yoy to PLN 10.4 million. This had an impact on this cost item going up by 3.9% yoy to PLN 21.4 million for the entire first half of 2018. The increase was mainly due to higher costs of marketing research.

However, a yoy decrease was recorded in the cost of air time purchase in third-party radio stations in connection with the advertising sales brokerage service provided and costs of sales brokerage for the Helios cinema network. Apart from the costs related to sales brokerage for Helios cinemas and third-party radio stations, the external services item also includes rental fees, production services as well as operator fees.

During both periods in question, staff costs also increased yoy, to PLN 8.2 million in the second quarter of 2018 and to PLN 16.3 million in the first half of 2018. The increase was mainly caused by higher yoy costs of remuneration under full-time employment contracts.

There was a yoy decrease in the promotion and marketing costs recorded both in the second quarter and the first half of 2018. This was mainly the result of a decrease in spending on promotion of Radio Złote Przeboje. In 2017, the main part of the image campaign of the radio station took place in the first quarter of the year.

3. AUDIENCE SHARES [9]

Tab. 19

% share in listening	**2Q 2018**	**change in pp yoy**	**1H 2018**	**change in pp yoy**
Group's music radio stations (Rock Radio, Złote Przeboje and Radio Pogoda)	4.4%	0.3pp	4.2%	0.2pp
News talk radio station TOK FM	2.0%	(0.3pp)	2.1%	(0.3pp)

4. NEW INITIATIVES

Radio Pogoda started broadcasting in Gdańsk using the frequency 87,8 MHz on 20 March 2018. It is the eight radio station operating under the brand of Radio Pogoda. It is addressed to the community in and around Gdańsk, offering them timeless music classics.

In May 2018, the Agora Radio Group was granted a licence for broadcasting the programme of Radio Złote Przeboje on the Wetlina radio station in the Bieszczady Mountains using the frequency 103,6 FM. Being the 24th local station of Radio Złote Przeboje, it will cover the Bieszczady area, including cities like Sanok and Ustrzyki Dolne.

Additionally, a Radio Pogoda promotion campaign under the slogan *Najpiękniejsze melodie. Włącz Radio Pogoda*. was launched in May. The promotion activities encouraged radio listeners in 5 locations - Gdańsk, Kraków, Opole, Poznań and the Upper Silesian Conurbation - to listen to songs from years ago broadcasted by the station.

IV.F. PRINT [1]

The Print segment includes the pro-forma financials of Agora's Print division and Agora Poligrafia Sp. z o.o.

Tab. 20

in PLN million	2Q 2018	2Q 2017	*% change yoy*	1H 2018	1H 2017	*% change yoy*
Total sales, including:	**18.7**	**32.9**	***(43.2%)***	**36.1**	**62.6**	***(42.3%)***
Printing services (1)	16.5	30.9	*(46.6%)*	32.1	58.9	*(45.5%)*
Total operating cost, including:	**(19.1)**	**(34.1)**	***(44.0%)***	**(38.3)**	**(66.3)**	***(42.2%)***
Raw materials, energy and production services	(10.7)	(21.5)	*(50.2%)*	(19.5)	(41.1)	*(52.6%)*
Staff cost	(4.6)	(5.3)	*(13.2%)*	(9.4)	(10.5)	*(10.5%)*
D&A	(1.8)	(5.4)	*(66.7%)*	(3.8)	(10.8)	*(64.8%)*
Cost of group lay-offs (2)	-	-	-	(1.4)	-	-
EBIT	**(0.4)**	**(1.2)**	***66.7%***	**(2.2)**	**(3.7)**	***40.5%***
EBIT margin	*(2.1%)*	*(3.6%)*	*1.5pp*	*(6.1%)*	*(5.9%)*	*(0.2pp)*
EBITDA	**1.4**	**4.2**	***(66.7%)***	**1.6**	**7.1**	***(77.5%)***
EBITDA margin	*7.5%*	*12.8%*	*(5.3pp)*	*4.4%*	*11.3%*	*(6.9pp)*

(1) revenues from services rendered for external customers;

(2) cost related to group lay-offs executed in the first quarter of 2018.

In the second quarter of 2018, the Print segment's EBITDA decreased yoy to PLN 1.4 million, and in the first half of 2018 – to PLN 1.6 million.

1. REVENUE

Both in the second quarter and the first half of 2018, the Print segment's revenue from the sale of printing services to external customers decreased yoy to PLN 16.5 million and to PLN 32.1 million, respectively. In both periods, the decline resulted from a lower yoy volume of orders for printing services, mainly in the coldset technology.

2. COSTS

The operating costs of the Print segment were lower yoy, both in the second quarter and the first half of 2018. Their reduction by 44.0% yoy and by 42.2% yoy, respectively, resulted mainly from a lower volume of orders, which translated into lower yoy costs of production materials. The segment's operating costs were also positively affected by significantly lower yoy depreciation costs associated with impairment of segment's selected assets recognised in the fourth quarter of 2017. In the first quarter of 2018 the level of segment's operating cost was negatively impacted by the cost of group lay-offs in the amount of PLN 1.4 million.

NOTES

[1] The performance measure "EBIT" represents net operating profit/(loss) defined as net profit/(loss) in accordance with IFRS before finance income and costs, share of results of equity accounted investees and income taxes.

The performance measure "EBITDA" is defined as EBIT increased by depreciation and amortization and impairment losses of property, plant and equipment and intangible assets.*

**impairment losses and their reversals are included in the calculation of EBITDA since the fourth quarter of 2017, comparative amounts were adjusted accordingly.*

In the Management Board opinion, EBITDA constitutes a useful supplementary financial indicator in assessing the performance of the Group and its operating segments. It should be taken into account, that EBIT and EBITDA are not measures determined by IFRS and have not a uniform standard of calculation. Accordingly, their calculation and presentation by the Group may differ from that applied by other companies.

EBIT and EBITDA of Press, Internet, Movies and Books as well as Print segments 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 Company`s supporting divisions), which are included in reconciling positions.

Moreover, EBIT of particular operating segments does not include depreciation and amortisation recognised on consolidation as described in note 4 to the condensed interim consolidated financial statements.EBIT and EBITDA of particular operating segments does not include other operating income and costs recognised in companies participating in the Tax Capital Group,which relate to intergroup settlement of benefits arising from the utilisation of tax losses that reduce the tax expense of the Tax Capital Group.

[2] the data on ticket sales in the cinemas comprising Helios group come from the accounting data of Helios reported in accordance with full calendar periods.

[3] The data refer to advertising expenditures in six media (press, radio, TV, outdoor, Internet, cinema). In this MD&A Agora has corrected the numbers for dailies and Internet in the second quarter of 2017 and in the first quarter of 2018, as well as outdoor advertising expenditure in the first and second quarter of 2017 as well as in the first quarter of 2018 due to the changes in the methodology of presenting data introduced by IGRZ.

Unless explicitly stated otherwise, press 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 as well as 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 press, the data include only display advertising, excluding classifieds, inserts and obituaries. The estimates are based on rate card data obtained from the following sources: Kantar Media monitoring, Agora S.A. monitoring.

Presented TV, Internet and cinema figures are based on initial Starcom media house estimates; TV estimates include regular ad broadcast and sponsoring with product placement, exclude teleshopping and other advertising forms.

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

Outdoor advertising figures are based on Izba Gospodarcza Reklamy Zewnetrznej estimates [8].

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 lack of reliable data on the average market discount rates. Once the Company has a more reliable market data in consecutive quarters, it may correct the ad spending estimations in particular media.

[4] The data on the number of copies sold (total paid circulation) 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 Kantar MillwardBrown on a random, nationwide sample of Poles over 15 years of age. The CCS index was used (weekly readership index) - percentage of respondents reading at least one edition of the title within 7 days of the week preceding research. Size of the sample: nationwide PBC General for April-June 2018: N=5,067, for January-June 2018: N= 10 087.

[5] Definition of ratios:

Net profit margin = $\dfrac{\text{Net profit /(loss) attributable to equity holders of the parent}}{\text{Revenue}}$

Gross profit margin = $\dfrac{\text{Gross profit / (loss) on sales}}{\text{Revenue}}$

Return on equity = $\dfrac{\text{Net profit / (loss) attributable to equity holders of the parent}}{\begin{array}{c}\text{(Equity attributable to equity holders of the parent at the beginning of the period} \\ \text{+ Equity attributable to equity holders of the parent at the end of the period)} \\ \text{/2/(2 for semi-annual results and 4 for quarterly results)}\end{array}}$

Debtors days = $\dfrac{\begin{array}{c}\text{(Trade receivables gross at the beginning of the period} \\ \text{+ Trade receivables gross at the end of the period) / 2}\end{array}}{\text{Revenue / no. of days}}$

Creditors days = $\dfrac{\begin{array}{c}\text{(Trade creditors at the beginning and the end of the period} \\ \text{+ accruals for uninvoiced costs at the beginning and the end of the period) / 2}\end{array}}{\text{(Cost of sales + selling expenses + administrative expenses) / no. of days}}$

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

Current ratio I = $\dfrac{\text{Current Assets}}{\text{Current liabilities}}$

Gearing ratio = $\dfrac{\begin{array}{c}\text{Current and non-current liabilities from loans – cash and cash equivalents} \\ \text{– highly liquid short-term monetary assets}\end{array}}{\text{Total equity and liabilities}}$

Interest cover = $\dfrac{\text{Operating profit / (loss)}}{\text{Interest charge}}$

Free cash flow interest cover = $\dfrac{\text{Free cash flow *}}{\text{Interest charge}}$

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

[6] Real users, page views and spent time on the basis of Gemius PBI, cover Internet users age 7 years and above, connecting to Internet from the territory of Poland and include only Internet domains registered on Agora S.A. in Gemius SA's Registry of Service Providers. Real users data of the Gazeta.pl group services are audited by Gemius SA.

Since May 2016 a new methodology of Gemius PBI research has been introduced. According to the new methodology the data is presented jointly for PCs and mobile platforms, and the reach of websites is reported accordingly. The way of weighing data and the definitions of indices also changed.

The data for mobile platforms present the traffic through www as well as - since December 2016 - through mobile applications (Gazeta.pl LIVE, Sport.PL LIVE, Moje Dziecko, Moja Ciaza, Tuba.fm, Aplikacja Gazeta Wyborcza, Clou).

[7] Average paid circulation of monthlies is based on the Agora's own data. Rate card data on magazines obtained from Kantar Media monitoring; commercial brand advertising and sponsored articles, excluding specialized monthlies; accounted for 104 monthlies and 76 other magazines; in total 180 press titles for the period of April – June 2018; accounted for107 monthlies and 79 other magazines; in total 186 press titles for the period January – June 2018.

[8] Source: report prepared by Izba Gospodarcza Reklamy Zewnetrznej (IGRZ) in cooperation with Starlink company.

[9] Audience market data referred herein are based on Radio Track surveys, carried out by MillwardBrown SMG/KRC (all places, all days and all quarter) in whole population and in the age group of 15+, from March to June (sample for 2017: 20,783; sample for 2018: 20,690), form January to June (sample for 2017: 41,561; for 2018: 41,517).

[10] 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). 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

V.A. INFORMATION CONCERNING SIGNIFICANT CONTRACT

- **Conclusion of an Annex to the Credit Limit Agreement by and between the Company and DNB Polska S.A.**

In the current report of May 18, 2018, the Management Board of Agora S.A., further to Report 6/2017 of May 25, 2017 on the conclusion of a Credit Limit Agreement ("Agreement") by and between the Company and DNB Bank Polska Spółka Akcyjna ("Bank"), informed that Annex No. 1 to the above Agreement had been signed ("Annex No. 1").

According to the former terms and conditions of the Agreement, the Company had the right to use the renewable part of the credit limit totalling PLN 110,000,000.00 by May 25, 2018.

By virtue of Annex No. 1, the Company, starting from the date of the established security being updated, has a credit limit at its disposal of PLN 110,000,000.00 (one hundred and ten million) which can be used by May 23, 2019 in accordance with rules similar to those set out in the Agreement.

The Credit Limit bears a WIBOR rate for one-month or three-month deposits in PLN plus the Bank's margin. In the event that some or all of the Bank's receivables are not settled within the deadline specified in the Agreement, it will charge the Company with interest at the base rate plus default interest. Apart from this, there are no provisions concerning contractual penalties in Annex No. 1.

The security for the repayment of the Credit Limit, specified in the current report no. 6/2017 of May 25, 2017, was maintained. Due to the fact that in March 2018 Agora Finanse Sp. z o.o. joined the group of companies in the Company's Group, covered with the so-called cash pooling agreement concluded with the Bank, the said security was extended to include a guarantee for Agora S.A.'s liabilities under the Agreement, provided by Agora Finanse sp. z o.o. of PLN 202,500,000.00.

Given the above, Agora Finanse Sp. z o.o. submitted a declaration of voluntary submission to enforcement proceedings for up to PLN 202,500,000.00 in respect of the guarantee for Agora S.A.'s liabilities arising from the Agreement, undertook to establish a registered pledge on the receivables in Agora Finanse Sp. z o.o.'s bank account with the Bank and to provide security by way of floating charges. In other respects, the scope of the security for the Agreement described in current report no. 6/2017 of May 25, 2017 remains unchanged.

V.B. IMPORTANT EVENTS

- **Important events in the Company's operations**

In the current report of February 15, 2018, the Management Board of Agora S.A. informed that on February 15, 2018 the President of the Office of Competition and Consumer Protection (UOKiK) gave his consent to the implementation of a concentration which consists of Helios S.A., with its registered office in Łódź, together with two private individuals, establishing a joint venture in accordance with the terms and conditions set out in the application form and described in the current report of December 20, 2017.

Obtaining the UOKiK President's consent to the concentration and agreeing the detailed rules of cooperation and management of the newly established company were the conditions for concluding an investment agreement and establishing a company engaged in developing and managing a network of eating places, inter alia, in the fast casual segment.

In the current report no. March 6, 2018, the Management Board of Agora S.A. informed that on March 6, 2018 an investment agreement was concluded by and between Helios S.A., a subsidiary of Agora, with two individual investors – Piotr Grajewski and Piotr Komór. The subject of the agreement was the establishment of Foodio Concepts sp. z o.o., with its registered office in Łódź, and the cooperation of the parties as part of the investment agreement. The company's objective is to develop a concept, create, manage and develop (mainly through building its own brands) a network of approximately 45 eating places which will be located in Poland, in shopping centres or as independent outlets.

On March 29, 2018, the District Court for Łódź-Śródmieście in Łódź, XX Economic Division of the National Court Register, entered the above company in the Register of Entrepreneurs of the National Court Register. Helios S.A., in return for a cash contribution of PLN 5 million, took up 90 shares in that company, with a nominal value of PLN 50 each, representing 90% of the shares in the company (corresponding to 90% of the total number of votes at the General Meeting of Shareholders). The individual investors took up a total of 10% of the shares in the company (5% each). The agreement provides for the possibility of increasing the Individual Investors' share to 30% in total, on condition that the company meets the established financial objectives.

In the current report of February 16, 2018, the Management Board of Agora S.A. informed that on February 15, 2018 it received the decision of February 15, 2018 issued by the Head of the Second Mazovian Tax Office in Warsaw about the registration of the agreement on the establishment of the Agora Tax Capital Group ("TCG") which comprised: Agora S.A. and the following subsidiaries: Grupa Radiowa Agory Sp. z o.o., Agora TC Sp. z o.o., Trader.com (Polska) Sp. z o.o., Helios S.A., AMS S.A., Yieldbird Sp. z o.o. and Plan A Sp. z o.o.

The TCG was established as from March 1, 2018, and each of its following fiscal years, up until December 31, 2020, will be the same as the calendar year.

In the agreement on the establishment of the TCG, Agora was designated as the company representing the TCG with respect to the obligations arising from the Corporate Income Tax Act and from the provisions of the Tax Ordinance. The Company estimates that the establishment of the tax capital group may bring about a reduction, provided for in the legal regulations, in the TCG's tax liability of approximately PLN 5 million in each year of the TCG's functioning.

In the current report of March 7, 2018, the Management Board of Agora S.A. informed that on March 7, 2018 the Company signed a letter of intent with Kino Polska TV S.A. ("Kino Polska"), concerning the potential purchase of all of the shares held by Agora in Stopklatka S.A. by Kino Polska ("Transaction").

In the current report of June 14, 2018, the Management Board of Agora S.A., further to current report 11/2018 of March 7, 2018, informed that on June 14, 2018 Agora concluded, with Bank Zachodni WBK S.A. – Dom Maklerski BZ WBK, acting at the request and on the account of Kino Polska TV S.A., an agreement on the sale of all of the shares held by Agora in Stopklatka S.A., with its registered office in Warsaw.

As a result of the Transaction, Agora sold all of the shares it held in Stopklatka (i.e. 4,596,203 ordinary shares representing 41.14% of the share capital of Stopklatka). The price per share was PLN 7.0, and the value of the transaction amounted to approximately PLN 32 million.

In consequence of the Transaction, the investment agreement concerning Stopklatka, concluded by and between Agora and Kino Polska, about which Agora informed in current report 06/2013 of February 22, 2013, expired. Conducting the Transaction means that Agora has divested from Stopklatka and has discontinued operating in the area of digital terrestrial television.

This transaction in the second quarter of 2018 had a positive effect on the Agora Group's and Agora S.A. net result, which was respectively PLN 22.6 million and PLN 17.4 million.

Strategy of the Agora Group for the years 2018-2022

In the current report of June 15, 2018, the Management Board of Agora S.A. informed that on June 15, 2018 it passed a resolution on adopting the Strategy of the Agora Group for the years 2018-2022. The document was consulted with the Company's Supervisory Board.

The development strategy of Agora and its Group provides that the following targets will be reached by 2022:
– revenue of approximately PLN 1.6 billion,
– and EBITDA of approximately PLN 200 million.

The key strategic assumptions comprise:

- intensive digitization of all of the Group's operations, with an emphasis on developing the sales of access to content in a subscription model;
- developing the Agora Group's largest projects to date;
- expanding the operations of selected existing businesses to cover new services or premium offers;
- commencing operations in new areas such as, inter alia, B2B services for e-commerce, innovative MarTech tools, as well as entertainment and catering.

The adopted Strategy of the Agora Group provides for growth both through organic growth and acquisitions. The total capital expenditure will amount to approximately PLN 930 million maximum by 2022. The Company plans to continue following the adopted dividend policy of PLN 0.5 per share. A detailed document describing the Strategy of the Agora Group for the years 2018-2022 has been published on the Company's website.

Recommendation of the Management Board of Agora S.A. concerning the payment of a dividend and covering the Company's net loss for 2017

In the current report of May 15, 2018, the Management Board of Agora S.A. informed that, at the Board meeting on May 15, 2018, it adopted a resolution on recommending to the Ordinary General Meeting of Shareholders payment of dividend in the amount of PLN 23,290,415.50 (PLN 0.50 per share).

According to the recommendation, the dividend was to be paid from the Company's supplementary capital created from retained earnings. The Management Board has proposed that July 13, 2018 be the record date and that August 2, 2018 be the payment date.

The proposed period between the record date and the payment date does not exceed the period of 15 working days as recommended by the Best Practices of WSE Listed Companies.

In addition, the Management Board of the Company proposes to cover the net loss for the fiscal year 2017 in the amount of PLN 68,122,166.14 from the Company's supplementary capital. The above motion was given a positive opinion by the Supervisory Board. The recommendation of the Company's Management Board was presented to the Ordinary General Meeting of the Company's Shareholders which took the final decision in these matters.

In the current report of June 20, 2018, the Management Board of Agora S.A. informed that on June 20, 2018 the Ordinary General Meeting of the Company's Shareholders adopted a resolution on the payment of a dividend.

According to the resolution of the General Meeting of Shareholders, the dividend was paid in the amount of PLN 23,290,415.50, i.e. at PLN 0.50 per one share of the Company. The dividend covered all of the Company's shares, i.e. 46,580,831 shares of Agora S.A. (1,084,595 Treasury shares purchased as part of the own share buyback program adopted by Resolution No. 19 of the Ordinary General Meeting of the Company's Shareholders of June 21, 2017 in order to redeem them did not participate in the dividend payment).

July 13, 2018 was the date according to which a list of the shareholders eligible to receive a dividend was determined, and August 2, 2018 was the payment date.

General Meeting of Shareholders of Agora S.A.

In the current report of May 25, 2018, the Management Board of Agora S.A. informed about convening, for June 20, 2018, at 11 a.m., the Ordinary General Meeting of Shareholders of Agora S.A. ("General Meeting of Shareholders").

In the current report of May 25, 2018, draft resolutions were published, subject to submission to the General Meeting of Shareholders.

In the current report of June 12, 2018, the Management Board of Agora S.A. informed that on June 12, 2018 it received information that, according to the provisions of §30, clause 1 of the Company's Statute, the Company's shareholder, Agora-Holding sp. z o.o., holding 100% of preferred series A shares, put forward the following people as candidates for members of the Company's Management Board: Mr. Bartosz Hojka, Mr. Tomasz Jagiełło, Mr. Grzegorz Kania, Ms. Anna Kryńska-Godlewska, and Ms. Agnieszka Sadowska. Detailed CVs of the candidates have been published on the Company's website.

In its announcement, Agora-Holding sp. z o.o. informed that, in its opinion, the people put forward as candidates for the Management Board of Agora S.A. ensured Agora S.A. an appropriate mix of skills and experience in running complex projects on markets with various degrees of maturity and growth rates. In the opinion of Agora-Holding sp. z o.o., the proposed composition of the Management Board not only guaranteed paying attention to top standards in management but it also met the demand for increased diversity within the key bodies of Agora S.A.

In the current report of June 20, 2018, the Management Board of Agora S.A. informed the public about the contents of the resolutions adopted by the General Meeting of Shareholders, including the resolutions concerning: (i) the appointment of Mr. Bartosz Hojka, Mr. Tomasz Jagiełło, Mr. Grzegorz Kania, Ms. Anna Kryńska-Godlewska, and Ms. Agnieszka Sadowska for a new, joint term of office which will begin at the time the General Meeting of Shareholders is closed, which will expire on the date on which the General Meeting of Shareholders that will approve the financial statements for 2022 is held; (ii) the redemption of own shares purchased by the Company as part of the own share buyback program adopted by Resolution No. 19 of the Ordinary General Meeting of the Company's Shareholders of June 21, 2017; (iii) reducing the Company's share capital by 1,084,595 (in words: one million eighty-four thousand five hundred and ninety-five) zlotys from 47,665,426 (in words: forty-seven million six hundred and sixty-five thousand four hundred and twenty-six) zlotys to 46,580,831 (in words: forty-six million five hundred and eighty thousand eight hundred and thirty-one) zlotys; (iv) amending the Company's Statute.

In the current report of June 20, 2018, the Management Board of Agora S.A. informed that at the General Meeting of Shareholders held on June 20, 2018, the following shareholders held more than 5% of votes at that general meeting:

- Agora-Holding Sp. z o.o.: 22,528,252 votes, i.e. 54.5% of votes at that Ordinary General Meeting of Shareholders and 34.77% of the total number of votes;

- Otwarty Fundusz Emerytalny PZU "Złota Jesień": 7,500,000 votes, i.e. 18.14% of votes at that Ordinary General Meeting of Shareholders and 11.58% of the total number of votes;

- MDIF Media Holdings I, LL: 5,355,645 votes, i.e. 12.96% of votes at that Ordinary General Meeting of Shareholders and 8.27% of the total number of votes;

- Nationale-Nederlanden Otwarty Fundusz Emerytalny: 4,400,000 votes, i.e. 8.76% of votes at that Ordinary General Meeting of Shareholders and 6.79% of the total number of votes.

The Company's own shares from which the Company, in accordance with the regulations, does not exercise any voting rights were also included in the calculation of the share in the total number of votes.

In the current report of June 22, 2018, the Management Board of Agora S.A. submitted a corrected version of the current report no. 20/2018 of June 20, 2018, comprising additional information about the objections raised to the minutes at the Ordinary General Meeting of the Company's Shareholders which was held on June 20, 2018 at 11 a.m. at the Company's registered office at ul. Czerska 8/10 in Warsaw.

During the meeting, a shareholder eligible to participate in the General Meeting of the Company's Shareholders based on 30 shares of the Company raised objections to Resolutions No. 5, 9, 10, 11, 12, 13, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, and 27. The other shareholders did not raise any objections to be minuted. The corrected report has been published on the Company's website.

Sale of real estate

In the current report of January 22, 2018, the Management Board of Agora S.A. informed that on January 22, 2018 the Company concluded a preliminary conditional agreement on the sale of the right of perpetual usufruct of two plots of land with a total surface area of approximately 347 m^2 located at ul. Wełniarska 19/20 and ul. Tkacka 7/8 in

Gdańsk, along with the ownership of the administrative and residential building erected on them, with a net surface area of approximately 1,508 m^2 (hereinafter referred to jointly as "Real Estate").

The decision to sell the Real Estate was due to the fact that the Company did not use the entire surface of the Real Estate for its operating activities in an effective manner. In the Company's opinion, the optimal solution will be to rent office space tailored to the present scale of the Company's operations in Gdańsk.

In the current report of February 20, 2018, the Management Board of Agora S.A. informed that on February 20, 2018 the Company concluded an annex to the preliminary agreement on the sale of the right of perpetual usufruct of the Real Estate. By virtue of the annex signed, the deadline for the conclusion of the final sale agreement was changed. Originally, the above agreement was to have been signed by February 20, 2018. The new deadline for the conclusion of the final agreement was set at February 27, 2018.

In the current report of February 27, 2018, the Management Board of Agora S.A. informed that on February 27, 2018 the Company signed the agreement on the sale of the right of perpetual usufruct of the Real Estate.

The selling price of the Real Estate totalled PLN 8.65 million (net), and the positive effect of that transaction on the operating result of Agora S.A. and the Agora Group in the first quarter of 2018 amounted to PLN 5.6 million.

In the current report of February 26, 2018, the Management Board of Agora S.A. informed that due to the fact that the condition for the sale of the right of perpetual usufruct had been met, on February 26, 2018 the Company signed an agreement on the transfer of the right of perpetual usufruct of an undeveloped plot of land with a total surface area of 6,270 m^2 in Warsaw, located at ul. Czerniakowska 85/87.

The value of the transaction totalled PLN 19.0 million (net), and its positive effect on the operating result of Agora S.A. and the Agora Group in the first quarter of 2018 amounted to PLN 8.3 million.

- **Information about write-downs of overdue receivables**

In the current report of July 13, 2018, the Management Board of Agora S.A. informed that on July 13, 2018 the Company decided to write down its overdue receivables which were likely to be uncollectible, of approximately PLN 13.6 million from one of its counterparties.

According to the aforementioned current report this amount was not final and has changed in the course of the review of the separate and consolidated financial statements of the Company and Agora Group for the period from 1 January 2018 to 30 June 2018 conducted by a registered auditor (final amount and its impact on financial results have been described in part. IV.B of the report – Press segment).

- **Procedure for consultations over a reduction in employment in the Print segment in the Agora Group**

In the current report of February 1, 2018, the Management Board of Agora S.A. informed that on February 1, 2018, in accordance with the provisions of the Act of March 13, 2003 on specific rules of termination of employment contracts with employees for reasons not attributable to the employees, it adopted a resolution on launching a procedure for consultations over collective layoffs with the trade union functioning at the Company. Additionally, in connection with the Act of April 7, 2006 on informing employees and holding consultations with them, consultations were also held with the Company's works council.

The reason for the restructuring measures, including collective layoffs, is a progressive drop in sales of printing services using the coldset technology in which the printing houses of the Agora Group specialize. This trend is largely due to the condition of the press market in Poland, whose participants are the main buyers of the services provided using this technology. The orders from customers in other industries, including those processed using the heatset technology, have a materially smaller share in the revenue from the Group's printing activities – due to infrastructural limitations they have not been able to compensate for the loss of the revenue related to printing using the coldset technology.

Given the present condition of the press market, the negative forecasts about the prospects for its further development and the progressive digitization of the media, the downward trend in printing activities using the coldset technology is impossible to hinder. The Company's Management Board has decided that it is necessary to take firm restructuring measures which are aimed at reducing the costs of functioning of the printing houses and streamlining the operating processes so as to mitigate the negative effect of the falling printing volumes on the financial position of the Printing segment, inter alia, by matching the employment structure to the present volume of the production services.

The Management Board of Agora S.A. intended to lay off up to 53 employees working in the Print segment in the Agora Group (which represented 16.3% of all the employees in that segment – including 1.9% of the employees of Agora S.A. and 17.1% of the employees of Agora-Poligrafia Sp. z o.o., as at February 1, 2018), in the period from February 21, 2018 to March 23, 2018.

The trade union functioning at the Company and the Company's works council have joined in the consultations over the above matter. The Company's Management Board has notified the competent labour authority of its intention to carry out collective layoffs at the Company.

In the current report of February 7, 2018, the Management Board of Agora S.A., further to the current report no. 3/2018 of February 1, 2018, informed that:

(i) on February 7, 2018, the Company concluded a trilateral agreement ("Agreement") with the trade union functioning at the Company (which covers the full range of the instructions in Article 3, clause 1 of the Act of March 13, 2003 on specific rules of termination of employment contracts with employees for reasons not attributable to the employees) and with the Company's works council (which constitutes an agreement in accordance with the provisions of the Act of April 7, 2006 on informing employees and holding consultations with them);
(ii) on February 7, 2018, the Company's Management Board adopted a resolution on carrying out a collective layoff in the Print segment in the Agora Group in accordance with the rules set out in the Agreement.

The collective layoffs were carried out in the period from February 15, 2018 to March 16, 2018 and affected 47 employees of the Print segment in the Agora Group, which represented approximately 15% of all of the segment's employees.

The Company made these changes taking care of its employees and offered them a number of protective and supportive measures.

By virtue of the Agreement the employees being laid off received support more extensive that that arising from the applicable laws. The severance pay arising from the legal regulations was accompanied by additional compensation in the amount of a monthly salary. The employees were also covered with protective measures which comprised, inter alia, support in seeking employment and retraining. Some of the employees who will remain employed in the Print segment will receive an increase in base pay due to, inter alia, changes in the scope of their responsibilities. As required by law, the Company has provided appropriate information, including the contents of the Agreement, to the District Labour Authority.

In the first quarter of 2018, the provision for collective layoffs amounted to PLN 1.4 million. The Agora Group estimates that the savings resulting from the restructuring may exceed PLN 2.0 million a year.

V.C. CHANGES IN CAPITAL AFFILIATIONS OF THE ISSUER WITH OTHER ENTITIES

On January 25, 2018, the Extraordinary General Meeting of Shareholders of Optimizers Sp. z o.o. ("Optimizers") adopted a resolution on discontinuing Optimizers' operating activities to date, including, in particular, refraining from undertaking any new business activities as part of Optimizers' operating activities to date. The above resolution does not constitute a resolution on dissolving Optimizers referred to in Article 270, section 2) of the Commercial Companies Code. On May 8, 2018, the Extraordinary General Meeting of Shareholders of Optimizers adopted a resolution on increasing Optimizers' share capital from PLN 100 thousand to PLN 500 thousand by creating 8,000 new shares to be taken up by Agora S.A. On July 2, 2018, the District Court for the Capital City of Warsaw in Warsaw registered the above change. At present, Agora S.A. holds 10,000 shares in Optimizers, representing 100% of the company's share capital and carrying 10,000 voting rights representing 100% of votes at the General Meeting of Shareholders.

On February 28, 2018, Agora S.A., as the sole shareholder, established Agora Finanse Sp. z o.o., with its registered office in Warsaw, and took up 100 shares in the company's share capital, with a nominal value of PLN 50 each, in return for a cash contribution of PLN 5,000. The shares held by Agora S.A. give it a 100% interest in the share capital and 100% of votes at the General Meeting of Shareholders. On April 5, 2018, the Extraordinary General Meeting of Shareholders of Agora Finanse Sp. z o.o. adopted a resolution on amending the company's Articles of Association, which consisted of, inter alia, changing the scope of the required consents of the General Meeting of Shareholders. The above amendment to the company's Articles of Association was registered with the registration court on 27 April 2018.

On March 29, 2018, the Extraordinary General Meeting of Shareholders of Agora-Poligrafia sp. z o.o., with its registered office in Tychy ("Agora-Poligrafia"), adopted a resolution on increasing the company's share capital from PLN 1.5 million to PLN 2 million by establishing 1,000 new shares with a nominal value of PLN 500 each and a total nominal value of PLN 500 thousand and earmarked them for being taken up by the sole shareholder, i.e. the Company, in return for a cash contribution of PLN 10 million. On July 10, 2018, the District Court Katowice-Wschód in Katowice, VIII Economic Division of the National Court Register, registered the above change. At present, Agora S.A. holds 4,000 shares in Agora-Poligrafia, representing 100% of the company's share capital and carrying 4,000 voting rights representing 100% of votes at the General Meeting of Shareholders.

On May 28, 2018, the Extraordinary General Meeting of Shareholders of Next Script Sp. z o.o. ("Next Script") adopted a resolution on increasing Next Script's share capital from PLN 320 thousand to PLN 470 thousand by creating 3,000 new shares to be taken up by Agora S.A. On July 31, 2018, the above change has been registered with the District Court for the Capital City of Warsaw in Warsaw. Next Film sp. z o.o. now holds 7,800 shares in Next Script, representing 82.98% of the company's share capital and carrying 7,800 voting rights representing 82.98% of votes at the General Meeting of Shareholders.

On June 29, 2018, the Extraordinary General Meeting of Shareholders of Plan A Sp. z o.o. ("Plan A") adopted a resolution on increasing Plan A's share capital from PLN 5 thousand to PLN 10 thousand by creating 100 new shares to be taken up by Agora S.A. in return for a cash contribution of PLN 50 thousand. Once the above change has been registered with the District Court for the Capital City of Warsaw in Warsaw, Agora S.A. will hold 200 shares in Plan A, representing 100% of the company's share capital and carrying 200 voting rights representing 100% of votes at the General Meeting of Shareholders.

- **Call for the repurchase of shares in a subsidiary**

On 29 March 2016, a minority shareholder ("the Minority Shareholder") of Helios S.A. holding 320,400 shares in that company, which represent 2.77% of the share capital ("the Shares"), addressed to Helios S.A. a call under Art. 418 (1) of the Code of Commercial Companies (hereinafter: "CCC") for convening the General Shareholders' Meeting and putting the issue of passing a resolution on mandatory sell-out of the Shares ("the Call") on its agenda. As a result of: (i) the Call, (ii) the subsequent calls made under Article 418(1) of the CCC by the Minority Shareholder and other minority shareholders of Helios S.A. who acquired a part of the Shares from the Minority Shareholder, and (iii) the resolutions passed by the General Shareholders' Meeting of Helios S.A. on 10 May 2016 and 13 June 2016, two sell-out procedures (under Art. 418(1) of the CCC) and one squeeze-out procedure (under Art. 418 of the CCC) are currently pending at Helios S.A., aimed at the purchase of the Shares held by the Minority Shareholder and other minority shareholders by two shareholders of Helios S.A. (including Agora S.A.).

i. Sell-out

As part of the sell-out, from 30 June 2016 Agora S.A. transferred to Helios S.A. the amount of PLN 2,938 thousand as payment of the sell-out price calculated in accordance with Art. 418(1) § 6 of the CCC. In its balance sheet as at 31 December 2016, the Agora Group recognized a liability in respect of the purchase of the Shares from the minority shareholders of Helios S.A. totalling PLN 3,185 thousand. This amount comprised PLN 2,938 thousand transferred by

Agora S.A. to Helios S.A. (which was also recognized in the Group's equity under retained earnings/accumulated losses and current year profit/(loss)) and the total amount transferred by the other shareholder of Helios S.A. as part of the execution of the sell-out procedures.

As part of the sell-out procedure, the amount of PLN 3,171 thousand was transferred by Helios S.A. to the Minority Shareholder on 2 June 2017 for the purchase of 318,930 shares. Moreover, on 2 June 2017, a total of PLN 14 thousand was transferred to the other minority shareholders for the purchase of 1,460 shares. As a result of these transactions, the Group met the commitment to purchase shares, which was recognized in the Group's balance sheet.

As a result of the procedures described above, Agora S.A. increased its block of shares in Helios S.A. from 10,277,800 to 10,573,352 shares, i.e. by 295,552 shares. Agora S.A. currently holds 91.44% of the shares of Helios S.A. The shareholders whose shares are being purchased under the sell-out procedure did not accept the price calculated in accordance with Art. 418(1) § 6 of the CCC and, based on Art. 418(1) § 7 of the CCC, applied to the registration court to appoint a registered auditor who would determine the price for the shares on behalf of the Court. The final valuation of the Shares that are subject to the sell-out procedures will be determined by the registration court having jurisdiction over the registered office of Helios S.A. based on the opinion of an expert appointed by the registration court having jurisdiction over the registered office of Helios S.A. A change in such valuation, if any, will result in an adjustment to the price of the shares purchased.

As at the date of the publication of this report, the District Court for Łódź-Śródmieście in Łódź, the 20th Department of the National Court Register, appointed an expert for the purpose of the valuation of the shares to be purchased from the Minority Shareholder (318,930 shares) and from other minority shareholders (1,460 shares in total). The minority shareholders referred to in the previous sentence appealed against the decision on appointing an expert.

ii. Squeeze-out

The squeeze-out procedure, which entered into force on 14 July 2016, is pending with respect to 10 shares. The holder of these shares did not respond to the Company's call published in accordance with the requirements in Monitor Sądowy i Gospodarczy, which requested the minority shareholders holding the above-mentioned shares of the Company to submit the share certificate to the Company within two weeks of the publication of the call under the sanction of cancelling the shares after this deadline. Consequently, on 7 April 2017 the Management Board of Helios S.A. passed a resolution on the cancellation of the above-mentioned shares and published it in Monitor Sądowy i Gospodarczy of 8 May 2017. The share valuation procedure by the registered auditor appointed by the Court is currently under way. The sell-out and squeeze-out procedures have not been completed as at the date of the publication hereof.

As at the date of the publication hereof, the District Court for Łódź - Śródmieście in Łódź, the 20th Department of the National Court Register, appointed an expert to perform a valuation of the shares.

V.D. ADDITIONAL INFORMATION

1. Description of the Capital Group

The description of the Group showing the entities subject to consolidation is presented in note 11 to the condensed semi-annual consolidated financial statements.

2. Changes in ownership of shares or other rights to shares (options) by Management Board members since the date of publication of the last quarterly report

Tab. 21

a. shares	as of 10 August 2018	*decrease*	*increase*	as of 16 May 2018
Bartosz Hojka	2,900	-	-	2,900

Tomasz Jagiello	0	-	-	0
Grzegorz Kania	0	-	-	0
Anna Krynska - Godlewska	0	-	-	0
Agnieszka Sadowska	0	-	-	0

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

The members of the Management Board participate in the incentive plan described in the note 5 of the condensed semi-annual consolidated financial statements.

3. Changes in ownership of shares or other rights to shares (options) by Supervisory Board Members since the date of publication of the last quarterly report

Tab. 22

a. shares	as of 10 August 2018	*decrease*	*increase*	as of 16 May 2018
Andrzej Szlezak	0	-	-	0
Wanda Rapaczynski	882,990	-	-	882,990
Tomasz Sielicki	33	-	-	33
Dariusz Formela	0	-	-	0
Maciej Wisniewski	0	-	-	0
Andrzej Dobosz	0	-	-	0

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 S.A., either directly or through affiliates, as of the date of publication of the report for the first half of 2018

Data update is performed on the basis of the official notifications from shareholders entitled to over 5.0% 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 the previous quarterly report (i.e. May 16, 2018), and as of the day of publication of this report, has not significantly changed.

Based on the above notifications, as of the date of provision of this report, the following shareholders were entitled to exercise over 5% of voting rights at the General Meeting of Shareholders of the Company:

Tab. 23

	No. of shares	*% of share capital*	no. of votes	*% of voting rights*
Agora-Holding Sp. z o.o. *(in accordance to the last notification of September 24,2015)*	5,401,852	11.33	22,528,252	34.77

Powszechne Towarzystwo Emerytalne PZU S.A. (Otwarty Fundusz Emerytalny PZU Złota Jesień and Dobrowolny Fundusz Emerytalny PZU) *(in accordance to the last notification of December 27, 2012)(1)*	7,594,611	15.93	7,594,611	11.72
including: Otwarty Fundusz Emerytalny PZU Zlota Jesien *(in accordance to the last notification of December 27, 2012)(1)*	7,585,661	15.91	7,585,661	11.71
Media Development Investment Fund, Inc. (MDIF Media Holdings I, LLC) *((in accordance to the last notification of June 6, 2016)*	5,350,000	11.22	5,350,000	8.26
Nationale – Nederlanden Powszechne Towarzystwo Emerytalne S.A. (Nationale – Nederlanden Otwarty Fundusz Emerytalny and Nationale Nederlanden Dobrowolny Fundusz Emerytalny) *(in accordance to the last notification of June 9, 2016)*	4,493,055	9.43	4,493,055	6.93

(1) number of shares according to shareholder's notification – as of December 27, 2012; shares in votes and share capital of Agora S.A. were calculated by the Company after the registration of a decrease in Company's share capital.

5. OTHER INFORMATION

- **The Management Board's statement of the possible realization of forecasts**

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

- **Changes in contingences and court cases**

Any changes in contingencies since the date of closing of the last financial year and information about court cases were described in notes 7 and 8 to the condensed semi-annual consolidated financial statements.

- **Related party transactions**

Transactions with related parties with the Group are of routine nature and were described in note 10 to the condensed semi-annual consolidated financial statements.

6. THE DESCRIPTION OF BASIC HAZARDS AND RISK CONNECTED WITH THE UPCOMING MONTHS OF THE CURRENT FINANCIAL YEAR

- **Macroeconomic risk**

Advertising revenues depend on the general economic situation in Poland and in Europe. They grow in the periods of economic upswing and are marked by considerable decrease in time of the economic slowdown. According to the Company's estimations in the first half of 2018, advertisers spent over 8.0% yoy more on advertising. However, it should be remembered that the value of advertising market depends not only on volume of ads and listings, but also on prices for their publication in media.

- **Seasonality of advertising spending**

The Group's advertising revenues are marked by seasonal variation. The Group's revenues in the first and third quarter are usually lower than in the second and fourth quarter of a given financial year.

- **Advertising market structure and the position of individual media in readership, TV and radio audience market**

The Group's advertising revenues are generated by the following media: press, outdoor advertising, radio stations, internet and cinemas. As a result of structural changes and media convergence particular media in the Agora Group's portfolio compete both with their business competitors and with television broadcasters - constituting almost half of the advertising market expenditure in the first half of 2018. The next largest segment of advertising market – Internet held 32.5% share in total ad spend. Ad expenditure in magazines and dailies constituted 4.5% and 2.0% share of total ad spend, respectively. Outdoor advertising held in the first half of 2018 5.5% of the advertising market share and radio ad spend constituted 7.0% of total ad expenditure. Cinema advertising in Poland constituted 1.0% of all advertising expenditure. Bearing in mind the dynamics of particular media and the current estimates of advertising market growth in 2018 there is a risk that the share of particular media in the advertising market will change. This may influence the Group's position and its revenues.

Additionally, as a result of the changes in media described above and consolidation on the advertising market the competition between media grows and it may influence Group's advertising revenues. Moreover, due to those changes and technological progress there is no certainty that the Group will be able to react to them in a proper time and manner, which may negatively influence the Group's position and financial results.

Advertising revenues depend also on the readership figures and shares in radio and television audience. Due to the process of structural changes in the media consumption, the media market changes dynamically – some sectors can take advantage of the current changes while other can lose its position on the market. There is no certainty that the Group's position in the particular media sectors will remain unchanged.

- **Press distribution**

The main channel of press distribution, used by every press publisher in Poland, is networks of kiosks situated in places of intense traffic. Distribution market in Poland is highly concentrated – two main distributors control over 80% of press distribution market. Therefore, significant financial or operational problems of either of them may have a negative impact on copy sales and the results of the Group. Internet becomes a fast-growing channel of press distribution. Publishers use either their own internet channels, or e-kiosks.

- **Press**

Presently paid press segment experiences a worldwide trend of copy sales decrease and shrinking of advertising expenditure. Press titles, published by the Group and its competitors, are not resistant to the changes taking place on the press market. The dynamics of the above mentioned processes may have a negative impact on press copy sales and the revenues of the Group. On February 4, 2014, the Group introduced system of paid access to the digital content of *Gazeta Wyborcza*. As at the end of 2017, the number of digital subscriptions reached almost 133 thousand active subscriptions. The Company is now focusing on increasing average revenues from the subscriptions, as well as increasing revenues from ads on *Gazeta Wyborcza*'s websites. Yet, it is difficult to estimate whether this is achievable, taking into consideration great Internet competition.

Due to the global changes taking place in the press market, especially those concerning the shrinking of press advertising, the Company decided in June 2018 to discontinue publishing selected titles and concentrate the whole press business under *Gazeta Wyborcza* brand. This decision has an impact on the Company's revenues from the press activity in 2018.

- **Internet**

Polish Internet advertising market is highly competitive and the number of Internet users in Poland is not growing as fast as it used to. The Internet activity largely depends on technological development and the number of users. Maintaining strong position on the Internet market is made possible by investment in modern and innovative technological solutions. The development of this medium is also determined by the available infrastructure. The way of accessing the Internet is also changing, which can significantly influence the dynamics of the market. The number of mobile internet users is increasing. Changes in the way the Internet is used and the speed of connections can influence the dynamics of the growth of individual segments of the Internet advertising market. In this segment, the Group competes with local and international entities. In such a competitive market, there is no guarantee that the Group's position and its online ad revenues will remain unchanged. What is more, the Internet advertising market is undergoing major transformations. Advertising in search engines and social media is becoming increasingly popular. The main source of Internet revenue for the Group is graphic advertising. Programmatic, video, and mobile advertising are becoming increasingly important. Strong position in the rapidly changing Internet advertising market requires investment in advanced technology. There is no certainty that the Group will be able to compete in this area with large domestic and international financial players.

- **Responsibility for published content**

The Group's business is based in many aspects on publishing content of journalists, writers, publicists, and users of online forums. This may involve liability or co-responsibility of the publisher for the dissemination of illegal information, including infringing personal property. It is not possible to exclude situations in which the Group could inadvertently infringe such rights and, as a consequence, claims may be made against it, whereby it may be necessary to pay appropriate compensation.

- **Outdoor**

Outdoor advertising market in Poland is highly competitive. AMS S.A. competes with Polish companies, as well as big international concerns. Outdoor advertising market is of high legal risk due to the possible changes in the rules regarding the use of public space and introduction of new limitations in the centers of large urban areas, as well as rules on fees and tax rates related to this business activity. The factors mentioned above may have an impact on the Group’s result.

On 11 September 2015, the Act amending certain acts in connection with the strengthening of landscape protection tools came into force. Under its provisions, local governments have acquired the power to regulate the distribution of visual advertising and small architecture in the public space, and to charge relevant fees. It is difficult now to assess the impact and at what point the introduction of the new regulation will affect the results of the Agora Group. On the date of publication of this report, in 2 local municipalities new collection rules under the aforementioned Act were in force.

- **Cinema**

Helios group opens new cinemas in shopping and entertainment centres. Therefore, further development of the cinema network is dependent upon the construction of new shopping and entertainment galleries in Poland and ability to compete with other cinema operators for new space lease contracts. The pace of Polish infrastructure development and the situation on the Polish real estate market (i.e. cost of space rent) may influence the results of cinema operators.

Additionally, the available repertoire affects results of cinema business. Lack of interesting movies, abilities to promote movies or the quality of movies may negatively affect cinema admissions. Moreover, economic downturn may translate into lower expenditure on entertainment which may result in lower revenues from ticket sales and willingness to buy food and beverages in cinema bars. Moreover, the cinema operators compete with other technologies of film screening, inter alia, in Internet. Additionally, weather and introduced in 2018 ban on trade on selected Sundays has an impact on cinema attendance.

Risks of running licensed business

The Group has been running its activities in radio market for years. Radio operations are licensed activities in Poland. The license entries determine the scope and form of business during the time for which the license is granted. There is a risk that demand, from radio audience, for a certain radio format may decrease, while the Group will not be able to adjust to the market requirements due to the obligation to respect program entries stated in the license.

In addition, there are ongoing consultations initiated by the National Council of Radio and Television (KRRiT) regarding conducting business in the licensed area. It is difficult to predict what their outcome will be and how will they affect the results and activities of the Company and the Group. In addition, there is a risk that any failure to comply with the concession or regulation, particularly in terms of program content or permanent cessation of broadcasting of the program, may result in sanctions by KRRiT. It is not possible to exclude the risk that KRRiT will refuse to grant concession after the period for which it was originally issued, or that the conditions of reissued concessions (or concession contracts) will be less favorable to the Group than those currently exercised.

Radio stations

Polish radio ad market is highly competitive. Agora's radio stations compete with other radio broadcasters, including those with national reach, as well as other media – TV, press, internet and outdoor advertising. To maintain audience share it is important to have a demanded radio format. There is no certainty that the Group's current position in the radio audience market will remain unchanged. Competing for ad revenue, radio stations (also belonging to different media concerns), create joint advertising offers. The popularity of these offers may significantly influence the shares of particular radio broadcasters in radio ad market. It must also be kept in mind that radio stations are increasingly competing for attention with other media, especially the Internet.

Television

On June 14th, 2018 Agora disposed of 41.04% of shares in Stopklatka S.A. and withdraw from television market.

Movie business

Movie distribution and co-production is of project nature, which may cause the volatility of its results and lead to periodic distortions of the Group's results. The majority of outlays, especially those related to movie co-production, is incurred long before the revenues related to that field of operations occur. The impact of this activity on the Group's results depends also on the popularity of particular film productions.

Risk of claims for infringement of intellectual property rights

The Group's business is largely based on the use of intellectual property rights and licensing agreements. The Group believes that it does not infringe on the intellectual property rights of third parties. However, it is not possible to exclude situations where the Group could inadvertently infringe such rights. As a result, claims could be made against the Group, which could result in the need to pay adequate compensation.

Risk of volatility of law regulations, especially those concerning the Group's activities

Due to the fact that legal regulations in Poland are subject to frequent changes, they may have a negative impact on the Group's operations and entail risk in conducting business activity. In particular, the activity of the Group may be influenced by changes in the law governing the activities performed, including introducing provisions of the so-called "cross-media distortion of entities in the media market", changes in the provisions of the Broadcasting Act and the implementing regulations of this Act, the Copyright and Related Rights Act, as well as amendments to the regulations governing the capital market activities in Poland. New regulations may potentially give rise to certain risks related to interpretation problems, lack of judicial practice, adverse interpretations accepted by the courts or public administration bodies.

In addition, tax regulations in Poland are characterized by high volatility. Possible changes in business taxation, both in terms of income tax, tax on goods and services and other taxes, may adversely affect the Group's business and performance. The Group is also exposed to the risk of a possible change in the interpretation of tax laws issued by tax authorities that affect its operating activities and financial results.

- **Impairment tests**

In line with the *International Financial Reporting Standards*, the Group runs impairment tests. In the past, some of the tests resulted in impairment losses, which were reflected in the income statement (unconsolidated or consolidated). There is no certainty that the tests run in the future will give positive effects.

- **Currency risk**

The Group's revenues are expressed in Polish zlotys. Part of the operating cost, connected mainly with cinema activities, the production materials and services and IT services, is related to the currency exchange rates. The volatility of currency exchange rates may have influence on the level of Group's operating cost and its financial results.

- **Risk of losing key employees**

The Group's success is dependent on the involvement and qualifications of its key employees, who contributed immensely to Group's development and effective optimization of the Group's operating processes. Due to the market competition for highly qualified specialists there is no guarantee that the Group will be able to preserve all valuable employees.

- **Risk of receivables collection**

Still a large number of companies in Poland declares bankruptcy, including customers of the Agora Group. The financial difficulties of customers co-operating with different segments of the Agora Group may affect the Group's financial results. Additionally, there is no certainty, that in case of bankruptcy of its customers the Group will collect all of its receivables.

- **The risk of collective dispute**

On December 12, 2011 an Inter-union trade organization NSZZ Solidarność AGORA S.A i INFORADIO SP. Z O.O. ("OM") was created. The trade unions operate in Agora S.A., Inforadio Sp. z o.o., Agora Poligrafia Sp. z o.o., AMS S.A., Trader.com (Polska) Sp. z o.o. and Grupa Radiowa Agory Sp. z o.o. According to the law requirements the management boards of the companies in which trade unions operate consult or negotiate with them decisions in legally determined cases.

The Group tries to maintain good relations with its employees and solve any problems as they appear, however it can not be excluded that in the future the Group may experience a collective dispute in law determined cases.

VI. MANAGEMENT BOARD'S REPRESENTATIONS

Management Board of Agora confirms that, to the best knowledge, the condensed semi-annual unconsolidated and consolidated financial statements together with comparative figures, have been prepared according to all applicable accounting standards and give a true and fair view of the state of affairs and the financial result of the Issuer and its Capital Group.

The semi-annual Management Discussion and Analysis of the Group shows true view of the achievements and the state of affairs of the Issuer's Capital Group, including evaluation of risks and dangers.

Warsaw, August 10, 2018

Bartosz Hojka - President of the Management Board	*Signed on the Polish original*
Tomasz Jagiello - Member of the Management Board	*Signed on the Polish original*
Agnieszka Sadowska - Member of the Management Board	*Signed on the Polish original*
Anna Krynska-Godlewska - Member of the Management Board	*Signed on the Polish original*
Grzegorz Kania - Member of the Management Board	*Signed on the Polish original*