KPMG

Agora S.A. Group

Independent Auditor's Report

Financial Year ended

31 December 2017

KPMG

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INDEPENDENT AUDITOR'S REPORT

To the General Shareholders' Meeting of Agora S.A.

Report on the Audit of the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Group, whose parent entity is Agora S.A., with its registered office in Warsaw, ul. Czerska 8/10 (the "Group"), which comprise the consolidated balance sheet as at 31 December 2017, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity and the consolidated cash flows statement for the year then ended and notes to the consolidated financial statements (the "consolidated financial statements").

Responsibility of the Management Board of the Parent Entity and Supervisory Board for the consolidated financial statements

The Management Board of the Parent Entity is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards, as adopted by the European Union ("IFRS EU") and other applicable laws. The Management Board of the Parent Entity is also responsible for such internal control as the Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

According to the accounting act dated 29 September 1994 (Official Journal from 2018, item 395) ("the Accounting Act"), the Management Board of the Parent Entity and members of the Supervisory Board are required to ensure that the consolidated financial statements are in compliance with the requirements set forth in the Accounting Act.

Auditor's Responsibility for the audit of the consolidated financial statements

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with:

- the act on certified auditors, audit firms and public oversight dated 11 May 2017 (Official Journal from 2017, item 1089) (the „Act on certified auditors");
- International Standards on Auditing as adopted by the resolution dated 10 February 2015 of the National Council of Certified Auditors as National Standards on Assurance; and

- Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-listed entities and repealing Commission Decision 2005/909/EC (Official Journal of the European Union L 158 from 27.05.2014, page 77 and Official Journal of the European Union L 170 from 11.06.2014, page 66) (the "EU Regulation").

Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the regulations mentioned above will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting a material misstatement resulting from error because fraud may involve collusion, forgery, deliberate omission, intentional misrepresentations or override of internal controls.

The scope of audit does not include assurance on the future viability of the Group or on the efficiency or effectiveness with which the Management Board of the Parent Entity has conducted or will conduct the affairs of the Group.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Group's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management Board of the Parent Entity, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The most significant assessed risks of material misstatements

During our audit we identified the most significant assessed risks of material misstatements (the "key audit matters"), including those due to fraud, described below and we performed appropriate audit procedures to address these matters. Key audit matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Impairment of assets

The carrying amount of goodwill as at December 31, 2017: PLN 295.834 thousand (as at December 31, 2016: PLN 319.317 thousand), magazine titles as at December 31, 2017: PLN 12,364 (as at December 31, 2016: PLN 23,358 thousand), property, plant and equipment as at December 31, 2017: PLN 513,965 thousand (as at December 31, 2016: PLN 627,510 thousand).

Based on impairment tests carried out in 2017, impairment losses were recognized in respect of goodwill of Trader.com (Poland) Sp. z o.o. in the amount of PLN 21,285 thousand, in relation to press title "Cztery Kąty" in the amount of PLN 13,192 thousand (including the amount of PLN 2,198 thousand related to goodwill of purchased magazines) and in relation to property, plant and equipment assigned to Print segment in the amount of PLN 51,580 thousand.

Reference to the consolidated financial statements:

Note 2(d) „Property, plant and equipment", Note 2(e) „Intangible assets", Note 2(w) „Impairment losses", Note 3 „Intangible assets", Note 4 „Property, plant and equipment", Note 40 „Accounting estimates and judgements".

Key audit matter	*Our procedures*
In association with acquiring control over its subsidiaries in the prior years, the Group recognized goodwill, which represents a significant line item in the consolidated financial statements. The Group also recognized significant intangible assets with indefinite useful life relating to magazine titles and other non-current assets utilized by its cash-generating units. The Agora Group's activities include primarily press publishing, printing activities, internet activities, cinemas, radio and television broadcasting, as well as operations in the outdoor advertising segment. The above components are characterized by different profitability, cyclicality and market volatility. The complexity and diversity of the businesses as well as the subjectivity of the Parent Entity Management Board's judgments related to the allocation of goodwill, other intangible assets and property, plant and equipment to different cash-generating units subject to the impairment tests constitute an additional risk factor.	Our audit procedures included, among others: • evaluating the Group's accounting policy in respect of impairment testing of goodwill, intangible assets with indefinite useful life and property, plant and equipment against the requirements of the relevant financial reporting standards; • assessing the Parent Entity Management Board's judgments regarding allocation of assets to cash-generating units; • assisted by our own valuation specialists, assessing the correctness and methodological coherence of the Group's discounted cash flow models, and also comparing the methodology applied to commonly used valuation models; • Challenging the Group's key assumptions and estimates made to determine the recoverable amounts of its cash generating units to which goodwill, intangible assets, including assets with indefinite useful life and property, plant and equipment had been allocated, including, among others, the assessment of:

In accordance with relevant financial reporting standards, the Group is required to perform an impairment test at least annually for any assets with indefinite useful life and assets for which there is an indicator of possible impairment, by comparing the carrying amount of the cash-generating unit to which goodwill, intangible assets, including assets with indefinite useful life, and property, plant and equipment have been allocated, to its recoverable amount. The Group determines the recoverable amount using the discounted cash flow method, which is based mainly on estimates and assumptions made by the Parent Entity's Management Board, particularly in relation to the level of advertising spending in Poland in the Group's segments, newspapers and magazines sales in the Press segment and customer attendance in the cinema-related segment. Forecasts of future cash flows are particularly exposed to risk stemming from the changing market and regulatory environment. Results of the impairment tests are sensitive to changes in key assumptions, such as forecasted future cash flows, discount rates or growth rates after the period of detailed forecast. An insignificant change in these assumptions may have a significant impact on the estimate of the recoverable amount. Due to the above factors, we considered this area to be a key audit matter.	o the reasonableness of the assumptions made regarding revenues and costs, capital investments and growth rate after the detailed forecast period for each cash generating unit by: (i) comparing them to actual amounts in the preceding financial years, adjusted by the impact of forecasted changes in the market environment and the economic situation of the sectors in which each of the cash-generating units operates; (ii) assessment of the quality of historical estimates by analyzing the budgets prepared in preceding years against actual outcomes. o the correctness of the discount rate applied by comparing it to external sources, with the support of our own valuation specialists; • evaluation of accuracy and completeness of the consolidated financial statements disclosures with respect to key assumptions made, sensitivity of the models to changes in key assumptions and the results of the impairment tests.

2. Recognition of deferred tax assets on unused tax losses

The carrying amount of deferred tax assets as at December 31, 2017: PLN 16,537 thousand (including deferred tax assets on unused tax losses: PLN 175 thousand), as at December 31, 2016 r.: PLN 13,374 thousand (including deferred tax assets on unused tax losses: PLN 348 thousand).

The carrying amount of deferred tax liabilities as at December 31, 2017: PLN 12,328 thousand, as at December 31, 2016: PLN 23,768 thousand.

Deferred tax expense recognized in the consolidated income statement for 2017: PLN 14,701 thousand and for 2016: PLN 5,767 thousand.

The amount of unused tax losses as at December 31, 2017: PLN 119,449 thousand, including unused tax losses of the Parent Entity: PLN 113,773 thousand (as at December 31, 2016: PLN 71,619 thousand, including unused tax losses of the Parent Entity: PLN 69,843 thousand).

Reference to the consolidated financial statements:

Note 2 (p) „Income taxes and deferred income taxes", Note 15 „Deferred income taxes", Note 30 „Income taxes"

Key audit matter	Our procedures
As at December 31, 2017 and December 31, 2016 the Group did not recognize deferred tax assets on unused tax losses of the Parent Entity due to the uncertainty as to the availability of future tax profits within the next five years, taking into account the period of the existence of the Tax Capital Group ("TCG"), as described in Note 15 of the consolidated financial statements, during which utilization of the tax losses is suspended. We considered the assessment of the possibility of recognition of deferred tax assets on unused tax losses as a key audit matter given the magnitude of the amounts of unused tax losses and the fact that the Group's tax budgets are primarily based on significant estimates and subjective assumptions made by the Management Board of the Parent Entity. Forecasts of future tax results that are based on estimates of revenues and costs used in the parent entity's tax budgets and the analysis of the reversal of existing taxable temporary differences that would generate sufficient taxable amount to enable utilization of tax	Our audit procedures included, among others: • evaluating the Group's accounting policy in respect of the recognition of deferred tax assets on unused tax losses against the requirements of the relevant financial reporting standards; • challenging the Parent Entity Management Board's assumptions underlying its estimate of the future taxable profits against which unused tax losses could be utilized before they expire, by assessing key assumptions used in the tax budgets and their consistency with the assumptions applied in the financial forecasts used in the Group's impairment tests; • critically assessing the Parent Entity Management Board's analysis of the reversal of taxable temporary differences in the context of the possibility to utilize unused tax losses;

losses before they expire, are subject to high uncertainty and significant risk of change due to changing market conditions.	• assisted by our own taxation specialists, evaluating the impact of the establishment of the TCG on the possibility to utilize tax losses.

Opinion

In our opinion, the accompanying consolidated financial statements of Agora S.A. Group:

- give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS EU and the adopted accounting policy;
- comply, in all material respects, with regard to form and content, with applicable laws and the provisions of the Parent Entity's articles of association.

Report on other legal and regulatory requirements

Report on the Group's activities

Our opinion on the consolidated financial statements does not cover the report on the Group's activities (the "report on activities").

The Management Board of the Parent Entity is responsible for the preparation of the report on activities in accordance with the requirements of the Accounting Act and other applicable laws. Furthermore, the Management Board of the Parent Entity and members of the Supervisory Board, are also required to ensure that the report on activities is in compliance with the requirements set forth in the Accounting Act.

In accordance with the Act on certified auditors our responsibility was to determine if the report on activities was prepared in accordance with applicable laws and the information given in the report on activities is consistent with the consolidated financial statements. Our responsibility was also to state, if based on our knowledge about the Group and its environment obtained in the audit, we have identified material misstatements in the report on the activities and describe the nature of each material misstatement.

In our opinion, the accompanying report on activities in all material respects:

- has been prepared in accordance with applicable laws, and
- is consistent with the consolidated financial statements.

Furthermore, based on our knowledge about the Group and its environment obtained in the audit, we have not identified material misstatements in the report on activities.

Opinion on corporate governance statement

The Management Board of the Parent Entity and members of the Supervisory Board are responsible for preparation of the corporate governance statement in accordance with the applicable laws.

In connection with the audit of the consolidated financial statements, our responsibility in accordance with the requirements of the Act on certified auditors was to report whether the issuer of securities obliged to file a statement on corporate governance, constituting a separate part of the report on activities, included information required by the applicable laws and regulations, and in relation to specific information indicated in these laws or regulations, to determine whether it complies with the applicable laws and whether it is consistent with the consolidated financial statements.

In our opinion, the statement of corporate governance, which is a separate part of the report on the Group's activities, includes the information required by paragraph 91 subparagraph 5 point 4 letter a, b, j, k and letter l of the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent of information required by the laws of a non-member state (Official Journal from 2014, item 133 with amendments) (the "decree"). Furthermore, in our opinion, the information identified in paragraph 91 subparagraph 5 point 4 letter c-f, h and letter i of the decree, included in the statement of corporate governance, in all material respects:

- has been prepared in accordance with the applicable laws; and
- is consistent with the consolidated financial statements.

Information about preparation of statement on non-financial information

In accordance with the requirements of the Act on certified auditors, we report that the Parent Entity has prepared a separate report on non-financial information referred to in art. 49b paragraph 9 of the Accounting Act.

We have not performed any assurance procedures in relation to the separate report on non-financial information of the Group and, accordingly, we do not express any assurance thereon.

Information, confirmations and statements required by the EU Regulation

Our opinion on the audit of consolidated financial statements is consistent with our report to the audit committee.

During our audit the key certified auditors and the audit firm remained independent of the Group in accordance with requirements of the Act on certified auditors, the EU Regulation and the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants' (IFAC) as adopted by the resolutions of National Council of Certified Auditors.

We declare that, to the best of our knowledge and belief, we did not provide prohibited non-audit services referred to in art. 5 paragraph 1 second subparagraph of the EU Regulation and art. 136 of the Act on certified auditors.

The audit of consolidated financial statements was conducted based on resolution of the Supervisory Board dated 30 March 2017.

Our total uninterrupted period of engagement to audit financial statements of Agora S.A., as a public interest entity, is 19 years, covering the periods ending 31 December 1999 to 31 December 2017.

On behalf of audit firm
KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
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00-189 Warsaw

Signed on the Polish original
....
Marcin Domagała
Key Certified Auditor
Registration No. 90046
Member of the Management Board
of KPMG Audyt Sp. z o.o.,
General Partner of KPMG Audyt Spółka
z ograniczoną odpowiedzialnością sp.k.

Signed on the Polish original
....
Karolina Graś
Key Certified Auditor
Registration No. 11368

8 March 2018

Ladies and Gentlemen, Dear Shareholders,

Another year of positive changes in the Agora Group, including dynamic development of many of our projects, as well an restructuring of some of our businesses, is behind us. The year 2017 was yet another stage in the execution of the Group's development plan announced in March 2014. We are glad that the initiatives which we have been consistently implementing over the last four years are bringing tangible results - better than expected.

The Press segment has been successfully changing the business model and restructuring its operations. This led to a significant improvement of its operating result. At the end of 2017, the number of active digital paid subscriptions of *Gazeta Wyborcza* exceeded a record level of 133,000. This is an excellent result and a good sign, confirming the correct direction of changes and development of our press activity.

The Film and Book segment closed the year with a double-digit revenues and operating result increase. Undoubtedly, this was the result of our consistent policy in the cinema market - for this reason we are going to continue to expand the Helios chain. The success of the segment is also due to the improved results of the film business and Agora's Publishing House, with huge popularity of such productions as *Sztuka kochania*. *Historia Michaliny Wisłockiej* or *Po prostu przyjaźń* and books such as *Sztuka kochania, Tu byłem*. *Tony Halik* and *Ania* – a biography of Anna Przybylska.

In the outdoor advertising market the priority of the Agora Group remains reinforcing its leading position in the premium media segment. We have been implementing this plan with considerable success, which is reflected in the financial results of our Outdoor Advertising segment. AMS has been achieving business targets significantly higher than planned – it ended last year with a double-digit improvement of its operating result, recording the best result in its history.

When it comes to the online business of the Group, our priority is a significant development in the fastest-growing market segments. We plan investments in selected content categories, new formats and mobile applications. We dynamically develop the programmatic area, which is one of the sections of the online advertising market offering the best prospects. Yieldbird, a company operating in this segment, was listed in a prestigious ranking of the fastest-growing technology companies in Europe.

When it comes to our radio business, the overriding objective is to increase profitability. In 2017, the operating result of the Radio segment saw a double-digit increase. At the same time, we continue pursuing an effective development strategy of our stations by increasing considerably the scale of our activity. Radio Pogoda enjoys huge popularity among listeners, and TOK FM Radio reaches record audiences. The changing situation in the media market prompted us to verify the approach of the Agora Group to our presence in the television market. In 2017, we decided to divest of shares in the most popular television channel created on the eight multiplex of terrestrial digital television. We still remain a partner of Kino Polska and continue to co-create the Stopklatka TV channel.

One of the targets announced by the Group in 2014 was keeping the Print segment in the black. In 2017 we failed to achieve this due to the rapid changes in the portfolio of our customers. In response to this situation we made a difficult decision to restructure this area of our business, including group redundancies. The aim of the Management Board is to permanently restore the profitability of this segment.

Summarising, we see the positive effects of the implementation of our development plans. We are successfully adjusting our offer to the requirements of the fast-changing media market and systematically seek new sources of revenues.

In 2018, we will present a new development strategy of the Agora Group. I am convinced that everything that we have done to-date is an excellent starting point for taking a bolder look at the possibilities of increasing the business volume and the further development of the Group. In the new, enlarged Management Board, we are working on a plan that will meet the challenges of the future.

Attaining our business and financial goals, we want to be the first and obvious choice for users and partners to whom our media and undertakings provide reliable information, quality journalism, interesting entertainment or innovative solutions guaranteeing that they can effectively reach their customers.

I would like to thank everybody – our shareholders, customers and employees – for their support and trust placed in Agora, and our everyday audiences: readers, users, listeners and viewers – for their interest and loyalty.

Bartosz Hojka
President of the Management Board of Agora S.A.

AGORA GROUP
Management Discussion and Analysis for
the year 2017
to the consolidated financial statements

March 8, 2018

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MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) FOR YEAR OF 2017 TO THE FINANCIAL STATEMENTS

REVENUE PLN 1 165.5 MILLION
EBITDA PLN 118.9 MILLION
EBITDA MARGIN PLN 10.2%
NET LOSS PLN (79.3) MILLION
OPERATING CASH FLOW PLN 77.3 MILLION

Unless indicated otherwise, all data presented herein represent the period of 2017, while comparisons refer to 2016. All data sources are presented in part IV of this MD&A.

I. IMPORTANT EVENTS AND FACTORS WHICH INFLUENCE THE FINANCIALS OF THE GROUP [1]

- In the fourth quarter of 2017 the revenue of the Agora Group (the "Group") amounted to PLN 330.4 million, and was lower by 2.9% yoy. The segments which noted growth of revenues were: the Movies and Books as well as the Internet. The revenue of the Movies and Books segment grew by 10.0% and amounted to PLN 122.7 million. The largest growth - by 8.8% - was observed in the revenue from sales of cinema tickets, which represented PLN 66.6 million. The concession sales were also higher - amounting to PLN 24.7 million, and so were the advertising revenues in the cinemas - amounting to PLN 11.7 million. The segment also recorded higher revenues from the movie business - PLN 4.6 million, and from Agora's Publishing House activities - PLN 12.2 million. In the fourtyh quarter of 2017, the revenue of the Internet segment increased and amounted to PLN 52.6 million. It was primarily affected by higher proceeds from the internet advertisements, i.a. on account of dynamic development of Yieldbird. The Outdoor Advertising segment revenue was similar to that in 4Q 2016, while the revenues in the other operating segments of the Group were lower. The sharpest decline - down to PLN 18.7 million - was recorded in the Print segment. The factors which were decisive for the level of revenues in that segment included drop in the production volume due to, inter alia, discontinuation of cooperation with some customers, and higher share of print on customer-provided paper. The revenues of the Press segment decreased to PLN 61.9 million, which was related to the continuation of negative market trends and decision to discontinue publication of selected press titles. At the same time, *Gazeta Wyborcza* successfully develops its digital subscription offer. At the end of December 2017, the number of digital subscriptions of the daily amounted to almost 133 thousand i.e. 23 thousand more than at the end of September 2017 (i.e. up by almost 21.0%). The Radio segment revenue amounted to PLN 36.1 million. It was affected mainly by lower revenues from the air time sales in the radio stations of the Agora Radio Group as well as lower video production proceeds.
- In 2017, the revenues of the Group lowered to PLN 1,165.5 million. Higher by 14.3% yoy revenues of the Movies and Books segment in the amount of PLN 416.2 million had a positive impact on the level of the Group's revenue. This resulted mainly from the growth of revenues from cinema tickets sales - up by 14.0% yoy, to PLN 222.4 million, and significantly higher revenues from the Group's film business, amounting to PLN 28.1 million. The concession sales were also higher yoy - amounting to PLN 83.1 million, and so were the advertising revenues in the cinemas - amounting to PLN 35.1 million. A revenue increase - to PLN 168.6 million - was also observed in the Internet segment, mainly due to higher proceeds from Internet advertisements and revenues from the sales of ads in verticals. The Radio segment saw increased revenues to the amount of PLN 114.0 million. It was caused by higher revenues from brokerage services provided for Helios cinemas as well as higher revenues from the air time sales in the radio stations of the Agora Radio Group. The strongest impact

on the Group's revenue level in 2017 had lower yoy revenues of the Print and the Press segments, which amounted to PLN 101.7 million and PLN 235.5 million, respectively. At the same time, another success with regard to the digital transformation in the Press segment is worth mentioning. There were almost 133 thousand digital subscriptions of *Gazeta Wyborcza*. Another segment to record lower revenues was the Outdoor Advertising (a drop by 3.0% yoy, to PLN 163.0 million), mainly due ceasing advertising cooperation with the Warsaw metro and Agora's Publishing House.

- The Company conducted asset impairment tests based on long-term financial forecasts for each business segment of the Group. The analysis showed the necessity to incur impairment loss of fixed assets. The largest impairments of assets took place in the following segments: the Print (PLN 51.6 million), the Press (PLN 13.2 million, mainly the value of the monthly *Cztery Katy*), and the Internet (PLN 21.8 million, mainly the goodwill of Trader.com. (Polska) Sp. z o.o.). The total impact of impairments on the consolidated operating result of the Group in the fourth quarter of 2017 amounted to PLN 88.9 million. According to the regulatory filing (1/2018) published by the Company on January 4, 2018, Agora also reviewed the useful lives of selected fixed assets of the Group, which resulted in higher amortization charges in the Movies and Books segment, and in Agora's general costs in the amount of PLN 4.8 million. The aforementioned impairment losses are one-off and non-cash, and do not affect the liquidity of the Company and of the Group or its investment plans.
- The value of the aforementioned impairment losses rendered serious influence on the higher operating costs of the Group – both in the fourth quarter of 2017 and in the whole 2017. It's worth to notice that had the cost of the impairment losses in the fourth quarter of 2017 not been taken into account, the level of the Group's operating costs in the last quarter of 2017 would have been at a level similar to the one observed in the corresponding period of 2016, and it would have been significantly lower yoy in 2017.
- Due to the cost of asset impairments incurred in the fourth quarter of 2017, the Group's operating costs rose up to PLN 404.6 million. The impairment loss weighed down on the results of the Print, the Internet, and the Press segments. In the fourth quarter of 2017, the Print segment operating costs increased to the amount of PLN 74.5 million, PLN 51.6 million being the value of impairments. The other cost items in this segment significantly decreased due to a lower yoy production volume resulting from discontinuation of collaboration with certain customers and a higher share of print on customer- provided paper. In the Internet segment, the operating costs amounted to PLN 64.7 million, PLN 21.8 million being the value of impairments. In addition, this segment saw higher yoy promotion and marketing costs as well as external services costs, as compared to the fourth quarter of 2016. In the Press segment, the operating costs amounted to PLN 70.1 million, and – in spite of the impairment loss amounting to PLN 13.2 million – were lower yoy than in the fourth quarter of 2016. This reduction resulted mainly from lower yoy promotion and marketing costs as well as from the restructuring process carried out in 2016. The 14.3% yoy rise of the operating costs in the Movies and Books segment, up to PLN 114.5 million, was mainly caused by the development of the Helios cinema network, a higher yoy cinema attendance, higher yoy staff costs, and a one-off adaptation of the depreciation rate to the shortened period of useful life of selected cinema projectors. In the Outdoor Advertising segment, the operating costs shrank by 6.5% yoy and amounted to PLN 39.1 million, mainly due to the lower yoy costs of the system maintenance. In the Radio segment, the operating costs dropped by 7.8% yoy to PLN 27.1 million, mainly due to the lower yoy costs of promotion and marketing, and external services costs.
- In 2017, the Group's operating costs amounted to PLN 1,238.5 million, and were higher by PLN 56.8 million than in 2016, mainly due to the cost of impairments totalling PLN 88.9 million, which weighed down on the Group's results in the fourth quarter of 2017. Had it not been for the impairment losses, the total amount of the Group's operating costs would have been significantly lower yoy than in 2016. The impairments weighed down mainly on the results of the following business segments: Print, Internet, and Press. Excluding the impact of the asset impairment costs in the Press segment, its operating costs would have been significantly lower yoy. In the period under analysis, the costs of raw materials, energy, consumables and printing services were 22.0% yoy lower, totalling PLN 57.8 million. It results from the lower printing volumes of *Gazeta Wyborcza*, changes implemented in the product structure, and the discontinuation of selected press titles. Another important factor impacting the reduced costs in the Press segment in 2017 were lower yoy costs of promotion and marketing – down by 33.7% yoy, to PLN 29.9 million. In the period under discussion, the other cost items in that segment were also lower yoy. Also in the Print segment, the 2017 operating costs were significantly lower yoy – had it not been for the impact of the asset impairment incurred in the fourth quarter of 2017. In 2017, the costs of raw materials, energy and production services in the Print segment decreased by 40.2% yoy, to PLN 64.0 million. That drop was caused by the lower yoy production volume in the Group's

printing houses, resulting from the discontinuation of collaboration with certain customers, a lower yoy volume of orders, and a higher share of print on customer-provided paper. As for the Internet segment, the higher promotion and marketing costs as well as external service costs rendered significant influence on the higher yoy operating cost level, apart from the impairment loss. Lower yoy operating costs were recorded in the Outdoor segment – a drop by 5.9% yoy, down to PLN 134.7 million. This was caused mainly by lower yoy system maintenance and lower yoy staff costs. In 2017, the Radio segment's operating costs declined by 3.3% yoy, and amounted to PLN 97.3 million. The main reason behind that were the lower yoy external services costs as well as lower yoy promotion and marketing costs. The Movies and Books recorded a significant increase in operating costs - up by 14.7% yoy, to PLN 386.5 million. The main reason behind that was the development of the Helios cinema network and a higher yoy cinema attendance. The segment recorded the highest rise – by 20.8% yoy, to PLN 191.9 million – in the external services item. The reasons behind it included: higher yoy rental costs in the Helios cinema network, resulting from a bigger number of cinemas, higher yoy costs of film copy purchase, and higher yoy fees for film producers. The staff costs increased by 31.6% yoy, to PLN 51.6 million. It was caused by the increased minimum hourly wage since January 2017, and a higher headcount due to the Helios cinema network development.

- In the fourth quarter of 2017, the Group's EBITDA lowered yoy to PLN 43.1 million, while throughout 2017, it was 2.5% yoy higher, totalling PLN 118.9 million. Beginning from the fourth quarter of 2017, the EBITDA indicator, which was previously defined by the Company as EBIT increased by depreciation and amortization, does not include the costs of impairment of tangible fixed assets and intangible assets.
- Due to impairment of assets which encumbered Agora Group's results in the fourth quarter of 2017 with PLN 88.9 million, the Group recorded a loss at the EBIT level of PLN 74.2 million in the fourth quarter of 2017, and of PLN 73.0 million in 2017. The Group's net loss in the fourth quarter of 2017 amounted to PLN 72.3 million, and PLN 79.3 million in 2017. The net loss attributable to the equity holders of the parent company amounted to PLN 73.5 million in the fourth quarter of 2017, and to PLN 83.5 million in 2017.
- The Group's net result, both in 2016 and 2017, was impacted by a series of one-off events. In 2016, the significant events with a positive impact on the Group's results included: gains from the disposal of shares in a subsidiary company (Green Content Sp. z o.o.), and the outcome of the control takeover transaction settlement in the company GoldenLine Sp. z o.o. The disposal of the Group's real estate in Lodz also rendered some positive influence on the overall result. The collective redundancies provision in Agora S.A. had negative impact on the Group's results. In 2017, the most important factor with a negative impact on the Group's results were the asset impairments totalling PLN 88.9 million. On the other hand, the profits from the disposal of the remaining shares in Green Content Sp. z o.o. had a positive effect.
- As at the end of 31 December 2017, the Group had PLN 111.0 million in cash and short-term monetary assets, which comprised cash and cash equivalents in the amount of PLN 19.2 million and PLN 91.8 million invested in short-term securities. Additionally, as at 31 December 2017 the Group had cash receivables of PLN 21.6 million deposited by AMS S.A. as cash collateral securing the bank guarantees granted in relation to performance of the concession contract for the construction and modernisation of bus/tram shelters in Warsaw (out of which PLN 10.8 million is presented within long-term receivables).
- As at the end of December 2017, the Group's debt amounted to PLN 85.3 million (including external debt of Helios S.A. consisting of bank loans and finance lease liabilities in the amount of PLN 52.8 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 fourth quarter of 2017, total advertising spending in Poland amounted to ca PLN 2.7 billion and increased by 5.0% yoy.

Tab. 1

	4Q 2015	1Q 2016	2Q 2016	3Q 2016	4Q 2016	1Q 2017	2Q 2017	3Q 2017	4Q 2017
% change yoy in ad market value	4.5%	5.0%	3.0%	1.5%	3.5%	2.0%	0.5%	0.5%	5.0%

In the fourth quarter of 2017 advertisers increased advertising expenditure in most of the advertising market segments. They spent more in Internet, television, outdoor and cinema and less in press and radio. 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	Internet	Television	Outdoor	Cinema	Radio	Magazines	Dailies
5.0%	9.5.0%	5.5%	5.5%	3.5%	(1.5%)	(8.0%)	(9.5%)

The share of particular media segment in total advertising expenditure, in the fourth quarter of 2017, is presented in the table below:

Tab. 3

Advertising spendings, in total	Television	Internet	Radio	Outdoor	Magazines	Dailies	Cinema
100.0%	48.5%	30.0%	7.0%	5.5%	5.0%	2.0%	2.0%

In 2017, total advertising spending in Poland amounted to ca PLN 8.8 billion and increased by over 2.0% yoy. At that time, advertisers limited their expenditure in press and outdoor. The growth of advertising expenditure was visible in internet, cinema and television. In radio the advertising expenditure remained at the same level as in 2016. 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	Internet	Cinema	Television	Radio	Outdoor	Magazines	Dailies
2.0%	8.0%	4.5%	1.5%	0.0%	(1.5%)	(9.0%)	(14.5%)

The share of particular media segment in total advertising expenditure, in 2017, is presented in the table below:

Tab. 5

Share in total advertising spendings	Television	Internet	Radio	Outdoor	Magazines	Dailies	Cinema
100.0%	47.0%	31.5%	7.0%	5.5%	5.0%	2.5%	1.5%

1.2 Copy sales of dailies [4]

In the fourth quarter of 2017, the total paid circulation of dailies decreased by 11.0% yoy. The largest decrease was observed in regional dailies.

In 2017, the drop in total paid circulation of dailies in Poland decreased by 11.4%. The largest decrease was observed in regional dailies.

1.3 Cinema admissions [10]

In the fourth quarter of 2017, the number of tickets sold in Polish cinemas increased by 5.0% yoy and amounted to over 16.3 million.

In 2017, the number of tickets sold in Polish cinemas increased by 8.8% yoy to almost 56.6 million tickets.

2. INTERNAL FACTORS

2.1. Revenue

Tab. 6

in million PLN	**4Q 2017**	**% share**	**4Q 2016**	**% share**	***% change yoy***
Total sales (1)	**330.4**	***100.0%***	**340.3**	***100.0%***	***(2.9%)***
Advertising revenue	167.6	*50.7%*	166.2	*48.8%*	*0.8%*
Ticket sales	66.6	*20.2%*	60.4	*17.7%*	*10.3%*
Copy sales	34.5	*10.4%*	35.7	*10.5%*	*(3.4%)*
Printing services	16.7	*5.1%*	35.1	*10.3%*	*(52.4%)*
Concession sales in cinemas	24.7	*7.5%*	22.3	*6.6%*	*10.8%*
Other	20.3	*6.1%*	20.6	*6.1%*	*(1.5%)*

in million PLN	**1-4Q 2017**	**% share**	**1-4Q 2016**	**% share**	***% change yoy***
Total sales (1)	**1,165.5**	***100.0%***	**1,198.4**	***100.0%***	***(2.7%)***
Advertising revenue	547.3	*47.0%*	561.6	*46.9%*	*(2.5%)*
Ticket sales	222.2	*19.1%*	194.2	*16.2%*	*14.4%*
Copy sales	134.3	*11.5%*	135.7	*11.3%*	*(1.0%)*
Printing services	94.0	*8.1%*	147.7	*12.3%*	*(36.4%)*
Concession sales in cinemas	83.1	*7.1%*	72.3	*6.0%*	*14.9%*
Other	84.6	*7.2%*	86.9	*7.3%*	*(2.6%)*

(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 (co-production and distribution in the Movies and Books segment), described in details in point IV.A in this report.

In the fourth quarter of 2017, **the Group's total revenue** amounted to PLN 330.4 million and decreased by 2.9% yoy.

In the fourth quarter of 2017, Agora Group's **advertising revenue** increased by 0.8% yoy, and amounted to PLN 167.6 million, as compared to the corresponding period of 2016. It was lower yoy in the Press and the Radio segments. It is noteworthy that, in the case of the Press segment, the sales dynamics of advertising services, apart from being affected by market trends, was also impacted by the discontinuation of selected press titles, including notably the free daily *Metrocafe.pl*. On the other hand, an increase in sales of advertising services was recorded in the Internet segment as well as in the Movies and Books segment. The revenues from the sale of advertisements in the Outdoor Advertising segment was at the same level as in the corresponding period of 2016.

In the fourth quarter of 2017, **revenue from tickets sold in Helios cinemas** increased by 10.3% yoy and amounted to PLN 66.6 million. In the period under analysis, the number of tickets sold in the Helios cinemas amounted to almost 3.6 million, i.e. 8.0% more than in the fourth quarter of 2016. In the same period, the overall number of cinema tickets sold in Poland was higher by 5.0% yoy and amounted to over 16.3 million *[10]*.

In the fourth quarter of 2017, **the Group's copy sales revenue** amounted to PLN 34.5 million and decreased yoy by 3.4%. It was mainly caused by lower yoy revenues from the sales of printed publications in the Press segment, with higher yoy revenues from the subscriptions of Wyborcza.pl and special editions of the *Gazeta Wyborcza* magazines. The number of digital subscriptions of *Gazeta Wyborcza* rose in the fourth quarter of 2017 from 110 thousand to almost 133 thousand. Also Agora's Publishing House recorded increased revenues from the sale of its publications.

Cinema concession sales increased by 10.8% yoy to PLN 24.7 million. This was caused by higher yoy cinema attendance and a yoy increase in average prices at cinema bars.

In the fourth quarter of 2017, **the revenues from sales of printing services** of Agora Group were lower than in the same period of 2016, and amounted to PLN 16.7 million. This resulted primarily from the discontinuation of collaboration with certain customers, lower volume of orders, and a higher share of print on customer-provided paper.

Other sales amounted to PLN 20.3 million and were similar to those recorded in the fourth quarter of 2016. Last year, the value was positively affected by the revenues from the *The Witcher 3: Wild Hunt* game and its extentions, as well as the exhibition entitled *Titanic. The Exhibition.*

In 2017, **the Group's total revenues** amounted to PLN 1,165.5 million, and were 2.7% lower than in 2016.

In 2017, Agora Group's **advertising revenue** decreased by 2.5% yoy and amounted to PLN 547.3 million. They were lower yoy in the Press and the Outdoor segments. The sharpest decrease in advertising revenue was recorded in the Press segment, partially due to the condition of the press advertising market and the discontinuation of selected press titles, including the free daily *Metrocafe.pl*. In the Radio segment, the total advertising services revenues were higher than in 2016, but at the same time the radio advertising services revenues were lower yoy. The growth of advertising sales was visible in the Movies and Books segment as well as in the Internet segment.

In 2017, **revenue from tickets sold in Helios cinemas** increased by 14.4% yoy and amounted to PLN 222.2 million. In the period under analysis, the number of tickets sold in the Helios cinemas amounted to almost 12.2 million, i.e. 13.0% more than in 2016. In the same period, the overall number of cinema tickets sold in Poland amounted to almost 56.6 million and, increased by 8.8% yoy *[10]*.

In 2017, **the Group's copy sales revenues** amounted to PLN 134.3 million, and were by 1.0% lower than in 2016. The factors that influenced the level of the Group's copy sales were, among others, the continued downward trend with regard to copy sales of printed press, offset to some extent by the increase in sales of publications by the Agora's Publishing House, content subscriptions on Wyborcza.pl and special editions of *Gazeta Wyborcza* magazines. There were almost 133 thousand digital subscriptions of *Gazeta Wyborcza*.

In 2017, the Group's **printing services revenues** amounted to PLN 94.0 million, and were 36.4% lower than those reported in 2016. This was mainly due to discontinuation of collaboration with certain customers, a lower volume of orders, and a higher share of print on customer-provided paper.

Cinema concession sales increased by 14.9% yoy to PLN 83.1 million in 2017. This was caused by higher yoy cinema attendance, and an increase in average prices at cinema bars.

Other sales amounted to PLN 84.6 million and were lower by 2.6% than those reported in 2016. It resulted mainly from the additional revenues reported in 2016 from the *The Witcher 3: Wild Hunt* game and the exhibition entitled *Titanic. The Exhibition.*

2.2. Operating cost

Tab. 7

in million PLN	**4Q 2017**	**% share**	**4Q 2016**	**% share**	***% change yoy***
Operating cost net, including:	**(404.6)**	***100.0%***	**(315.6)**	***100.0%***	***28.2%***
External services	(122.4)	*30.3%*	(119.2)	*37.8%*	*2.7%*
Staff cost	*(87.2)*	*21.6%*	*(86.4)*	*27.4%*	*0.9%*
Raw materials, energy and consumables	*(39.8)*	*9.8%*	*(56.2)*	*17.8%*	*(29.2%)*
D&A (1)	*(28.4)*	*7.0%*	*(24.4)*	*7.7%*	*16.4%*
Promotion and marketing	*(22.5)*	*5.6%*	*(25.4)*	*8.0%*	*(11.4%)*
Cost of group lay-offs (2)	-	-	*(6.9)*	*2.2%*	-
Impairment losses (3)	*(88.9)*	*22.0%*	*(0.7)*	*0.2%*	*12,600.0%*

in million PLN	**1-4Q 2017**	**% share**	**1-4Q 2016**	**% share**	***% change yoy***
Operating cost net, including:	**(1,238.5)**	***100.0%***	**(1,181.7)**	***100.0%***	***4.8%***
External services	*(430.8)*	*34.8%*	*(424.1)*	*35.9%*	*1.6%*
Staff cost	*(327.6)*	*26.5%*	*(323.2)*	*27.4%*	*1.4%*
Raw materials, energy and consumables	*(170.9)*	*13.8%*	*(221.1)*	*18.7%*	*(22.7%)*
D&A (1)	*(103.0)*	*8.3%*	*(98.2)*	*8.3%*	*4.9%*
Promotion and marketing	*(74.7)*	*6.0%*	*(83.5)*	*7.1%*	*(10.5%)*
Cost of group lay-offs (2)	-	-	*(6.9)*	*0.6%*	-
Impairment losses (3)	*(88.9)*	*7.2%*	*(1.1)*	*0.1%*	*7,981.8%*

(1) in the fourth quarter of 2017 the Group reviewed the useful lives of selected non-current assets, which resulted in higher amortization charges in the Movies and Books segment and in general costs of Agora S.A. in the total amount of PLN 4.8 million;

(2) cost related to group lay-offs executed in Agora S.A. in the fourth quarter of 2016;

(3) the amounts include impairment losses on property, plant and equipment and intangible assets, in 2017 the impairment losses relate mainly to the non-current assets in Print segment, the goodwill of Trader.com. (Polska) Sp. z o.o and the monthly "Cztery Katy".

In the fourth quarter of 2017**, the Group's net operating costs** increased by 28.2% yoy and amounted to PLN 404.6 million. Their level was significantly affected by impairments of assets in the amount of PLN 88.9 million that were charged to the Group's results in the period under the discussion. If the impact of the impairments was excluded, the Group's operating costs in the fourth quarter of 2017 would reach a similar level as in the corresponding period of 2016.

Costs of external services, which increased by 2.7% yoy and amounted to PLN 122.4 million, were the largest cost item. This is the consequence of, inter alia, higher yoy costs of film copy purchase at Helios cinemas, which was reflected in the increased revenue from ticket sales, higher yoy costs of consulting and auditing services and higher fees for film producers. However, costs of production and rent of space for advertising panels were lower yoy.

In the fourth quarter of 2017, **staff costs** increased by 0.9% yoy, to PLN 87.2 million. The highest increase in staff cost took place in the Movies and Books segment, which was associated with the change of the minimum hourly wage introduced at the beginning of 2017 and higher yoy headcount in the Helios network as a result of new cinemas opening. At the same time, these costs were reduced in the Internet, Press, Print and the Radio segments. In the Outdoor segment, they remained at the same level as in the fourth quarter of 2016.

At the end of December 2017, **the Group's headcount** was 2,847 FTEs, i.e. it decreased by 131 FTEs as compared to the end of December 2016. The number includes FTEs cut down in the process of collective redundancies the cost of which weighed down on the Group's result in the fourth quarter of 2016. This reduction results, first of all, from a lower yoy level of employment in the Press and the Print segments, and in the supportive divisions.

A decrease in the **cost of raw materials, energy and consumables**, recorded in comparison with the fourth quarter of 2016, results mainly from a lower volume of printing orders in the Print segment, a lower printing volume of main press titles published by Agora Group, and discontinuation of publication of selected titles.

The Group's costs of promotion and marketing decreased in the fourth quarter of 2017 by 11.4% yoy, to PLN 22.5 million. This was driven by the decrease of this cost item in the Press, the Movies and Books and the Radio segments. In the Outdoor Advertising segment, they remained at the same level as in the fourth quarter of 2016. They increased only in the Internet segment.

In 2017, the Group's **operating costs** totalled PLN 1,238.5 million, i.e. they were 4.8% higher than in 2016. The main reason behind it were the asset impairment costs recorded in the fourth quarter of 2017. Had it not been for the impairments, the Group's operating costs would have been lower than in 2016.

In 2017, the **costs of external services** increased by 1.6% yoy to PLN 430.8 million. The increase in this cost item was mainly driven by the Movies and Books and the Internet segments. In the Movies and Books segment, the increase was due to higher costs of film copy purchase, in relation to the larger number of tickets sold, fees for film producers in connection with the Group's film business as well as a larger number of cinemas in the Helios network, which resulted in the higher costs of space rental at shopping centres. The increase in the costs of external services in the Internet segment was mainly related to the brokerage of advertising space of third-party Internet publishers and was offset by revenues generated in the same area as well as higher yoy costs of marketing services.

In 2017, **staff costs** increased by 1.4% yoy to PLN 327.6 million. This was mainly due to higher staff costs in the Movies and Books segment, related to a rise in the minimum hourly wage introduced at the beginning of 2017, and in the number of Helios network cinemas. A slight yoy growth of staff costs was reported in the Internet segment. In the Group's other operating segments staff costs decreased compared to 2016.

A significant decrease in **the cost of raw materials, energy and consumables** (down by 22.7% yoy to PLN 170.9 million) resulted mainly from the lower production volume in the Print segment and a lower yoy volume of main press titles published by the Agora Group.

Promotion and marketing costs were also lower yoy in the period under consideration, amounting to PLN 74.7 million. This resulted mainly from less intensified promotional activity in the Press, Radio as well as the Movies and Books segments. Such costs grew yoy, on the other hand, in the Internet and the Outdoor Advertising segments.

3. PROSPECTS

On 26 February 2018, the Company informed about concluding the promised sales agreement with regard to the perpetual usufruct right of non-developed landed property of the total area of 6,270 square metres, located in Warsaw at 85/87 Czerniakowska street.

The total sales price of the Property will amount to PLN 19.0 million net, while positive impact of this transaction on the operating result (EBIT) of the Company and the Agora Group in 2018 may amount to approximately PLN 8.3 million.

On 27 February 2018, the Company reported execution of a promised sales agreement in regard to the sale of the perpetual usufruct right of two lands covering the total area of approx. 347 square meters, located in Gdansk, at 19/20 Welniarska street and 7/8 Tkacka street, along with the ownership right of the adjacent administrative and residential building with a net surface of approx. 1,508 square meters.

The total sales price of the Real Property will amount to PLN 8.65 million net, while positive impact of this transaction on the operating result (EBIT) of the Agora Group in the first quarter of 2018 will amount to approximately PLN 5.6 million.

The decision to sell the Property stemmed from the fact that the Company did not utilize effectively the entire Property for its operations.

On 7 February 2018, the Management Board of Agora S.A. reached agreement with the trade union and the employee council regarding collective redundancies in the Print segment. The Group will dismiss up to 53 Print segment employees (i.e. 16.3% of all the segment workforce, including 1.9% employed in Agora S.A., and 17.1% employed in Agora Poligrafia Sp. z o.o. , as of 1 February 2018) between 15 February and 16 March 2018. The estimated cost of the collective redundancies reserve will be approximately PLN 1.6 million, weighing down on the Group's result in the first quarter of 2018. The estimated savings from the restructuring process will amount to, throughout the year, approximately PLN 2.0-2.5 million. The final amounts will be provided in the finacial report for the first quarter of 2018.

The reason for the planned restructuring measures, including restrictions on employment, is the ongoing decrease of revenue from sales of print services in the coldset technology in which Agora Group's printing plants specialise. This trend mainly results from the condition of the press market in Poland – the main client of the Company's coldset printing plants. In 2017, decisions on the resignation from the printing of promotional materials in the coldset technology in favor of another technology, made by some customers outside the press sector, had a significant impact on the lower revenues from this business. Services commissioned by clients from other market segments, including those realised in the heatset technology, present a significantly smaller share in the Group's print activity; due to infrastructural constraints, they never did, nor are able to, compensate for the decrease in revenue from coldset printing services.

Therefore, the Management Board of the company decided that it is necessary to take decisive restructuring measures aimed at reducing operating costs of printing plants and optimizing the operational processes so as to reduce the negative impact of decrease in print volumes on the financial condition of the Print segment, i.a. by adjusting the employment structure to the current volume of services provided by Agora's printing plants.

On 20 December, 2017, Helios S.A., a subsidiary company of Agora, signed a term sheet with two natural persons in order to establish a company involved in developing and operating a network of eateries, inter alia, in the "fast casual" segment.

The condition for concluding the investment agreement is to establish rules for cooperation and conduct of the newly established company, and to obtain the consent of the Office of Competition and Consumer Protection.On February 15, 2018 the President of the Office of Competition and Consumer Protection granted a consent to concentration by creating a joint venture by Helios S.A. with its registered seat in Łódź (a subsidiary company of Agora S.A.) and two natural persons. The rules for the concentration had been included in the application form.

On March 6, 2018 Helios S.A. signed an investment agreement with two individual investors: Piotr Grajewski and Piotr Komór. The subject of the Investment Agreement is to establish a new company and co-operation between parties under the agreement. The aim of the Company is to design the concept, create, manage and develop (mainly via establishing own brands) a network of 45 eateries located in Poland: in shopping centers or as independent premises.

Helios S.A. shall take up 90% of shares (which corresponds to 90% of votes at the meeting of shareholders) and shall invest in it PLN 5.0 million. Helios estimates that the total amount of investment shall not exceed PLN 10.0 million. The individual investors shall jointly take up 10% in the Company (5% each). The Investment Agreement allows them to increase their involvement up to 30% in total, provided that the Company meets defined financial targets.

The Individual Investors are experts in the gastronomy industry. They will perform functions in the management board of the Company and they will be responsible for conducting its operational activities. Helios will co-operate with the Company and will support its development.

3.1. Revenue

3.1.1 Advertising market [3]

In the fourth quarter of 2017, the advertising market in Poland increased by 5.0% yoy. Advertisers spent ca. PLN 2.65 billion to promote their products and services. In 2017, the total amount of expenditure on advertising increased by 2.0% yoy and amounted to ca PLN 8.8 billion.

According to Company's estimates based on the analysis of market data the advertising market expenditure in 2018 shall grow by 2-4% 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
2% - 4%	1%-3%	7-10%	(9%)-(7%)	1%-3%	1%-3%	(12%)-(10%)	4-6%

3.1.2 Copy sales

In 2018, the prevailing negative trend of copy sales drop with regard to printed dailies and journals will be maintained, however, the drop rate should not be higher than in the preceding years. The Company regularly reviews its press title portfolio. In October 2017, it decided to discontinue the publishing of two titles: *Dom&Wnętrze* and *Magnolia.* At the beginning of 2018, it sold publication rights of *Swiat motocykli* to a company established by one of the editorial employees. The consequences of these decisions will be seen in the level of revenues generated by Agora's Magazines division. At the same time, the Company is working on the sales of its digital content. At the end of December 2017, the number of paid digital subscriptions of *Gazeta Wyborcza* was close to 133 thousand.

3.1.3. Ticket sales

The most significant factors affecting attendance in Polish cinemas are the repertoire, the affinity of the Polish society and distance to the cinema. Based on the available information, the number of tickets sold in Polish cinemas in 2017 amounted to almost 56.6 million, which constitutes an increase by 8.8% in comparison with 2016. *[10].* The available movie repertoire in 2018 is indicative of the fact that throughout the whole year the attendance should be similar to that reported in 2017.

3.2 Operating cost

Excluding the cost of impairment of assets, which impacted the Group's results in the fourth quarter of 2017, its total operating costs in 2018 should be significantly lower than those recorded in 2017. It shall be a result of i.a. lower depreciation level, and lower raw material and energy costs. The level of Group's revenues may be impacted by the Group's intention to start developing a network of eateries already in 2018.

3.2.1 Costs of external services

The cost of external services in 2018 will largely depend on the cost of space leasing in advertising, 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, and fees for film producers related to the Group's film distribution business and execution of other development projects.

3.2.2 Staff cost

Based on the Company's estimates, the staff costs in 2018 will be slightly higher than in 2017. It will rise in the Movies and Books segment, mainly due to the development of the Helios cinema network, and the opening of new movie theatres. The staff costs increase has also been planned in the Radio and Internet segments. The collective redundancies in Agora S.A. carried out in 2016 (mainly in the Press segment), and resignation from the publishing of some press titles will keep up impacting this cost entry. In addition, in February 2018 the Company announced a group lay-offs process in the Print segment. Therefore, the Group's results will be burdened with a PLN 1.6 million provision in the first quarter of 2018. The estimated savings from the restructuring process will amount to, throughout the year, approximately PLN 2.0-2.5 million.

3.2.3 Promotion and marketing cost

In 2018, Agora Group is planning to implement more development activities, which include promotional activities. 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 increase.

3.2.4 Cost of raw materials and energy

According to the Company, 2018 will see this item shaped by market trends similar to those observed 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 a reduction in the volume of printed titles, the value of this cost item will be lower in 2018.

4. THE GROWTH DIRECTIONS OF THE AGORA GROUP

Development in the media market remains the most important objective of the Company. The Group wants to achieve it rising its revenues and streamlining its profitability in line with the medium term development plans announced in March 2014. The key to pursuing these goals is execution of a few most important tasks, the most significant of which are the digital transformation of the Company's press business, and the improved profitability of the Group's remaining businesses.

Agora Group has been successfully implementing its press business digital transformation since 2014. There were almost 133 thousand digital subscriptions in the Wyborcza.pl service. At the same time, the Company has been optimizing its activities in the areas related to the printed version of the newspaper.

Agora regularly develops its non-press businesses. As for the movie theatre business, the Group aims at expanding its Helios cinema network and increasing the scale of its film operations. In 2017, the Helios cinema network grew larger with the addition of three new cinemas. At the end of the year, it consisted of 44 modern facilities. In the Outdoor Advertising market, Agora wants to reinforce its position in the *premium* panel segment. The systematic position reinforcement plan in this segment brought about significantly better operating results of AMS S.A. in 2017. Further diversification of revenue sources and better operating results are top priorities in the Group's internet business. The Group's goal in the radio business is to expand technical coverage of the existing stations. As for the operating costs, the Group undertakes systematic optimization initiatives related to shared services and infrastructure services aimed at streamlining and unifying the Group's internal processes.

In 2018 Agora Group plans to enter a completely new segment of the market and together with its partners develop a network of eateries. The first restaurant should be opened in the second half of 2018, whereas during four coming years the Group plans to open approximately 45 eateries.

5. INFORMATION ON CURRENT AND EXPECTED FINANCIAL SITUATION OF THE GROUP

The Management Board of Agora S.A. is of the opinion that current and expected financial situation of the Group is stable and its financial liquitidy is not threatened. The detailed description of the Group's financial situation and its financial results are presented in the section III of this Management Discussion and Analysis for the year 2017.

III. FINANCIAL RESULTS

1. THE AGORA GROUP

The consolidated financial statements of the Agora Group for 2017 include: Agora S.A. and 16 subsidiaries, which operate principally in the internet, print, cinema, radio and outdoor segments. Additionally, as at 31 December 2017 the Group held shares in jointly controlled entities: Stopklatka S.A. and 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 the point V.B.1 and selected financial data together with translation into EURO are presented in note 41 to the consolidated financial statements for 2017.

2. PROFIT AND LOSS ACCOUNT OF THE AGORA GROUP

Tab. 9

in PLN million	**4Q 2017**	**4Q 2016**	*% change yoy*	**1-4Q 2017**	**1-4Q 2016**	*% change yoy*
Total sales (1)	**330.4**	**340.3**	***(2.9%)***	**1,165.5**	**1,198.4**	***(2.7%)***
Advertising revenue	167.6	166.2	*0.8%*	547.3	561.6	*(2.5%)*
Ticket sales	66.6	60.4	*10.3%*	222.2	194.2	*14.4%*
Copy sales	34.5	35.7	*(3.4%)*	134.3	135.7	*(1.0%)*
Printing services	16.7	35.1	*(52.4%)*	94.0	147.7	*(36.4%)*
Concession sales in cinemas	24.7	22.3	*10.8%*	83.1	72.3	*14.9%*
Other	20.3	20.6	*(1.5%)*	84.6	86.9	*(2.6%)*
Operating cost net, including:	**(404.6)**	**(315.6)**	***28.2%***	**(1,238.5)**	**(1,181.7)**	***4.8%***
External services	(122.4)	(119.2)	*2.7%*	(430.8)	(424.1)	*1.6%*
Staff cost	(87.2)	(86.4)	*0.9%*	(327.6)	(323.2)	*1.4%*
Raw materials, energy and consumables	(39.8)	(56.2)	*(29.2%)*	(170.9)	(221.1)	*(22.7%)*
D&A (2)	(28.4)	(24.4)	*16.4%*	(103.0)	(98.2)	*4.9%*
Promotion and marketing	(22.5)	(25.4)	*(11.4%)*	(74.7)	(83.5)	*(10.5%)*
Cost of group lay-offs (3)	-	(6.9)	-	-	(6.9)	-
Gain on disposal of subsidiary (4)	-	10.5	-	-	10.5	-
Gain on a bargain purchase (5)	-	-	-	-	2.2	-
Impairment losses (6)	(88.9)	(0.7)	*12,600.0%*	(88.9)	(1.1)	*7,981.8%*
Operating result - EBIT	**(74.2)**	**24.7**	**-**	**(73.0)**	**16.7**	**-**
Finance cost, net, incl.:	**(6.3)**	**(8.5)**	***(25.9%)***	**2.5**	**(15.0)**	**-**
Income from short-term investment	0.8	0.3	*166.7%*	2.5	1.6	*56.3%*
Costs related to bank loans and finance lease	(1.0)	(1.1)	*(9.1%)*	(4.0)	(3.9)	*2.6%*
Gain on sale of shares (7)	-	-	-	10.2	-	-
Remeasurement of equity interest at the acquisition date (5)	-	-	-	-	(5.5)	-
Revaluation of put options (8)	(5.9)	(7.1)	*(16.9%)*	(5.9)	(7.1)	*(16.9%)*
Share of results of equity accounted investees	**0.3**	**(1.4)**	**-**	**(4.7)**	**(1.5)**	***(213.3%)***
Profit/(loss) before income tax	**(80.2)**	**14.8**	**-**	**(75.2)**	**0.2**	**-**
Income tax	7.9	(3.1)	-	(4.1)	(13.4)	*(69.4%)*
Net loss for the period	**(72.3)**	**11.7**	**-**	**(79.3)**	**(13.2)**	***(500.8%)***

in PLN million	**4Q 2017**	**4Q 2016**	*% change yoy*	**1-4Q 2017**	**1-4Q 2016**	*% change yoy*
Attributable to:						
Equity holders of the parent	(73.5)	10.2	-	(83.5)	(16.6)	*(403.0%)*
Non - controlling interest	1.2	1.5	*(20.0%)*	4.2	3.4	*23.5%*
EBIT margin (EBIT/Sales)	*(22.5%)*	*7.3%*	*(29.8pp)*	*(6.3%)*	*1.4%*	*(7.7pp)*
EBITDA (9)	**43.1**	**49.8**	***(13.5%)***	**118.9**	**116.0**	***2.5%***
EBITDA margin (EBITDA/Sales)	*13.0%*	*14.6%*	*(1.6pp)*	*10.2%*	*9.7%*	*0.5pp*

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

(2) in the fourth quarter of 2017 the Group reviewed the useful lives of selected non-current assets, which resulted in higher amortization charges in the Movies and Books segment and in general costs of Agora S.A. in the total amount of PLN 4.8 million;

(3) cost related to group lay-offs executed in Agora S.A. in the fourth quarter of 2016;

(4) gain on disposal of subsidiary relates to the sales of shares in Green Content Sp. z o.o. in the fourth quarter of 2016;

(5) the line items - gain on a bargain purchase and remeasurement of equity interest at the acquisition date – are related to the acquisition of GoldenLine Sp. z o.o. in the first quarter of 2016;

(6) the amounts include impairment losses on property, plant and equipment and intangible assets, in 2017 the impairment losses relate mainly to the non-current assets in Print segment, the goodwill of Trader.com. (Polska) Sp. z o.o and the monthly "Cztery Katy";

(7) the line item - gain on sale of shares - includes the gain on sale of shares in the company Green Content Sp. z o.o. due to the exercise of the option to buy the shares by Discovery Polska Sp. z o.o. on 1 September 2017;

(8) relates to the revaluation of the liabilities resulting from put options granted to the non-controlling shareholders of Helios S.A. and GoldenLine Sp. z o.o., additional information concerning the remeasurement of put option liabilities is provided in note 34 to the consolidated financial statements;

(9) 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 are included in the calculation of EBITDA since the fourth quarter of 2017, comparative amounts were adjusted accordingly. Detailed information on definitions of financial ratios are presented in the Notes to part IV of this MD&A.

2.1. The main products, goods and services of the Agora Group

Major products, goods and services, as well as their volumes are presented in detail in part IV of this MD&A ("Operating review – major segments of the Agora Group"). The table below presents a percentage share in total revenues of the Agora Group.

Tab. 10

in million PLN	**2017**	**% share**	**2016**	**% share**	***% change yoy***
Total sales (1)	**1,165.5**	***100.0%***	**1,198.4**	***100.0%***	***(2.7%)***
Advertising revenue	547.3	*47.0%*	561.6	*46.9%*	*(2.5%)*
Ticket sales	222.2	*19.1%*	194.2	*16.2%*	*14.4%*
Copy sales	134.3	*11.5%*	135.7	*11.3%*	*(1.0%)*
Printing services	94.0	*8.1%*	147.7	*12.3%*	*(36.4%)*
Concession sales in cinemas	83.1	*7.1%*	72.3	*6.0%*	*14.9%*
Other	84.6	*7.2%*	86.9	*7.3%*	*(2.6%)*

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

2.2. Financial results presented according to major segments of the Agora Group for 2017 [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. 11

in PLN million	**Movies and Books**	**Press**	**Outdoor**	**Internet**	**Radio**	**Print**	**Reconciling positions (3)**	**Total (consoli-dated) 2017**
Total sales (1)	**416.2**	**235.5**	**163.0**	**168.6**	**114.0**	**101.7**	**(33.5)**	**1,165.5**
% share	35.7%	20.2%	14.0%	14.5%	9.8%	8.7%	(2.9%)	100.0%
Operating cost net (1)	**(386.5)**	**(235.6)**	**(134.7)**	**(171.1)**	**(97.3)**	**(165.1)**	**(48.2)**	**(1,238.5)**
EBIT	**29.7**	**(0.1)**	**28.3**	**(2.5)**	**16.7**	**(63.4)**	**(81.7)**	**(73.0)**
Finance cost, net								2.5
Share of results of equity accounted investees								(4.7)
Income tax								(4.1)
Net loss for the period								**(79.3)**
Attributable to:								
Equity holders of the parent								(83.5)
Non-controlling interest								4.2
EBITDA	**64.4**	**14.9**	**47.7**	**23.9**	**20.1**	**8.9**	**(61.0)**	**118.9**
CAPEX (2)	(16.4)	(0.6)	(19.4)	(4.2)	(8.2)	(1.5)	(6.7)	(57.0)

(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;

(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.), the Management Board of Agora S.A., Agora TC Sp. z o.o., intercompany eliminations and other matching adjustments, which reconcile the data presented in the management reports to the consolidated financials of the Agora Group.

2.3. Sales and markets

Over 90.0% of the total sales of the Group were related to sales in domestic market. Sales to foreign markets are realized mainly through the sales of printing and advertising services to foreign customers and sales of publications (including foreign subscriptions).

The Group does not depend on one particular customer. The biggest customers of the Group (in respect of the turnover) are press distributors and Google (companies unrelated to Agora S.A.). In 2017, the value of transactions with none of the distributors exceeded 10.0% of the Group's total revenues.

2.4. Suppliers

The Group does not depend on one particular supplier. Newsprint, printing services and film copy purchase are important cost items of the Group. Newsprint used for printing services for external customers and in order to print the Group's own titles is purchased from several suppliers. In 2017, the value of transactions with none of the suppliers exceeded 10.0% of the Group's total revenues.

2.5. Finance cost, net

Net financial activities of the Group for 2017 were influenced mainly by gain on sale of shares in Green Content Sp. z o.o. and revaluation of the liabilities resulting from put options granted to the non-controlling shareholders of subsidiaries. Moreover, the financial activities of the Group were affected by interest from bank deposits and costs of commissions and interest on bank loans and finance lease liabilities. In 2016, finance costs were additionally influenced by the effect of the remeasurement of previously held equity interest in the subsidiary GoldenLine Sp. z o.o. at the date of obtaining control over the company.

3. BALANCE SHEET OF THE AGORA GROUP

Tab. 12

in PLN million	**31-12-2017**	**30-09-2017**	***% change to 30-09-2017***	**31-12-2016**	***% change to 31-12-2016***
Non-current assets	**991.3**	**1,080.3**	**(8.2%)**	**1,139.5**	**(13.0%)**
share in balance sheet total	*71.0%*	*74.0%*	*(3.0pp)*	*72.6%*	*(1.6 pp)*
Current assets	**404.6**	**380.5**	**6.3%**	**429.9**	**(5.9%)**
share in balance sheet total	*29.0%*	*26.0%*	*3.0pp*	*27.4%*	*1.6 pp*
TOTAL ASSETS	**1,395.9**	**1,460.8**	**(4.4%)**	**1,569.4**	**(11.1%)**
Equity holders of the parent	**995.6**	**1,090.6**	**(8.7%)**	**1,097.1**	**(9.3%)**
share in balance sheet total	*71.3%*	*74.7%*	*(3.4pp)*	*69.9%*	*1.4 pp*
Non-controlling interest	**19.1**	**18.2**	**4.9%**	**20.2**	**(5.4%)**
share in balance sheet total	*1.4%*	*1.2%*	*0.2pp*	*1.3%*	*0.1pp*
Non-current liabilities and provisions	**106.4**	**120.1**	**(11.4%)**	**128.4**	**(17.1%)**
share in balance sheet total	*7.6%*	*8.2%*	*(0.6pp)*	*8.2%*	*(0.6 pp)*
Current liabilities and provisions	**274.8**	**231.9**	**18.5%**	**323.7**	**(15.1%)**
share in balance sheet total	*19.7%*	*15.9%*	*3.8pp*	*20.6%*	*(0.9 pp)*
TOTAL LIABILITIES AND EQUITY	**1,395.9**	**1,460.8**	**(4.4%)**	**1,569.4**	**(11.1%)**

3.1. Non-current assets

The decrease in non-current assets, versus 30 September 2017 and 31 December 2016, resulted mainly from depreciation and amortisation charges and impairment losses of property, plant and equipment and intangible assets, which were, to some extent, compensated by new investments.

3.2. Current assets

The increase in current assets, versus 30 September 2017, results mainly from the increase in accounts receivable and short-term securities, which was, to some extent, compensated by the decrease in cash and cash equivalents (due to, inter alia, shares buy-back program).

The decrease in current assets, versus 31 December 2016, results mainly from the decrease in cash and cash equivalents (due to, inter alia, shares buy-back program carried out in the fourth quarter of 2017) and the decrease in accounts receivable, which were, to some extent, compensated by the increase short-term securities.

3.3. Non-current liabilities and provisions

The decrease in non-current liabilities and provisions, versus 30 September 2017 and 31 December 2016, stems mainly from the decrease in deffered tax liabilities and the decrease in bank loans and finance lease liabilities. The above changes were, to some extent, compensated by higher put option liabilities.

3.4. Current liabilities and provisions

The increase in current liabilities and provisions, versus 30 September 2017, stems mainly from an increase in trade payables and liabilities related to purchase of property, plant and equipment as well as higher balance of accruals.

The decrease in current liabilities and provisions, versus 31 December 2016, stems mainly from lower balance of trade payables and tax liabilities. Additionally, there was a decrease in financial liabilities related to bank loans, finance lease and cash pooling as well as lower balance of provisions (as a result of the use of the provision for group lay-offs).

4. CASH FLOW STATEMENT OF THE AGORA GROUP

Tab. 13

in PLN million	**4Q 2017**	**4Q 2016**	*% change yoy*	**1-4Q 2017**	**1-4Q 2016**	*% change yoy*
Net cash from operating activities	33.0	60.9	*(45.8%)*	77.3	97.0	*(20.3%)*
Net cash from investment activities	(26.5)	(36.3)	*(27.0%)*	(41.2)	(28.7)	*43.6%*
Net cash from financing activities	(34.0)	0.9	-	(67.0)	(49.3)	*35.9%*
Total movement of cash and cash equivalents	**(27.5)**	**25.5**	**-**	**(30.9)**	**19.0**	**-**
Cash and cash equivalents at the end of period	**19.2**	**50.2**	***(61.8%)***	**19.2**	**50.2**	***(61.8%)***

As at 31 December 2017, the Group had PLN 111.0 million in cash and short-term monetary assets, which comprised cash and cash equivalents in the amount of PLN 19.2 million and PLN 91.8 million invested in short-term securities. Additionally, as at 31 December 2017 the Group had cash receivables of PLN 21.6 million deposited by AMS S.A. as cash collateral securing the bank guarantees granted in relation to performance of the concession contract for the construction and modernisation of bus/tram shelters in Warsaw (out of which PLN 10.8 million is presented within long-term receivables).

In 2017, Agora S.A. has not been engaged in any currency options or any other derivatives used for speculative purposes.

On the basis of the Credit Line Agreement ("Agreement") with DNB Bank Polska S.A. signed on 25 May 2017 Agora S.A. received a non-renewable loan of PLN 25 million allocated for the repayment of the time credit in Bank Polska Kasa Opieki S.A., which shall be repaid in 12 quarterly instalments starting from 1 July 2018. Moreover, the Company was provided with a credit facility in the current account of up to PLN 75.0 million ("Overdraft 1") that may be used within 12 months after the date of signing the Agreement to e.g. finance or refinance acquisitions, investment expenditure and the working capital and after 12 months since the date of signing the Agreement will be automatically converted into a non-renewable loan repayable in quarterly instalments. The Company was also provided with a credit facility in the current account of up to PLN 35.0 million ("Overdraft 2") that can be used within 12 months after the date of signing the Agreement 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 decrease in net inflows from operating activities in 2017, as compared to previous year, stems mainly from the changes in working capital of the Group. In 2017 the Group recorded higher outlflows from payments of liabilities and the use of provisions as well as lower inflows from payments of receivables.

4.2. Investment activities

Net outflows from investing activities, in 2017, result mainly from the expenditures on property, plant and equipment and intangibles and net outflows on acquisition of short-term securities, which were to some extent compensated by sales of property, plant and equipment and proceeds from the sale of shares in company Green Content Sp. z o.o.

4.3. Financing activities

Net outflows from financing activities, in 2017, result mainly from the repurchase of own shares, net outflows from bank loans and repayments of finance lease and cash pooling liabilities.

5. SELECTED FINANCIAL RATIOS [5]

Tab.14

	4Q 2017	4Q 2016	*% change yoy*	1-4Q 2017	1-4Q 2016	*% change yoy*
Profitability ratios						
Net profit margin	(22.2%)	3.0%	*(25.2pp)*	(7.2%)	(1.4%)	*(5.8pp)*
Gross profit margin	33.8%	31.7%	*2.1pp*	30.1%	29.1%	*1.0pp*
Return on equity	(28.2%)	3.7%	*(31.9pp)*	(8.0%)	(1.5%)	*(6.5pp)*
Efficiency ratios						
Inventory turnover	13 days	14 days	*(7.1%)*	15 days	13 days	*15.4%*
Debtors days	48 days	51 days	*(5.9%)*	61 days	63 days	*(3.2%)*
Creditors days (2)	34 days	35 days	*(2.9%)*	42 days	43 days	*(2.3%)*
Liquidity ratio						
Current ratio	1.5	1.3	*15.4%*	1.5	1.3	*15.4%*
Financing ratios						
Gearing ratio (1)	-	-	-	-	-	-
Interest cover	(101.3)	28.6	-	(21.7)	4.9	-
Free cash flow interest cover	14.6	38.0	*(61.6%)*	2.2	2.4	*(8.3%)*

1) as at 31 December 2017 and 31 December 2016 the Group had net cash position;

(2) the value of creditors days ratio was adjusted in connection to the change in the definition of this ratio described in the Notes to part IV of this MD&A.

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., and Next Script 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. 15

in PLN million	4Q 2017	4Q 2016	*% change yoy*	1-4Q 2017	1-4Q 2016	*% change yoy*
Total sales, including :	**122.7**	**111.5**	***10.0%***	**416.2**	**364.0**	***14.3%***
Tickets sales	66.6	61.2	*8.8%*	222.4	195.1	*14.0%*
Concession sales	24.7	22.3	*10.8%*	83.1	72.3	*14.9%*
Advertising revenue (1)	11.7	10.6	*10.4%*	35.1	30.2	*16.2%*
Revenues from film activities (1), (2)	4.6	3.3	*39.4%*	28.1	8.5	*230.6%*
Revenues from Publishing House	12.2	10.9	*11.9%*	36.5	45.6	*(20.0%)*
Total operating cost, including:	**(114.5)**	**(100.2)**	***14.3%***	**(386.5)**	**(337.0)**	***14.7%***
External services (3)	(54.6)	(48.8)	*11.9%*	(191.9)	(158.8)	*20.8%*
Staff cost (3)	(14.8)	(12.8)	*15.6%*	(51.6)	(39.2)	*31.6%*
Raw materials, energy and consumables (3)	(9.4)	(9.3)	*1.1%*	(34.9)	(31.8)	*9.7%*
D&A (3)	(10.3)	(7.4)	*39.2%*	(34.0)	(29.6)	*14.9%*
Promotion and marketing (1), (3)	(8.6)	(10.2)	*(15.7%)*	(26.5)	(26.7)	*(0.7%)*
Costs related to Publishing House (4)	(11.4)	(10.7)	*6.5%*	(35.3)	(45.7)	*(22.8%)*
EBIT	**8.2**	**11.3**	***(27.4%)***	**29.7**	**27.0**	***10.0%***
EBIT margin	*6.7%*	*10.1%*	*(3.4pp)*	*7.1%*	*7.4%*	*(0.3pp)*
EBITDA (4)	**18.6**	**18.8**	***(1.1%)***	**64.4**	**57.3**	***12.4%***
EBITDA margin	*15.2%*	*16.9%*	*(1.7pp)*	*15.5%*	*15.7%*	*(0.2pp)*

(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; in the fourth quarter of 2017, the D&A cost was affected by one-off shortening of the useful lives of the selected cinema projectors in the amount of PLN 2.7 million.

(4) the amounts include D&A cost in Publishing House division, which in 2017 amounted to PLN 0.7 million and in the fourth quarter of 2017 to PLN 0.1 million (in the comparable periods of 2016 it amounted respectively to PLN 0.7 million and 0.1 million).

In the fourth quarter of 2017 the operating result of the Movies and Books segment at the EBIT level amounted to PLN 8.2 million, and at the EBITDA level to PLN 18.6 million. In 2017, the segment's result at the EBIT level was 10.0% yoy higher than in 2016, totalling PLN 29.7 million. At the same time, the segment's result at the EBITDA level increased by 12.4% yoy to PLN 64.4 million. Comparing the segment's data yoy, it is important to notice the significant impact of, among other things, revenue from the sale of the game *The Witcher 3: Wild Hunt* and its extensions, and other projects implemented within this division, including *Titanic. the Exhibition,* on both the revenue and the operating result of the segment at the EBIT and EBITDA level in 2016.

1. REVENUE [3]

In the fourth quarter of 2017, the revenues of the Movies and Books segment increased by 10.0% yoy and amounted to PLN 122.7 million.

Increased revenues from ticket sales in the Helios cinema network, totalling PLN 66.6 million (i.e. 8.8% more than in the fourth quarter of 2016) made the biggest impact on the revenue rise. A contributing factor was the higher number of viewers (up by 8.0% yoy) in Helios cinemas, translating into 3.6 million of sold tickets. Another factor positively affecting the Helios cinema ticket sale revenues was the higher average ticket price. Concession sales amounted to PLN 24.7 million, also showing a significant increase – by 10.8% yoy.

In the fourth quarter of 2017, the Movies and Books segment's total revenue from film co-production and distribution amounted to PLN 4.6 million, showing an increase yoy. In the fourth quarter of 2017, NEXT FILM introduced into cinemas a Polish - British production entitled *Loving Vincent* (Oscar nomination in the animated film category). At the same time, cinemas kept screening films introduced to the big screen in earlier periods. The Movies and Books segment also recorded revenues from the co-production of films released in earlier periods – mainly *Sztuka kochania. Historia Michaliny Wisłockiej* due to its distribution in various channels, and *Tarapaty* due to its distribution in movie theatres.

In the fourth quarter of 2017, the revenues of Agora's Publishing House amounted to PLN 12.2 million, and increased by 11.9% yoy.

In the fourth quarter of 2017, Agora's Publishing House issued 12 new books and 8 musical publications. In addition, it sold some titles published by other publishers. In total, 35 books, as well as music and film publications were marketed. As a result, during the analysed period, the Publishing House sold approximately 0.5 million books and books with CDs/DVDs. One of the best-selling titles in the book publishing section was the biography of Anna Przybylska – *Ania*.

In 2017, the revenues of the Movies and Books segment increased by 14.3% yoy to PLN 416.2 million.

Increased revenues from ticket sales in the Helios cinema network, totalling PLN 222.4 million (i.e. up by 14.0% yoy) made the biggest impact on the revenue rise. A contributing factor was the higher number of viewers (up by 13.0% yoy) in Helios cinemas, translating into almost 12.2 million of sold tickets. Yet another one was the higher average price of the ticket. The growing number of movie theatre goers contributed also to the 14.9% yoy increase of concession sale revenues which totalled PLN 83.1 million.

The Movies and Books segment's total revenue from film co-production and distribution amounted to PLN 28.1 million in 2017, showing a considerable increase yoy. In 2017 NEXT FILM released the following Polish productions for cinema distribution: *Po prostu przyjazn*, *Sztuka Kochania. Historia Michaliny Wislockiej, Pokot, Tarapaty,* and a Polish - British production entitled *Loving Vincent* (Oscar nomination in the animated film category). These films attracted considerably more viewers to cinemas compared to those released by the company in 2016. At the same time, cinemas kept screening films introduced to the big screen in earlier periods. The Movies and Books segment also recorded revenue from co-production of the film entitled *Sztuka kochania. Historia Michaliny Wislockiej* and *Karbala* due to its distribution in various channels, and *Tarapaty* due to its distribution in movie theatres.

In 2017, revenues of Agora's Publishing House totalled PLN 36.5 million, i.e. 20.0% less than in 2016. In 2016, this revenue item was highly affected by the sales of the game *The Witcher 3: Wild Hunt* and its extensions, and other projects executed within this division, including *Titanic, the Exhibition*.

In 2017, Agora's Publishing House issued 56 new books, 28 music albums and 10 film publications. In addition, it sold some titles published by other publishers. In total, 136 books, as well as film and music publications were marketed. As a result, during the analysed period, the Publishing House sold approximately 1.4 million books and books with CDs/DVDs. One of the best-selling titles in the book publishing section were *Sztuka kochania* by Michalina Wislocka, and *Ania*, a biography of Anna Przybylska.

2. COST

In the fourth quarter of 2017, the operating costs of the Movies and Books segment increased by 14.3% yoy and amounted to PLN 114.5 million.

This was affected mainly by an increase in costs of external services (up by 11.9% yoy) totalling PLN 54.6 million, and an increase in staff costs (up by 15.6% yoy) amounting to PLN 14.8 million. An increase in costs of external services is associated with higher yoy costs of film copy purchases as a consequence of higher attendance at the Helios cinemas. This translated into higher yoy revenues from ticket sales and concession sales. Higher external services result also from higher payments to film producers due to higher attendance at films distributed by Next Film in the fourth quarter of 2017. Higher yoy rental costs resulting from the Helios cinema network development had an impact on the higher yoy costs of external services (in the fourth quarter of 2017, there were three movie theatres more than in the fourth quarter of 2016 - the movie theatre in Wolomin was opened in February 2017, the one in Krosno at the end of September 2017, and the one in Stalowa Wola in December 2017). Higher depreciation resulted from the Helios cinema network development, on the one hand, and on the other, from the one-off shortening of the useful lives of selected cinema projectors in the fourth quarter of 2017. At that time, Helios established a reserve (bigger than in previous periods) for fees payable to copy right collective management organizations.

The increased staff costs amounting to PLN 14.8 million was mainly the result of the increased minimum hourly wage and higher yoy headcount due to a higher number of Helios network cinemas.

A decrease in promotion and marketing costs - down by 15.7% - to PLN 8.6 million, was due to lower yoy activity of NEXT FILM in the area of film distribution in the fourth quarter of 2017.

A 6.5% increase of operating costs of Agora's Publishing House (to PLN 11.4 million) was caused by higher sales and the necessity to print popular books, and pay higher authors' licensing fees.

In 2017, the operating costs of the Movies and Books segment increased by 14.7% yoy to PLN 386.5 million.

This was affected mainly by an increase in costs of external services of 20.8%, totaling PLN 191.9 million, and an increase in staff costs of 31.6%, amounting to PLN 51.6 million. Higher external services result, among other things, from higher payments to film producers due to higher attendance at films distributed by Next Film in 2017. An increase in costs of external services is associated with higher costs of film copy purchases as a consequence of higher attendance at the Helios cinemas. This translated into higher revenues from ticket sales in the Helios cinema network. Another factor affecting higher costs of external services were the increased rent costs in the Helios cinema network. In 2017, the network included 3 more movie theatres, as compared to 2016. The movie theatre in Wolomin was opened in February 2017, the one in Krosno at the end of September 2017, and the one in Stalowa Wola in December 2017. In addition, 4 cinemas opened in the fourth quarter of 2016 were operational throughout 2017. The staff costs rise was mainly caused by the higher minimum hourly wage rate, and the bigger headcount related to the larger number of movie theatres in the Helios cinema network.

As a result of the expansion of the Helios cinema network and higher concession sales, a 9.7% increase (to PLN 34.9 million) was recorded in the costs of raw materials, energy and consumables. The larger number of facilities in the Helios cinema network, coupled with shortening of useful lives of selected cinema projectors, contributed to an increased depreciation in the segment.

However, operating costs of Agora's Publishing House, which amounted to PLN 35.3 million, went down by 22.8% year on year. In the corresponding period of the previous year, the level of the Publishing House's operating costs was significantly affected by the settlement with the producer of the game *The Witcher 3: Wild Hunt* and its extensions and other projects executed in the division – e.g. *Titanic, The Exhibition.*

3. NEW INITIATIVES

In 2017, Helios opened three new cinemas: in Wolomin (mazowieckie province) as well as in Krosno and Stalowa Wola (podkarpackie province). This means that the network now has 44 cinemas with 241 screens and over 49 thousand seats, which makes it the largest cinema operator in Poland in terms of the number of facilities. Helios also signed agreements to open new cinema facilities in 3 cities: Legionowo, Pabianice and Zabrze. Their opening is scheduled for 2018 and 2020.

In August 2017, the Helios cinema network was the only one in Poland to invite fans of *Game of Thrones*, one of the most popular series in the world, to watch the last episode of season 7 on the big screen. Special, free-of-charge screenings took place in 42 cinemas across Poland and attracted a massive audience. Helios continues to work with television stations – later that year, the opening episodes of *Belfer* (season 2), *Wataha* (season 2) and *Vikings* (season 5) were also shown in special screenings.

In December 2017, the Helios cinema network joined *Swieto Kina*, an action organised across Poland to promote cinematography, cinema-going culture and watching films on the big screen. This was the fourth time that Helios participated in this action.

As of 1 April 2017, all of Agora Group's film operations were consolidated under a single organisational structure, i.e. the NEXT FILM company. Previously, Agora's Special Projects division had been responsible for film production and co-production while NEXT FILM had been in charge of distribution.

In the first quarter of 2017, Agora premiered its own production: *Po prostu przyjazn*. In the same period, two films co-produced by Agora hit the big screen: *Sztuka Kochania. Historia Michaliny Wislockiej* and *Pokot*. Then, in the third quarter of 2017, NEXT FILM released *Tarapaty,* which reached a record-breaking opening weekend figure in the segment of Polish family cinema. In the fourth quarter, the company released *Loving Vincent*, a full-length feature painted animation that has won awards all over the world, being the first production of that kind in the history of cinema.
2017 was the best year in the history of NEXT FILM. Films released to cinemas by the company attracted over 3.251 million viewers. As a result, NEXT FILM became one of the seven largest film distributors in Poland in that period.

In the first quarter of 2017, the *Belfer* criminal series was released on DVD, and *Pokot,* a film by Agnieszka Holland, premiered in the third quarter. In September 2017, the immensely popular biography of Anna Przybylska, entitled *Ania,* appeared in bookstores.

In September 2017, the new Publio.pl mobile application was launched for the first time for Orange customers who own devices with the Android system. Thanks to the *Czytelnia Orange* application, they can access the full range of titles available at Publio.pl, i.e. 28,000 e-books, nearly 3,000 audiobooks as well as 350 newspapers and magazines; they can also benefit from special discounts offered by the bookstore.

IV.B. PRESS [1]

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

Tab. 16

in PLN million	**4Q 2017**	**4Q 2016**	***% change yoy***	**1-4Q 2017**	**1-4Q 2016**	***% change yoy***
Total sales, including:	**61.9**	**68.5**	***(9.6%)***	**235.5**	**267.9**	***(12.1%)***
Copy sales	27.1	29.8	*(9.1%)*	112.3	122.8	*(8.6%)*
incl. Gazeta Wyborcza	*22.8*	*25.6*	*(10.9%)*	*92.9*	*102.1*	*(9.0%)*
incl. Magazines	*2.5*	*2.9*	*(13.8%)*	*11.3*	*14.3*	*(21.0%)*
Advertising revenue (1), (2)	33.7	37.0	*(8.9%)*	118.5	138.0	*(14.1%)*
incl. Gazeta Wyborcza	*19.4*	*23.3*	*(16.7%)*	*68.5*	*82.4*	*(16.9%)*
incl. Magazines	*6.3*	*7.2*	*(12.5%)*	*24.5*	*24.6*	*(0.4%)*
incl. Metrocafe.pl (3)	-	*0.9*	-	-	*11.8*	-
Total operating cost, including (4):	**(70.1)**	**(70.3)**	***(0.3%)***	**(235.6)**	**(270.7)**	***(13.0%)***
Raw materials, energy, consumables and printing services	(14.4)	(17.4)	*(17.2%)*	(57.8)	(74.1)	*(22.0%)*
Staff cost	(26.7)	(27.2)	*(1.8%)*	(105.7)	(110.3)	*(4.2%)*
D&A	(0.5)	(0.4)	*25.0%*	(1.8)	(1.9)	*(5.3%)*
Promotion and marketing (1), (5)	(7.8)	(11.0)	*(29.1%)*	(29.9)	(45.1)	*(33.7%)*
Cost of group lay-offs	-	(5.8)	-	-	(5.8)	-
Impairment losses (6)	(13.2)	-	-	(13.2)	-	-
EBIT	**(8.2)**	**(1.8)**	***(355.6%)***	**(0.1)**	**(2.8)**	***96.4%***
EBIT margin	*(13.2%)*	*(2.6%)*	*(10.6pp)*	*0,0*	*(1.0%)*	*1.0pp*
EBITDA	**5.5**	**(1.4)**	**-**	**14.9**	**(0.9)**	**-**
EBITDA margin	*8.9%*	*(2.0%)*	*10.9pp*	*6.3%*	*(0.3%)*	*6.6pp*

(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. In 2016, the revenues from website advertising were partially allocated to Internet segment;

(3) On October 14, 2016 Agora ceased publication of the free daily Metrocafe.pl;

(4) since 2017 the operating costs of the segment related to the production of Gazeta Wyborcza *are settled according to an agreed card rate, in contrary to previous years when it was settled by allocation of direct and indirect costs (including D&A) related to its production. The presentation of data for the corresponding periods of time was adjusted accordingly;*

(5) the amounts include inter alia the production and promotional cost of gadgets offered with Gazeta Wyborcza *and Agora's magazines.*

(6) the amounts include impairment losses of the segment`s non-current assets (including mainly the monthly "Cztery Katy").

In the fourth quarter of 2017, the segment's operating costs were impacted by the fixed assets impairments (mainly the value of *Cztery Katy*, a press title) in the amount of PLN 13.2 million. As a result, the Press segment recorded a higher loss at the EBIT level than in 2016 *[1]*. At the same time, the operating result of the segment at the EBITDA level was significantly better than in the corresponding period of 2016, standing at PLN 5.5 million. This was mainly the effect of the restructuring process which the segment underwent in 2016, including changes to the product structure, collective redundancies, reductions in press title volumes and discontinuation of selected titles.

In 2017, the segment's result at the EBIT and EBITDA level was significantly better than in 2016. The operating result at the EBIT level – in spite of the fixed asset impairment costs (including the value of *Cztery Kąty*, a press title) – was better than in 2016. The operating result at the EBITDA level totalled PLN 14.9 million. *[1].* This was achieved through the restructuring measures implemented in the segment in 2016.

1. REVENUE

In the fourth quarter of 2017, the total revenues of the Press segment amounted to PLN 61.9 million and were lower by 9.6% yoy. The drop in the revenues of the segment resulted from but were not limited to lower by 8.9% yoy advertising sales, in relation to lower revenues from advertising sales in *Gazeta Wyborcza* as well as discontinuation of publishing the free-of-charge daily *Metrocafe.pl* (in mid-October 2016).

In the fourth quarter of 2017, the segment's revenue from copy sales also decreased yoy and amounted to PLN 27.1 million. This was mainly due to reduced levels of copy sales of printed press. At the same time, the segment recorded higher yoy revenues from content subscription on the Wyborcza.pl website (the number of subscriptions in the fourth quarter of 2017 increased by 23 thousand, as compared to the end of September 2017), from special editions of *Gazeta Wyborcza* magazines (*Psychologia Extra, Tylko Zdrowie Extra*), and dual price offer of *Gazeta Wyborcza.*

In 2017, the total revenues of the Press segment amounted to PLN 235.5 million and were lower by 12.1% yoy. The drop in the revenues of the segment resulted from but were not limited to lower advertising sales – down by by 14.1% yoy, in relation to lower revenues from advertising sales in *Gazeta Wyborcza* as well as discontinuation of publishing the free-of-charge daily *Metrocafe.pl* (in mid-October 2016).

In 2017, the segment's revenue from copy sales also decreased yoy, and amounted to PLN 112.3 million. This was mainly due to reduced levels of copy sales of printed press. Additionally, negative impact on the dynamics and revenue from copy sales was due to fewer dual price issues of *Gazeta Wyborcza.* At the same time, the segment recorded higher yoy revenues from content subscription on the Wyborcza.pl website and from special editions of *Gazeta Wyborcza* magazines (*Psychologia Extra, Tylko Zdrowie Extra*).

1.1. Copy sales

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

In the fourth quarter of 2017, *Gazeta Wyborcza* maintained its leading position among the opinion-forming dailies. The average payable distribution of *Gazeta Wyborcza* amounted to 117 thousand copies and decreased by 22.4% yoy. In the analysed period, the revenue from copy sales of *Gazeta Wyborcza* decreased by 10.9% yoy. In the reporting period, the weekly readership of *Gazeta Wyborcza* stood at 4.9% (1.5 million readers; CCS, weekly readership index), which placed it as the second daily among nationwide dailies. At the same time, it should be noted that at the end of December 2017 the number of paid digital subscriptions of *Gazeta Wyborcza* was close to 133,000 (i.e. 23 thousand more than at the end of September 2017), and the major growth of revenues on that account had a positive impact on the level of copy sales.

In 2017, *Gazeta Wyborcza* maintained its leading position among the opinion-forming dailies. The average payable distribution of *Gazeta Wyborcza* amounted to 124 thousand copies and decreased by 22.0% yoy. In the analysed period, the revenue from copy sales of *Gazeta Wyborcza* decreased by 9.0% yoy. In the reported period, the weekly readership of *Gazeta Wyborcza* stood at 5.3% (1.6 million readers; CCS, weekly readership index), which placed it as the second daily among nationwide dailies. At the same time, it should be noted that at the end of Dec. 2017, the number of paid digital subscriptions of *Gazeta Wyborcza* was close to 133,000, and the major growth of revenues on that account had a positive impact on the level of sales from the dailies publications.

1.1.2. Copy sales of Agora's magazines

In the fourth quarter of 2017, the revenue of the Magazines division decreased by 13.8% yoy. The average paid distribution of Agora monthlies amounted to 191.7 thousand copies and was lower by 28.3% yoy. The negative impact on the revenues drop rate in the fourth quarter of 2017 was the effect of not only the trends predominating on the printed press market, but mainly of the partial resignation from the distribution of e-copies of monthlies, owing to the dynamic development of magazines' websites and discontinuation of issuing of the *Pogoda na życie* monthly as of the end of 2016. In addition, it was decided in early November 2017 that two titles (*Dom i Wnetrze* and *Magnolia*) would no longer be published, which had direct impact on the circulation of the last two issues of these titles.

In 2017, revenue from copy sales in the Magazines division decreased by 21.0% yoy. During the period, the average number of monthly magazine copies sold by Agora amounted to 214.5 thousand (down by 29.4% yoy). This reflected the publisher's decision to partially resign from the distribution of e-copies of monthlies owing to the dynamic development off magazines' websites as well as to discontinue publication of the *Pogoda na zycie* monthly and selected special editions of various titles.

1.2. Advertising sales [3]

1.2.1. Advertising sales of Gazeta Wyborcza

In the fourth quarter of 2017, Gazeta Wyborcza's net advertising revenue from all of its advertising activity (including display advertising, classifieds and inserts) amounted to PLN 19.4 million (down by 16.7% yoy).
In 2017, Gazeta Wyborcza's net advertising revenue from all the advertising activity (including display advertising, classifieds and inserts) amounted to PLN 68.5 million (down by 16.9% yoy).
In the fourth quarter of 2017, ad spending in Polish dailies decreased by 9.5% yoy. In the analysed period, Gazeta Wyborcza's revenue from display advertising decreased by approximately 13.0% yoy, and its estimated share in display ad spending in dailies increased by almost 1.5 pp yoy, amounting to almost 30.5%.

In the fourth quarter of 2017, Gazeta Wyborcza's share in the national newspapers ad spend amounted to approximately 40.0% (i.e. flat yoy). In this period, Gazeta Wyborcza increased its share in ad spending in Warsaw-based dailies by almost 7.0 pp. At the same time, Gazeta Wyborcza's share in ad spending in local dailies (excluding Warsaw) decreased by over 1.5 pp yoy.

In 2017, the ad spending in Polish dailies decreased by approximately 14.5% yoy. In the analysed period, Gazeta Wyborcza's revenues from display advertising decreased by 16.5% yoy, and its estimated share in display ad spending in dailies decreased by approximately 0.5 pp yoy, amounting to 31.0%.

In 2017, Gazeta Wyborcza's share in the national newspapers ad spend amounted to approximately 41.0% and increased by approximately 0.5 pp yoy. In this period, Gazeta Wyborcza increased its share in ad spending in Warsaw-based dailies by more than 16.5 pp yoy. At the same time, Gazeta Wyborcza's share in ad spending in local dailies (excluding Warsaw) decreased by over 1.0 pp yoy.

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

1.2.2. Advertising sales of Agora's magazines

In the fourth quarter of 2017, the advertising sales of Agora's magazines decreased by 12.5% yoy to PLN 6.3 million. At the same time, advertisers limited their expenditure in magazines by 8.0% yoy. Agora had a 4.0% share in the total national magazines ad spend (based on rate card data) *[7]* and a 7.8% share in monthlies ad spend (based on rate card data) *[7]*.
In 2017, the advertising sales of Agora's magazines decreased by 0.4% yoy to PLN 24.5 million. At the same time, advertisers limited their expenditure in the magazines by ca 9.0% yoy. Agora had a 4.0% share in the total national magazines ad spend (based on rate card data) *[7]* and a 8.1% share in monthlies ad spend (based on rate card data) *[7]*.

The drop in the advertising sale revenue of Agora's magazines – both in the fourth quarter of 2017 and in the entire 2017 – was caused mainly by lower yoy revenues from the printed press copies. In both time periods under analysis, the segment recorded a dynamic advertising revenue growth from Agora's magazine websites (both in the lifestyle and design & construction segments) as well as more proceeds from projects executed within custom publishing department.

2. COST

In the fourth quarter of 2017, the segment's operating costs declined by 0.3% yoy, and amounted to PLN 70.1 million. It is worth pointing out that in the fourth quarter of 2017, the segment's operating costs were affected by the fixed assets impairments (mainly the value of monthly *Cztery Katy*) at the amount of PLN 13.2 million.

The other cost items were significantly reduced or remained at a level similar to those recorded in the fourth quarter of 2016. The promotion and marketing costs (decreased by 29.1% yoy to PLN 7.8 million) exerted the biggest impact on the reduction of operating costs. Additionally, promotion and marketing costs were lower yoy for both the *Gazeta Wyborcza* daily and Agora's magazines. Other contributing factors included lower by 17.2% yoy costs of raw materials, energy, consumables and printing services, due to lower yoy printing volumes of *Gazeta Wyborcza* and Agora's magazines, as well as the discontinuation of the selected press titles in 2016 (*Metrocafe.pl*, *Pogoda na zycie*).

In 2017, the segment's operating costs were impacted by the fixed assets impairments (mainly the value of monthly *Cztery Katy*) – at the amount of PLN 13.2 million. Nevertheless, the segment's operating costs declined by 13.0% yoy, and amounted to PLN 235.6 million. Contributing factors included lower by 22.0% yoy costs of raw materials, energy, consumables and printing services, due to lower printing volumes of *Gazeta Wyborcza* and Agora's magazines, as well as the discontinuation of the selected press titles in 2016 (*Metrocafe.pl*, *Pogoda na zycie*).

Another factor significantly affecting a reduction of the segment's operating costs were lower by 33.7% yoy costs of marketing and promotion. These were reduced both for *Gazeta Wyborcza* and Agora's magazines.

Also staff costs were reduced (down by 4.2% yoy to PLN 105.7 million), mainly due to the group lay-offs in the segment in the fourth quarter of 2016.

3. NEW INITIATIVES

In 2017, *Gazeta Wyborcza* started cooperating with several foreign media, expanding its sources of information and technological competences as well as providing more interesting content for its readers. It became a partner of *inter alia* the French-German Arte television, the German RBB TV, the EURACTIV European news portal and Google. It also started working with *The Wall Street Journal,* the prestigious American daily. As a result, Polish readers will be able to buy access to the digital edition of the newspaper while "Gazeta Wyborcza" as well as Wyborcza.pl will publish the most interesting articles from WSJ in Polish translation.

in 2017 the *Gazeta Wyborcza* team continued to expand the digital offer of the daily – in spring, a new version of the *Gazeta Wyborcza* mobile application was launched allowing users to customise content and save selected articles for later, among other features. In August 2017, the Wyborcza.pl website changed the rules of commenting on the content – now only subscribers can comment on the articles and take part in content-related discussions on the website. October saw the rollout of two projects launched with the support of Google's Digital News Inititative. The first one - Sonar.Wyborcza.pl – a new website that analyses the world and politicians' actions through articles, in numbers and on diagrams. The website, a joint project of *Gazeta Wyborcza* and Wyborcza.pl, was developed together with Laboratorium EE. Another notable online project, initiated by *Wysokie Obcasy* and *Gazeta Wyborcza* and launched with financial support of the Digital News Initiative programme, is the NewsMavens.com website, operating since October 2017. NewsMavens.com is an English language news website with information selected solely by women from European newsrooms. Over a dozen journalists choose most important articles from opinion-forming titles to create a news roundup that reflects their own perspective. Also in October 2017, a service of adding the payment for digital *Gazeta Wyborcza* subscription to a phone bill and special offer for users of the T-Mobile network were launched. The beginning of December 2017 saw the launch of the first issue of *Wyborcza Classic* on the Wyborcza.pl website. This is an online magazine that features archived *Gazeta Wyborcza* texts. Moreover, a new, user-friendly online archive of *Gazeta Wyborcza* was launched.

In 2017, the *Gazeta Wyborcza* team prepared highly popular special editions of several magazines, including *Psychologia Extra, Tylko Zdrowie Extra, Duży Format, Ale Historia Extra* and *Wysokie Obcasy – IT Girls.* Also, new titles premiered in 2017 – *Wysokie Obcasy Praca*, a magazine on work, passion, life, psychology, science and technology, which is a continuation of the *IT Girls* issue published in May 2017.

The Magazines division also prepared new titles for its readers. In October 2017, the first issue of the *Opiekun* magazine was published, a title for people who take care of their dependants on a daily basis. In the magazine, they will find useful information and practical advice, help and support. Also, special issues of Agora magazines were published, including *Kuchnia – Kuchnia na cały rok* and *Kolekcja dla smakosza*, *Avanti – Fit & Beauty* and *Dziecko – Dziecko & Psychologia*. The release of the December issue of the *Avanti* monthly in November 2017 was accompanied by the debut of an innovative application that allows readers to scan the pages of the monthly to find items that interest them and then quickly and conveniently buy them online. The *Avanti* application, available at Google Play and App Store, is a unique solution that combines print media and online shopping.

February 2017 marked the beginning of a series of discussions at Centrum Premier Czerska 8/10 which focused on literature, film, theatre, music, computer games and fashion, and featured authors of works from these areas. By the end of the year, the venue had already hosted discussions on two films, i.e. *Pokot* and *Loving Vincent*, as well as on *Ania*, the biography of Anna Przybylska, and *Tu byłem. Tony Halik,* the biography of Tony Halik. A meeting with Krystyna Janda, devoted to her memoirs, was also held. Centrum Premier Czerska 8/10 was also visited by a particularly prominent guest: Dan Brown, one of the most popular authors in the world. The event was fully sold out.

In May 2017, the second edition of the European VR Congress took place at the Copernicus Science Centre in Warsaw. The event, organised by Agora, provides the biggest platform in Poland for sharing knowledge about virtual reality technologies.

In June 2017, *Co Jest Grane 24 Festival* took place – a city culture festival organised by the editorial staff of *Co Jest Grane 24*. The event was followed by another edition of the Olsztyn Green Festival, organised in August by Agora and the city of Olsztyn. Both events attract more and more fans every year, which has a positive impact on the segment's revenue.

Also, the seventh edition of the Co Jest Grane 24 European Music Fair took place in Warsaw on 10–12 November 2017. The three-day event for representative of music industry and music lovers featured concerts, an exhibition area, attractions for children, a music conference, a festival cinema and meetings with artists.

IV.C. OUTDOOR (AMS GROUP)

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. 17

in PLN million	**4Q 2017**	**4Q 2016**	*% change yoy*	**1-4Q 2017**	**1-4Q 2016**	*% change yoy*
Total sales, including:	**48.3**	**48.4**	***(0.2%)***	**163.0**	**168.0**	***(3.0%)***
Advertising revenue (1)	47.8	47.8	-	160.8	165.6	*(2.9%)*
Total operating cost, including:	**(39.1)**	**(41.8)**	***(6.5%)***	**(134.7)**	**(143.1)**	***(5.9%)***
Maintenance cost (1)	(13.6)	(15.5)	*(12.3%)*	(53.8)	(59.6)	*(9.7%)*
Execution of campaigns (1)	(7.2)	(7.1)	*1.4%*	(24.9)	(25.1)	*(0.8%)*
Staff cost	(6.3)	(6.3)	-	(21.5)	(22.5)	*(4.4%)*
Promotion and marketing	(1.0)	(1.0)	-	(4.4)	(4.3)	*2.3%*
D&A	(4.6)	(4.2)	*9.5%*	(17.8)	(15.9)	*11.9%*
Impairment losses (3)	(1.6)	(0.7)	*128.6%*	(1.6)	(1.0)	*60.0%*
EBIT	**9.2**	**6.6**	***39.4%***	**28.3**	**24.9**	***13.7%***
EBIT margin	*19.0%*	*13.6%*	*5.4pp*	*17.4%*	*14.8%*	*2.6pp*
EBITDA	**15.4**	**11.5**	***33.9%***	**47.7**	**41.8**	***14.1%***
EBITDA margin	*31.9%*	*23.8%*	*8.1pp*	*29.3%*	*24.9%*	*4.4pp*
Number of advertising spaces (2)	25,041	24,052	*4.1%*	25,041	24,052	*4.1%*

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

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

(3) the amounts include impairment losses of the segment`s non-current assets.

In the fourth quarter of 2017, the operating result of the Outdoor Advertising segment was much higher yoy. It was mainly due to the operating costs reduction which translated into a better operating result of the segment at the EBIT level (up by 39.4% yoy to PLN 9.2 million). The segment also improved the result at the EBITDA level which increased to PLN 15.4 million, and the EBITDA margin increased yoy to 31.9%.

In 2017, as a result of the operating costs reduction, the segment's operating result at the EBIT level increased to PLN 28.3 million, and at the EBITDA level to PLN 47.7 million (up by 14.1% yoy). In 2017, the segment's EBITDA margin rose yoy to 29.3%.

1. REVENUE [8]

As reported by IGRZ (the Outdoor Advertising Chamber), in the fourth quarter of 2017 the value of spending on outdoor advertising increased by 5.5% yoy *[8].* In 2017, expenditure in the outdoor advertising market was lower by more than 1.5% yoy.

In the fourth quarter of 2017, the value of revenue from advertising sales in the Outdoor Advertising segment remained flat yoy. A positive impact on the AMS' revenue dynamics had the increased advertisers' spending on Premium Citylight panels, and on ad panels in public transport. The end of cooperation with the Warsaw underground exerted a negative impact on the segment's advertising sales revenue.

In 2017, the drop in revenues from AMS advertising sales, amounting to 2.9%, was slightly higher than the expenditure decrease in the outdoor advertising market reported by IGRZ. The dynamics of the advertising sales generated by AMS was adversely affected by ceasing advertising services in Warsaw metro trains.

In the fourth quarter of 2017, the estimated share of the AMS group in the outdoor ad spend amounted to more than 36.0%, and throughout 2017 - almost 35.5% *[8].*

2. COST

In the fourth quarter of 2017, the segment's operating costs declined by 6.5% yoy, and amounted to PLN 39.1 million, mainly owing to lower yoy system maintenance costs.

The system maintenance costs reduction by 12.3% yoy resulted mainly from the termination of cooperation with the Warsaw metro with regard to advertising on the panels in metro cars as well as changes in the structure of panel portfolio.

The 1.4% yoy rise of campaign execution costs results from higher yoy commercial campaign revenues executed in the public transport. It stems directly from the purchase of larger number of advertising spaces on the public buses.

The depreciation cost yoy increase results mainly from investment activities in connection with the execution of the concession contracts for the construction and use of bus shelters in Warsaw and Krakow.

The higher yoy value of assets' impairments resulted from the higher one-off write downs regarding the value of construction elements of panels in the warehouse and panels to be disassembled.

In 2017, the segment's operating costs declined by 5.9% yoy, to PLN 134.7 million, mainly owing to lower yoy costs of system maintenance, staff costs and campaigns execution costs..

System maintenance costs reduction by 9.7% yoy in 2017 resulted mainly from the termination of cooperation with the Warsaw metro with regard to advertising on panels in underground cars, as well as changes in the structure of AMS operating costs. As a result of execution of the concession contracts for the construction and use of bus shelters, amortisation costs increased yoy and costs of rental fees were reduced.

The costs of campaign execution decreased by 0.8% yoy due to a decrease in the volume of poster printing services and lower posting costs related to a smaller number of orders.

The decrease in staff costs by 4.4% yoy in 2017 is mainly the consequence of a decrease in the variable components of remuneration as a result of lower level of sales targets execution than in 2016. The creation of a provision for the Group's incentive schemes (lower than in 2016) significantly influenced the value of those costs.

Expenditure on promotion and marketing increased by 2.3% yoy, mainly owing to higher yoy costs of non-profit/commercial campaigns.

The higher value of asset impairment in 2017 results from the higher one-off write downs regarding the value of construction elements of panels in the warehouse and ad panels to be disassembled.

3. NEW INITIATIVES

In 2017, AMS continued to develop Premium Citylight panels integrated with bus shelters. In the first half of 2017 AMS aprolonged the contract for the operation of 250 bus shelters in Wroclaw for another 3-year period. In the fourth quarter of 2017 over 180 shelters were put into operation in Warsaw and in Krakow, including newly developed designer shelters in the very centre of Krakow. In November 2017, a new model of bus shelters for Poznan was officially presented. The model was developed by AMS in cooperation with municipal authorities.
The investment project entitled "Construction and operation of bus shelters in Warsaw" was selected as one of the top ten projects completed under a public and private partnership (PPP) which received awards in the Top Communal Investments 2017 contest held during the European Economic Congress.

In 2017, AMS introduced a new systemic solution and offered an outdoor GIF format to clients: Dynamic Backlight, where the sequence of zonal backlighting of the display panel creates an effect of animation, impossible to achieve on a static poster. AMS also continued to use bus shelters in innovative ways and launched two unique campaigns, "Przystanek: Literatura" and "Przystanek: Wyspiański", which combined advertising and technology. In bus shelters that were specially prepared for the campaigns, people could connect to WiFi to download informational materials, use mp3 devices installed in the shelters to listen to interesting content and even smell a floral scent reminiscent of frequent motives in the works of Stanisław Wyspiański. AMS provided further non-standard advertising campaigns to its customers, including those with the use of citylight cabinets at bus shelters, enabling by direct presentation of products and services, just like in shop windows. In addition, AMS launched AMS CityTracker, a new tool that facilitates planning campaigns on public transport. Thanks to innovative solutions and the quality of services provided by AMS for the eighth time in a row, the company ranked first on the prestigious list of sales offices prepared by the *Media i Marketing Polska* trade magazine.

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., Sport4People Sp. z o.o. (till December 31, 2016), Sir Local Sp. z o.o. (till March 31, 2017), GoldenLine Sp. z o.o. and Optimizers Sp. z o.o.

Tab. 18

in PLN million	**4Q 2017**	**4Q 2016**	*% change yoy*	**1-4Q 2017**	**1-4Q 2016**	*% change yoy*
Total sales , including	**52.6**	**49.5**	***6.3%***	**168.6**	**167.9**	***0.4%***
Display ad sales (1), (2)	44.9	41.2	*9.0%*	137.7	135.2	*1.8%*
Ad sales in verticals	3.2	3.2	-	13.9	13.0	*6.9%*
Total operating cost, including	**(64.7)**	**(41.2)**	***57.0%***	**(171.1)**	**(144.9)**	***18.1%***
External services	(21.3)	(19.6)	*8.7%*	(70.7)	(64.0)	*10.5%*
Staff cost	(13.6)	(13.8)	*(1.4%)*	(52.8)	(52.4)	*0.8%*
D&A	(1.1)	(1.1)	-	(4.6)	(4.9)	*(6.1%)*
Promotion and marketing (1)	(6.2)	(4.2)	*47.6%*	(17.5)	(15.5)	*12.9%*
Cost of group lay-offs	-	(0.4)	-	-	(0.4)	-
Impairment losses (3)	(21.8)	-	-	(21.8)	-	-
EBIT	**(12.1)**	**8.3**	**-**	**(2.5)**	**23.0**	**-**
EBIT margin	*(23.0%)*	*16.8%*	*(39.8pp)*	*(1.5%)*	*13.7%*	*(15.2pp)*
EBITDA	**10.8**	**9.4**	***14.9%***	**23.9**	**27.9**	***(14.3%)***
EBITDA margin	*20.5%*	*19.0%*	*1.5pp*	*14.2%*	*16.6%*	*(2.4pp)*

(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., Sport4People Sp. z o.o., Sir Local Sp. z o.o., GoldenLine Sp. z o.o. and Optimizers Sp. z o.o.;

(2) In 2016 the numbers included allocated inflows from the sales of advertising on the websites: Wyborcza.pl, Wyborcza.biz, Wysokieobcasy.pl as well as on the local websites. Since 2017 those revenues are not allocated to Internet segment;

(3) the amounts include impairment losses of the segment`s non-current assets (including mainly the goodwill of Trader.com. (Polska) Sp. z o.o).

In the fourth quarter of 2017, the Internet segment recorded a loss at the EBIT level of PLN 12.1 million. A factor rendering significant influence on the segment's result were the costs related to the intangible assets impairment (mainly the goodwill of Trader.com (Polska) Sp. z o.o). The value of that asset impairment impacted the Internet segment's loss in 2017, totalling PLN 2.5 million at the EBIT level.
In the fourth quarter of 2017, the EBITDA result of the segment increased yoy to PLN 10.8 million *[1]*. In year 2017, the result was PLN 23.9 million *[1].*

1. REVENUE

In the fourth quarter of 2017, the total revenue of the Internet segment increased by 6.3% yoy and amounted to PLN 52.6 million. The higher level of revenue (up by 9.0% yoy) in this segment was primarily affected by higher proceeds from Internet advertisements, recorded mainly by Yieldbird, and the affiliation marketing networks. In 2017, the total revenue of the Internet segment increased by 0.4% yoy, and amounted to PLN 168.6 million. The higher level of revenue (up by 1.8% yoy) in this segment was primarily affected by higher proceeds from Internet advertisements, recorded mainly by Yieldbird, and the affiliation marketing networks as well as from the revenue of online ads on recruitment websites.

2. COST

In the fourth quarter of 2017, operating costs of the Internet segment increased by 57.0% yoy to PLN 64.7 million. In 2017, the operating costs of the segment increased by 18.1% yoy to PLN 171.1 million. One-off events recognized in the fourth quarter of 2017, related to the intangible assets impariments (including i.a. the company goodwill connected with Trader.com (Polska) Sp. z o.o.) of PLN 21.8 million, significantly affected the increased yoy operating costs of the segment.

In the fourth quarter of 2017, the costs of external services increased by 8.7% yoy to PLN 21.3 million. The largest impact on the costs increase had the higher yoy costs of advertising space rental incurred by Yieldbird, and the affiliation marketing networks in Agora's Internet Department. These costs were related directly to the increased advertising revenue. In addition, the higher external service costs were caused by the increased computer services in Goldenline and Yieldbird.

In 2017, the costs of external services rose by 10.5% yoy and amounted to PLN 70.7 million. Just like in the fourth quarter of 2017, the largest impact on the yoy costs increase had the higher costs of advertising space rental incurred by Yieldbird, and the affiliation marketing networks in Agora's Internet segment. Moreover, the increased costs of external services were affected by higher yoy expenditure for marketing services in Gazeta.pl, and costs related to Yieldbird's business expansion.

In the fourth quarter of 2017, the promotion and marketing costs increased to PLN 6.2 million. It was mostly linked to the marketing expenses of Gazeta.pl, and Domiporta.pl, real estate vertical. The increase of this cost item in the fourth quarter of 2017 contributed to the higher costs of promotion and marketing in the entire 2017.

In the fourth quarter of 2017, staff costs decreased by 1.4% yoy due to i.a. the lower costs in Agora's Internet division, and reduced headcount in Trader.com (Polska) and Optimizers. In 2017, the staff costs rose by 0.8% yoy. Yieldbird's higher staff costs made a decisive impact on the increase of total staff costs in the segment.

3. IMPORTANT INFORMATION ON INTERNET ACTIVITIES

In December 2017, the reach of Gazeta.pl group websites among Polish Internet users stood at 57.8%, and the number of users reached 15.9 million. The total number of page views of the Gazeta.pl group websites reached 633 million, with the average viewing time of 53 minutes per user *[6]*.

In December 2017, 10.8 million Internet users (reach of 39.4%) viewed the websites of Gazeta.pl group on mobile devices, which made Gazeta.pl group the seventh market player according to a survey by Gemius PBI. The number of mobile page views amounted to 360.4 million, and the share of mobile page views on the websites of Gazeta.pl group stood at 56.9% 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 December 2017, the Gazeta.pl websites are the vice-leaders in the *local and regional information* category and occupy the third places in such categories as *Sport* (including Sport.pl), *Children, family* (eDziecko.pl) as well as *Diets, slimming, fitness* (Myfitness.pl).

In December 2017, Gazeta.pl was visited by 3.0 million users, i.e. 25.0% more than in December 2016 (according to the Gemius PBI research).

4. NEW INITIATIVES

In 2017, the Gazeta.pl staff prepared new formats and websites. In the first quarter of 2017, the editorial staff of Next.Gazeta.pl launched a new magazine format devoted to topics such as business and successful people – Next+. In the third quarter of 2017, following the successful introduction of social video formats on cooking (Haps!) and on smart DIY ideas (Myk!), Gazeta.pl launched NaZdrowie mobile video format that focuses on explaining myths that are popular among internet users with regard to medicine, broadly understood health, pharmaceuticals and lifestyle. Since June 2017, the Gazeta.pl NOW format, designed for social media users, has had new visual identification and a permanent, dedicated area on the homepage of Gazeta.pl. In August 2017, Trader.com (Poland), publisher of the Domiporta.pl website with real estate ads, launched a website for primary market properties under the name of Nowyrp.pl. Users will be presented with offers of houses and apartments constructed by developer companies as well as expert advice. Since September 2017, the offer of the Gazeta.pl group in the parenting category (the most mobile website for parents on the Polish internet – eDziecko.pl, the largest parenting forum, Facebook profiles, applications for parents – *Moja ciąża* and *Moje dziecko* has been supplemented by the Gazeta.pl Junior website. The website is intended for parents of older children – at kindergarten or school age – and provides information about psychology, medicine, nutrition or proper child development, among other things. The website also contains videos, including Haps Kids or the new video format entitled *Tato, powiedz* an online comedy mini-series. Also, from September to December 2017, the homepage of Gazeta.pl published on its home page *Make Poland Great Again* (appearing every Monday), a comedy night-show co-created by the Make Life Harder duo that present a satirical view of politics and current events. Additionally, in November 2017, a new way of displaying photo stories was introduced on the themed websites of the Gazeta.pl group. Photo stories are short articles with a large number of pictures that were previously published as slides. Now all photos can be displayed on one page, which means that users can view them more conveniently and ads are more visible.

In the first quarter of 2017, the image campaign of the Gazeta.pl website was launched under the slogan of *Dzień dobry emocje* to highlight the strongest point of the website, i.e. user engaging content shown in the right context. This is the first advertising campaign of this scale implemented by the Internet segment over the last 10 years. An intensive marketing campaign was also run by Sport.pl. The brand's ambassadors in 2017 were Joanna Jędrzejczyk – MMA world champion and Polish football representative Kamil Grosicki.

Expanding the portfolio of services for advertisers, Gazeta.pl introduced content and native offer *One Day Special*, which enables celebration of any day within a year on the websites of Gazeta.pl with the use of a dedicated service. In 2017 Agora was the first publisher in Poland to join the Facebook Audience Network. The network's advertisements are published on Gazeta.pl and Wyborcza.pl mobile pages, following the same targeting, measurement and display rules as those applicable to Facebook. Facebook Audience Network is an advertising network that enables advertisers to expand their campaign audience and reach Facebook users also outside the platform — via mobile applications and websites on various devices. Also, thanks to the Yieldbird team, Agora's websites met the requirements of the ads.txt standard in October 2017, ensuring greater transparency of using the publisher's advertising inventory. This comes in response to issues occurring in the programmatic ecosystem, related to advertising fraud, and implementation of IAB recommendations in this area.

Importantly, Yieldbird, an Agora Group's company, was developing fast in 2017. It specialises in optimising programmatic advertising revenue and works in over 30 countries across the world. For instance, Yieldbird became the leading partner responsible for programmatic advertising for Celltick, an international mobile marketing company, as well as established collaboration with the Nyheter24 Group, one of Sweden's fastest-growing digital publishers, and Brainly, one of the world's largest educational startups, which offers a unique platform for sharing knowledge among pupils from 35 countries. Since November 2017, Yieldbird has provided its customers with more opportunities for monetising their advertising inventories by using video formats. In April 2017, Yieldbird was the only Polish company nominated for the Best Ad Ops Team category at The Drum Digital Trading Awards. Judges appreciated the ad ops and yield management project that Yieldbird created for MailOnline, the digital branch of *Daily Mail*, The growing scale of international business and the resulting increase in Yieldbird's revenue were recognised by experts of the 18th edition of Deloitte's *Technology Fast 50 Central Europe* ranking. The company debuted on the 21st place in the ranking published.

In the first half of 2017, the Goldenline recruitment company started a new service called Jobile which supports recruiters in searching for the best work candidates in the market. The service allows recruiters to reach both passive candidates as well as those actively looking for a new job. Jobile makes recruitment shorter and more efficient, focusing on candidates meeting relevant criteria. An employer that uses the service receives comprehensive support in creating an appropriate job offer, publishing the ad on Goldenline.pl, performing direct search among over 2.5 million professional profiles available on the website along with preselection of the CVs submitted. They also receive feedback from candidates who have decided not to take part in the recruitment process along with their reasons to do so.

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 (Zlote Przeboje) local radio stations, 4 local radio stations under the brand Rock Radio (since March 1, 2016; in 2015 and in January-February 2016 7 local radio stations broadcasted under the name Rock Radio), 7 local stations broadcasting under the brand Radio Pogoda (7 stations since since March 1, 2016) and a super-regional news radio TOK FM broadcasting in 23 metropolitan areas (in July 2016 Radio TOK FM started broadcasting in Bydgoszcz and Rzeszow, and in July 2017 in Tarnowskie Gory).

Tab. 19

in PLN million	**4Q 2017**	**4Q 2016**	***% change yoy***	**1-4Q 2017**	**1-4Q 2016**	***% change yoy***
Total sales, including :	**36.1**	**37.2**	***(3.0%)***	**114.0**	**113.4**	***0.5%***
Radio advertising revenue (1), (2)	28.3	29.6	*(4.4%)*	94.1	95.1	*(1.1%)*
Total operating cost, including: (2)	**(27.1)**	**(29.4)**	***(7.8%)***	**(97.3)**	**(100.6)**	***(3.3%)***
External services	(12.0)	(12.8)	*(6.3%)*	(42.4)	(44.0)	*(3.6%)*
Staff cost	(8.7)	(8.9)	*(2.2%)*	(31.5)	(31.8)	*(0.9%)*
D&A	(0.8)	(0.8)	-	(3.4)	(3.1)	*9.7%*
Promotion and marketing (2)	(3.8)	(4.8)	*(20.8%)*	(13.3)	(14.6)	*(8.9%)*
EBIT	**9.0**	**7.8**	***15.4%***	**16.7**	**12.8**	***30.5%***
EBIT margin	*24.9%*	*21.0%*	*3.9pp*	*14.6%*	*11.3%*	*3.3pp*
EBITDA	**9.8**	**8.6**	***14.0%***	**20.1**	**15.9**	***26.4%***
EBITDA margin	*27.1%*	*23.1%*	*4.0pp*	*17.6%*	*14.0%*	*3.6pp*

(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 fourth quarter of 2017, owing to a reduction in operating costs, the Radio segment materially improved its operating results both at the EBIT and EBITDA levels. They amounted to PLN 9.0 million and PLN 9.8 million, respectively.

In 2017, owing to increased revenues and reduced costs, the Radio segment's results at the EBIT and EBITDA levels were very good and significantly higher yoy, amounting to PLN 16.7 million and PLN 20.1 million, respectively.

1. REVENUE [3]

In the fourth quarter of 2017, revenue of the Radio segment decreased by 3.0% yoy, and amounted to PLN 36.1 million. The decrease in revenue resulted mainly from lower air time sales in the radio stations of the Agora Radio Group as well as from lower video production proceeds. However, in the discussed period, advertising revenues from the brokerage services for the Helios cinamas were higher yoy. In the fourth quarter of 2017, total radio advertising expenditure decreased by 1.5% yoy.

In 2017, the revenue of the Radio segment increased by 0.5% yoy and amounted to PLN 114.0 million. The increase in revenue resulted mainly from higher proceeds from the brokerage services provided for Helios cinemas and higher air time sales in the radio stations of Agora Radio Group. In the discussed period, inflows from brokerage of sale of air time in stations of other broadcasters were lower yoy. In 2017, the total radio advertising expenditure was similar to that recorded in 2016.

2. COST

In the fourth quarter of 2017, the segment's operating costs declined by 7.8% yoy to PLN 27.1 million. The drop results mainly from lower costs of promotion and marketing owing to lower yoy expenditures on the promotion of

Radio Pogoda, and lower yoy promotion and marketing expenditure in sales area. In the period under analysis, the outlays on the promotion of Radio TOK FM were higher yoy.

The costs of external services declined by 6.3% yoy to PLN 12.0 million. The yoy decrease in this item resulted mainly from lower yoy costs of marketing research. However, in the discussed period, the costs related to the sales of brokerage services for Helios cinemas, reported under external services, were higher yoy. Apart from the advertising brokerage costs and the costs related to the sales of advertising services in Helios cinemas, the external services item also includes rental and lease fees, costs of production services as well as operator fees.

The staff costs decreased in the fourth quarter of 2017 by 2.2% yoy to PLN 8.7 million, mainly as a result of the lower costs of training courses and conferences. The costs of incentive plans and variable components of remuneration were higher yoy in the analysed period.

In 2017, the segment's operating costs declined by 3.3% yoy and amounted to PLN 97.3 million. This was caused mainly by reducing the costs of external services, promotion and marketing, and staff costs.

The costs of external services declined by 3.6% yoy to PLN 42.4 million. The decrease in this item resulted mainly from lower costs of air time purchase in third-party radio stations in connection with the advertising brokerage service provided and lower marketing research costs. However, in the discussed period, the costs related with sales brokerage services for Helios cinemas, reported under external services, were higher yoy. Apart from the advertising brokerage costs and the costs related to the sales of advertising services in Helios cinemas, the external services item also includes rental and lease fees, costs of production services as well as operator fees.

The 8.9% yoy reduction (to PLN 13.3 million) of promotion and marketing costs in 2017 resulted mainly from the lower outlays on the promotion of Radio Zlote Przeboje and Radio Pogoda.

There was also a decrease in staff costs (down by 0.9% yoy), which amounted to PLN 31.5 million. This was mainly due to the lower costs of training courses, conferences, and civil & legal agreements. The costs of incentive plans and changeable remuneration elements were higher yoy in the analysed period.

3. AUDIENCE SHARES [9]

Tab. 20

% share in listening	4Q 2017	change in pp yoy	1-4Q 2017	change in pp yoy
Group's music radio stations (Rock Radio, Zlote Przeboje and Radio Pogoda)	4.3%	0.4pp	4.1%	0.1pp
News talk radio station TOK FM	2.0%	(0.4pp)	2.2%	0.2pp

4. NEW INITIATIVES

In 2017, the Agora Radio Group won the National Broadcasting Council's tender for a radio frequency in Gdańsk. After the Group received the concession in December 2017, it is planning to launch Radio Pogoda in that city in the first quarter of 2018. In early July 2017, a new TOK FM radio station started broadcasting in Tarnowskie Góry. TOK FM is the first news talk radio station in Poland that currently broadcasts in 23 cities. In the period from June to November 2017, TOK FM was the most popular radio station in Warsaw for the first time in its history, according to the data from the Radio Track report, prepared by Kantar Millward Brown.

In the first quarter of 2017, the Radio Group launched an innovative mobile application – Mikrofon TOK FM – which allows TOK FM Radio listeners to record their own audio commentary and send it to the station. The application, which was developed with support from the Google Digital News Initiative Innovation Fund, can be downloaded from Google Play and AppStore. An innovative digital project of the TOK FM Radio, i.e. *Search the Radio*, was also granted financial support from the Google DNI in December 2017. This prototype solution should allow for digitalisation of radio content with the use of a self-optimising transcription system.

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. 21

in PLN million	**4Q 2017**	**4Q 2016**	***% change yoy***	**1-4Q 2017**	**1-4Q 2016**	***% change yoy***
Total sales, including:	**18.7**	**37.0**	***(49.5%)***	**101.7**	**155.5**	***(34.6%)***
Printing services (1)	*16.7*	35.1	*(52.4%)*	94.0	147.7	*(36.4%)*
Total operating cost, including (2):	**(74.5)**	**(39.7)**	***87.7%***	**(165.1)**	**(163.2)**	***1.2%***
Raw materials, energy and production services	(10.7)	(25.7)	*(58.4%)*	(64.0)	(107.1)	*(40.2%)*
Staff cost	(5.4)	(5.6)	*(3.6%)*	(20.8)	(21.5)	*(3.3%)*
D&A	(4.7)	(5.5)	*(14.5%)*	(20.7)	(22.8)	*(9.2%)*
Cost of group lay-offs	-	(0.2)	-	-	(0.2)	-
Impairment losses (3)	(51.6)	-	-	(51.6)	-	-
EBIT	**(55.8)**	**(2.7)**	***(1,966.7%)***	**(63.4)**	**(7.7)**	***(723.4%)***
EBIT margin	*(298.4%)*	*(7.3%)*	*(291.1pp)*	*(62.3%)*	*(5.0%)*	*(57.3pp)*
EBITDA	**0.5**	**2.8**	***(82.1%)***	**8.9**	**15.1**	***(41.1%)***
EBITDA margin	*2.7%*	*7.6%*	*(4.9pp)*	*8.8%*	*9.7%*	*(0.9pp)*

(1) revenues from services rendered for external customers;

(2) since 2017 the operating costs of the segment related to the production of Gazeta Wyborcza *are settled according to an agreed card rate, in contrary to previous years when it was settled by allocation of direct and indirect cost (including D&A) related to its production. The presentation of data for the corresponding periods of time was adjusted accordingly;*

(3) the amounts include impairment losses of the segment`s non-current assets.

Both in the fourth quarter of 2017, and throughout the year, the operating result of the Print segment at the EBIT level was affected by impairments of fixed assets amounting to PLN 51.6 million. As a result, the segment's EBIT operating loss totalled PLN 55.8 million in the fourth quarter of 2017, and PLN 63.4 million in 2017.

Due to the smaller production volume, the segment's EBITDA operating result totalled PLN 0.5 million in the fourth quarter of 2017, and PLN 8.9 million in 2017 *[1]*.

1. REVENUE

In the fourth quarter of 2017, the segment's revenue from the sales of printing services decreased to PLN 16.7 million. In 2017 it decreased to PLN 94.0 million. The main reason for the drop was lower yoy production volume in the coldset technology resulting from the end of cooperation with some customers, and higher share of print on customer-provided paper compared to the corresponding periods of 2016, particularly in the case of the heatset technology.

2. COST

In the fourth quarter of 2017, the operating cost of the Print segment was significantly higher yoy, and amounted to PLN 74.5 million. The impairment of the segment's asset (at the amount of PLN 51.6 million) was the main factor behind the rise in the level of segment's operating costs. The costs of this impairment also affected negatively the segment's costs in the whole year 2017. Both in the fourth quarter of 2017 and in 2017, the costs of raw materials, energy, and production services significantly decreased yoy, mainly due to the lower yoy production volume, particularly in the coldset technology, and a higher share of printing on paper provided by the customers.

3. RESTRUCTURING PROCESS

On 1 February 2018, the Management Board of Agora S.A. began consultations with the trade union and the employee council regarding group lay-offs in the Print segment in the Agora Group. The reason for the planned restructuring measures, including restrictions on employment, is the ongoing decrease of revenues from sales of printing services in the coldset technology in which Agora Group's printing plants specialize. This trend mainly results from the condition of the press market in Poland – the main client of the Company's coldset printing plants. In 2017, decisions on the resignation from the printing of promotional materials in the coldset technology in favor of another technology, made by some customers outside the press sector, had a significant impact on the decrease of revenues from this business. Services commissioned by clients from other market segments, including those realised in the heatset technology, present a significantly smaller share in the Group's print activity; due to infrastructural constraints, they never did, nor are able to, compensate for the decrease in revenue from coldset printing services.

Therefore, the Management Board of the company decided that it is necessary to take decisive restructuring measures aimed at reducing operating costs of printing plants and optimizing the operational processes so as to reduce the negative impact of decrease in print volumes on the financial condition of the Print segment, i.a. by adjusting the employment structure to the current volume of services provided by Agora's printing plants.

In pursuance of the agreement reached with the trade union and the employee council, the Group will dismiss up to 53 employees (i.e. 16.3% of the segment workforce, including 1.9% of Agora S.A. employees, and 17.1% of Agora Poligrafia Sp. z o.o. employees, as of 1 February 2018) between 15 February and 16 March 2018. The estimated cost of the provision for group lay-offs ahall amount to PLN 1.6 million, weighing down on the Group's result in the first quarter of 2018. The estimated savings from the restructuring process will amount to, throughout the year, to approximately PLN 2.0-2.5 million. The final amounts will be provided in the first quarter 2018 report.

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 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 21 to the consolidated financial statements.

[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 in the fourth quarter of 2016 and in the first, second and third quarter of 2017, and the data for TV in the first and in the second quarter of 2016 and in the third quarter of 2017; the data for Internet in each of the quarters of 2016 and in the first, second and third quarter of 2017; the data for advertising expenditure in cinema was corrected for the first, second and third quarter of 2017.

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 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 October – December 2017: N=4,994; January – December 2017 N = 19,964.*

[5] Definition of ratios:

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

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

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

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

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

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

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

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

** from the second quarter of 2017 the meter of the creditors days ratio includes accruals for uninvoiced costs and the denominator includes selling and administrative expenses, the comparative amounts of the ratio were restated accordingly;*

*** 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 and the data for previous audited periods is not comparable. 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, and since December 2016 include the users of mobile applications and the pageviews generated through mobile applications (Gazeta.pl LIVE, Sport.PL LIVE, Moje Dziecko, Moja Ciaza, Tuba.fm, application of Gazeta Wyborcza and 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 108 monthlies and 77 other magazines; in total 185 magazines for the period of October - December 2017 and 117 monthlies and 75 other magazines; in total 192 magazines for the period January – December 2017.

[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 October to December (sample for 2016: 21,023; sample for 2017: 20,840) and from January to December (sample for 2016: 83,751; sample for 2017: 83,366).

[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 CONTRACTS FOR THE ISSUER AND ITS GROUP INCLUDING AGREEMENTS BETWEEN THE SHAREHOLDERS WHICH ARE KNOWN TO THE COMPANY, INSURANCE CONTRACTS AND COOPERATION AGREEMENTS

1. INFORMATION CONCERNING SIGNIFICANT CONTRACTS FOR THE ISSUER

Conclusion of a Credit Limit Agreement by and between the Company and DNB Polska S.A.

In the current report of May 25, 2017, the Management Board of Agora S.A. informed that on May 25, 2017 the Company concluded a Credit Limit Agreement ("Agreement") with DNB Bank Polska Spółka Akcyjna ("Bank").

On the basis of the Agreement, the Company has a credit limit ("Credit Limit") of up to PLN 135,000,000.00 available in the following form:

− Non-Renewable Credit 1 of up to PLN 25,000,000.00 (to be used for repaying a multi-purpose credit limit made available by Bank Polska Kasa Opieki S.A. on the basis of Credit Agreement No. 2014/137/DDF on a Multi-Purpose Credit Limit of May 28, 2014, with subsequent amendments); the Non-Renewable Credit 1 is to be repaid in 12 equal quarterly principal instalments. The first instalment will be paid on the first day of the calendar quarter which runs 12 months after the Credit utilization date;

− Overdraft 2, i.e. a credit limit in the current account of up to PLN 35,000,000.00, which can be used for financing working capital and the Company's other corporate objectives, using the so-called cash pooling. The deadline for its utilization is 12 months from the date of the Agreement being signed;

− Overdraft 1, i.e. a credit limit in the current account of up to PLN 75,000,000.00, which can be used for, inter alia, financing or refinancing acquisition, capital expenditure and working capital. The deadline for its utilization is 12 months from the date of the Agreement being signed. In the event that the whole or part of this amount is used within a period of 12 months from the date of conclusion of the Agreement, it may be converted at the Company's request into the Non-Renewable Credit 2 of up to PLN 75,000,000.00. After 12 months from the date of conclusion of the Agreement, the entire amount of the used overdraft facility will be automatically converted by the Bank into the Non-Renewable Credit 2. Each tranche of the used non-renewable credit is to be repaid in 12 equal quarterly principal instalments. The first instalment will be repaid on the first day of the calendar quarter which follows the second anniversary of the Agreement being signed.

According to the provisions of the Agreement, the Credit Limit is secured with, inter alia, the Company's declaration of voluntary submission to enforcement proceedings, a contractual mortgage established for the Bank on the real estate located in Warsaw at ul. Czerska 8/10, to which the Company has the right of perpetual usufruct and the right of ownership of the building erected on it, as well as the transfer of rights from the insurance policy for the above real estate.

In addition, the Company undertook to maintain specific parameters and financial ratios relating to its operations at the levels agreed with the Bank throughout the lending period. Furthermore, the Company undertook, within the deadline specified in the Agreement, to transfer a substantial part of transaction services to the Bank.

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 all or part 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 3.85 p.p. Apart from this, there are no other provisions for contractual penalties in the Agreement.

Furthermore, the Company and selected companies in its Group concluded the so-called cash pooling agreement with the Bank. Under this agreement, the Company may use a sublimit of up to PLN 80,000,000.00 from the funds accumulated by the other participants in the cash pooling system.

Establishment of a tax capital group by the Company

In the current report of December 21, 2017, the Management Board of Agora S.A. informed that on December 21, 2017 it adopted a resolution expressing the intention to establish a tax capital group ("TCG") which shall include Agora and the its 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 establishment of tax capital group required fulfillment a number of formal requirements, including obtaining several corporate consents and registering an application for establishing a tax capital group with the Head of the relevant Tax Office.

In the agreement on the establishment of the tax capital group, 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 agreement on the establishment of the TCG was concluded for the period to December 31, 2020.

The Company estimates that the implementation of the project to establish 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 February 16, 2018, the Management Board of Agora S.A. informed that on February 15th, 2018 has received a decision dated February 15th, 2018 issued by the Head of the Second Mazovian Tax Office in Warsaw on the registration of the contract on the establishment of Agora Tax Capital Group, which included: 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.

TCG was created on 1 March 2018 and each next tax year, until 31 December 2020, will reflect the calendar year.

V.B. CHANGES IN CAPITAL AFFILIATIONS OF THE ISSUER WITH OTHER ENTITIES AND CAPITAL INVESTMENTS OF THE ISSUER AND ITS GROUP AND THE SHAREHOLDERS STRUCTURE

1. THE CAPITAL STRUCTURE OF THE ISSUER AND SUBORDINATED ENTITIES

The list of companies, in which Agora S.A. holds shares (directly or indirectly) is presented in the table below:

Tab. 22

		% of shares held (effectively)	
		31 December 2017	31 December 2016
	Subsidiaries consolidated		
1	Agora Poligrafia Sp. z o.o., Tychy	100.0%	100.0%
2	Agora TC Sp. z o.o., Warsaw	100.0%	100.0%
3	AMS S.A., Warsaw	100.0%	100.0%
4	Adpol Sp. z o.o., Warsaw (1)	100.0%	100.0%
5	Grupa Radiowa Agory Sp. z o.o. (GRA), Warsaw	100.0%	100.0%
6	Doradztwo Mediowe Sp. z o.o., Warsaw (2)	100.0%	100.0%
7	IM 40 Sp. z o.o., Warsaw (2)	72.0%	72.0%
8	Inforadio Sp. z o.o., Warsaw (2)	66.1%	66.1%
9	Helios S.A. , Lodz (5)	91.4%	88.9%
10	Next Film Sp. z o.o., Warsaw (3)	91.4%	88.9%
11	Next Script Sp. z o.o. (formerly Joy Media Sp. z o.o.), Warsaw (4), (6)	68.6%	100.0%
12	Trader.com (Polska) Sp. z o.o., Warsaw	100.0%	100.0%
13	Optimizers Sp. z o.o., Warsaw	100.0%	100.0%
14	Yieldbird Sp. z o.o., Warsaw (7)	77.6%	84.3%
15	GoldenLine Sp. z o.o., Warsaw	92.7%	92.7%
16	Sir Local Sp. z o.o., Warsaw (8)	-	78.4%
17	Sport4People Sp. z o.o. in liquidation, Krakow (9)	-	100.0%
18	TV Zone Sp. z o.o., Warsaw (10)	-	100.0%
19	PTA Sp. z o.o., Warsaw (10)	-	100.0%
20	Plan A Sp. z o.o., Warsaw (11)	100.0%	-
	Joint ventures and associates accounted for the equity method		
21	Green Content Sp. z o.o., Warsaw (12)	-	51.1%
22	Stopklatka S.A., Warsaw	41.1%	41.1%
23	Online Technologies HR Sp. z o.o., Szczecin	46.2%	46.2%
24	Hash.fm Sp. z o.o., Warsaw	49.5%	49.5%
25	Instytut Badan Outdooru IBO Sp. z o.o., Warsaw (1)	40.0%	40.0%
	Companies excluded from consolidation and equity accounting		
26	Polskie Badania Internetu Sp. z o.o., Warsaw	15.8%	15.8%

(1) indirectly through AMS S.A.;
(2) indirectly through GRA Sp. z o.o.;
(3) indirectly through Helios S.A.;
(4) indirectly through Next Film Sp. z o.o.;
(5) acquisition of shares from non-controlling shareholders in the sell-out procedure;
(6) acquisition of shares by Next Film Sp. z o.o. and subscription for new shares by non-controlling shareholders, besides, on May 29, 2017 the National Court Register registered the change of the company`s business name from Joy Media Sp. z o.o. to Next Script Sp. z o.o.;
(7) increase of the share capital and subscription for new shares by non-controlling shareholders;
(8) disposal of shares in the company on April 21, 2017;
(9) the company was removed from the register of entrepreneurs in the National Court Register on February 16, 2017;

(10) merger of the companies with the company Agora TC Sp. z o.o. on June 30, 2017;
(11) company set up on December 14, 2017;
(12) disposal of shares in the company on September 1, 2017.

2. CHANGES IN CAPITAL AFFILIATIONS AND ORGANISATION OF THE CAPITAL GROUP

On March 2, 2017, Agora S.A. sold the following shares to Agora TC Sp. z o.o., with its registered seat in Warsaw, for PLN 18 thousand: (i) 400 shares in Joy Media Sp. z o.o., with its registered seat in Warsaw, with a total nominal value of PLN 20 thousand, representing 100% of the share capital of this company; (ii) 400 shares in PTA Sp. z o.o., with its registered seat in Warsaw, with a total nominal value of PLN 20 thousand, representing 100% of the share capital of this company; (iii) 1,100 shares in TV Zone Sp. z o.o., with its registered seat in Warsaw, with a total nominal value of PLN 55 thousand, representing 100% of the share capital of this company. As a result of the above transaction, Agora TC Sp. z o.o. became the sole shareholder of these companies.

On March 13, 2017, Agora TC sp. z o.o., with its registered seat in Warsaw, sold shares in Joy Media sp. z o.o., with its registered seat in Warsaw, with a total nominal value of PLN 20 thousand, representing 100% of the share capital of this company, to Next Film Sp. z o.o., with its registered seat in Łódź, for PLN 4,500. As a result of the above transaction, Next Film Sp. z o.o. became the company's sole shareholder.

On April 13, 2017, the extraordinary general meeting of shareholders of Joy Media Sp. z o.o., with its registered office in Warsaw, adopted a resolution on increasing the company's share capital from PLN 20 thousand to PLN 240 thousand by establishing 4,400 new shares with a nominal value of PLN 50 each and a total nominal value of PLN 220 thousand. After the registration of the above increase with the District Court for the capital city of Warsaw in Warsaw, XIII Commercial Division of the National Court Register, Next Film Sp. z o.o. holds 4,800 shares in Joy Media Sp. z o.o., representing 100% of the share capital of this company and entitling to 4,800 votes, representing 100% of the votes at the general meeting of shareholders. On April 25, 2017, the extraordinary general meeting of shareholders of Joy Media Sp. z o.o., with its registered seat in Warsaw, adopted a resolution on increasing the company's share capital again from PLN 240 thousand to PLN 320 thousand by establishing 1,600 new shares with a nominal value of PLN 50 each and a total nominal value of PLN 80 thousand. The newly created shares were allocated to two new shareholders, 800 shares each. The above mentioned change was registered on May 29, 2017 by the District Court for the capital city of Warsaw in Warsaw, XIII Commercial Division of the National Court Register. At the same day, the District Court for the capital city of Warsaw in Warsaw, XIII Commercial Division of the National Court Register, registered the change of company's name of Next Script Sp. z o.o. Next Film Sp. z o.o. holds 4,800 shares in the share capital of Next Script Sp. z o.o., representing 75% of the share capital of this company and entitling to 4,800 votes, representing 75% of the votes at the general meeting of shareholders.

On April 21, 2017, Agora S.A. signed an agreement on the sale of 2,110 shares in the share capital of Sir Local Sp. z o.o., with its registered seat in Warsaw, with a nominal value of PLN 50 each and a total nominal value of PLN 105.5 thousand to the minority shareholder of this company for PLN 10 thousand. The transfer of ownership of the shares took place as from April 24, 2017, therefore, Agora S.A. does not hold any shares in Sir Local Sp. z o.o., with its registered office in Warsaw.

On May 29, 2017, Agora TC Sp. z o.o. ("Acquiring Company"), PTA Sp. z o.o. ("Company Being Acquired 1") and TV Zone Sp. z o.o. ("Company Being Acquired 2") filed requests with the District Court for the capital city of Warsaw in Warsaw, XIII Commercial Division of the National Court Register, for changing the data in the register of entrepreneurs due to a merger pursuant to Article 492 § 1, item 1 of the Code of Commercial Companies, i.e. by transferring all of the assets of the Company Being Acquired 1 and the Company Being Acquired 2 to the Acquiring Company. On June 30, 2017, the District Court for the capital city of Warsaw in Warsaw, XIII Commercial Division of the National Court Register, registered the above change.

On July 21, 2017, the extraordinary general meeting of shareholders of Next Film Sp. z o.o. ("Next Film") adopted a resolution on increasing the share capital of Next Film by creating 500 new shares with a nominal value of PLN 1,000 each and a total nominal value of PLN 500 thousand. The extraordinary general meeting of shareholders of Next Film decided to allocate the newly created shares to the company's existing shareholder, i.e. Helios S.A., which took up 500 newly created shares in return for a cash contribution of PLN 8,000 thousand, of which PLN 500 thousand was earmarked for covering the share capital of Next Film, whereas PLN 7,500 thousand was recognized as share premium and added to the company's supplementary capital. On November 14, 2017, the District Court for Łódź-Śródmieście in Łódź entered the above change in the register of entrepreneurs of the National Court Register. At present, the share capital of Next Film Sp. z o.o. amounts to PLN 1,000 thousand and consists of 1,000 shares with a nominal value of PLN 1,000 each, of which Helios S.A. holds 1,000 shares in the company's share capital, representing 100% of the share capital and 100% of votes at the general meeting of shareholders.

On August 9, 2017, the extraordinary general meeting of shareholders of Yieldbird Sp. z o.o. ("Yieldbird") adopted a resolution on increasing the share capital by creating 75 new shares with a nominal value of PLN 50 each and a total nominal value of PLN 3,750. The extraordinary general meeting of shareholders of Yieldbird Sp. z o.o. decided to allocate the newly created shares to the three minority shareholders of Yieldbird, 30 shares each to two shareholders and 15 shares to one shareholder. On October 11, 2017, the District Court for the capital city of Warsaw in Warsaw, registered the above change in the register of entrepreneurs of the National Court Register. At present, the company's share capital amounts to PLN 47,550 and consists of 951 shares with a nominal value of PLN 50 each, of which Agora S.A. holds 738 shares in the company's share capital, representing 77.60% of the share capital and 77.60% of votes at the general meeting of shareholders. The capital increase is linked to an incentive plan based on Yieldbird shares, which is described in note 27 to the consolidated financial statements.

In the current report of August 21, 2017, the Management Board of Agora S.A. informed that it received a notification from Discovery Polska Sp. z o.o. ("Discovery") of its intention to exercise a call option to buy the remaining 51.06% of shares in Green Content Sp. z o.o. ("Green Content") from the Company on September 1, 2017. In the current report of September 1, 2017, the Management Board of Agora S.A. informed that it received a notification that Discovery exercised the call option to buy 51.06% of shares in Green Content. Furthermore, the Management Board of Agora S.A. informed that PLN 19,000,140 (nineteen million one hundred and forty Polish zlotys) was credited to the Company's bank account as the selling price of the shares in Green Content. As a result of the option being exercised, as from September 1, 2017 Discovery Polska Sp. z o.o. became the owner of 100% of shares in Green Content Sp. z o.o., and Agora S.A. ceased to be a shareholder of Green Content. The effect of the above transaction on the financial income and net profit/loss of Agora S.A. amounted to PLN 11.1 million. The Agora Group recorded financial income from the sale of shares in the jointly controlled company of PLN 10.2 million, and the effect of the transaction on the Group's net result amounted to PLN 11.4 million.

On December 12, 2017, Agora S.A., has received from the partner of the company Sir Local Sp. o.o. ("Shareholder") notification of the sale of that company's shares to an external investor. In accordance with the terms of the contract for the sale of shares of 21 April 2017 concluded between the Agora S.A. and the Shareholder ("Agreement"). This transaction resulted in the responsibility of the Shareholder to pay the company Agora S.A. price for additional sale of shares Sir Local Sp. z o.o. In accordance with the provisions of the Agreement, Agora S.A. has received from the Shareholder payment on January 3, 2018 by title „additional price, the contract sale of shares Sir Local Sp. z o.o." of PLN 30 thousand.

On December 14, 2017, Agora S.A., as the sole shareholder, established Plan A Sp. z o.o., with its registered seat in Warsaw. On December 21, 2017, the District Court for the capital city of Warsaw in Warsaw, XIII Commercial Division of the National Court Register, entered the aforementioned company in the register of entrepreneurs of the National Court Register. Agora S.A. currently holds 100 shares in the share capital of Plan A Sp. z o.o., with a value of PLN 50 each, which have been taken up by Agora S.A. 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 January 25, 2018, the extraordinary general meeting of shareholders of Optimizers Sp. z o.o. ("Optimizers") adopted a resolution on discontinuing the operating activities of Optimizers to date, in particular on refraining from undertaking any new business activities as part of the operating activities of Optimizers to date. The above resolution does not constitute the resolution on the dissolution of Optimizers referred to in Article 270, item 2) of the Code of Commercial Companies.

On February 28, 2018, Agora S.A., as the sole shareholder, established Agora Finanse Sp. z o.o., with its registered seat in Warsaw and holds 100 shares in the share capital of Agora Finanse Sp. z o.o., with a 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.

Call for the repurchase of shares in a subsidiary

On March 29, 2016, a minority shareholder ("Minority Shareholder") of Helios S.A., holding 320,400 shares of Helios S.A., constituting 2.77% of the share capital ("Shares"), submitted a call to Helios S.A., based on Article 418 (1) of the Commercial Companies Code ("CCC"), for convening the general meeting of shareholders of Helios S.A. and placement on the agenda of an item regarding adoption of a resolution on Shares compulsory sell-out ("Call").

As a result of: (i) the Call, (ii) further calls, submitted pursuant to Article 418 (1) of CCC by the Minority Shareholder and others minority shareholders of Helios S.A., who purchased a portion of the Shares from the Minority Shareholder and (iii) resolutions adopted by the General Meetings of Shareholders of Helios S.A. held on May 10, 2016 and June 13, 2016, there are currently two ongoing sell-out procedures (pursuant to Article 418 (1) of CCC) and one ongoing squeeze-out procedure (pursuant to Article 418 of CCC), aiming at the acquisition by the two shareholders of Helios S.A., including Agora S.A., of the Shares held by the Minority Shareholder and other minority shareholders.

(i) Sell-out procedure

In connection with the ongoing sell-out procedures, as of June 30, 2016 Agora S.A. transferred the amount of PLN 2,938 thousand to Helios S.A., as the sell-out price, calculated based on Article 418 (1) § 6 of CCC. As of December 31, 2016 Agora Group recognised in its balance sheet a liability to acquire the shares from the minority shareholders of Helios S.A. in the total amount of PLN 3,185 thousand. The above mentioned amount included amount of PLN 2,938 thousand, which Agora S.A. transferred to Helios S.A. (with a corresponding increase in the Group equity in line Retained earnings and other reserves) and the total amount transferred by the second shareholder of Helios S.A. in connection with the ongoing sell-out procedures.

In the execution of sell out procedure, on June 2, 2017 Helios S.A. transferred the amount of PLN 3,171 thousand to Minority Shareholder as sell-out price for 318,930 shares. At the same day, Helios S.A. ordered money transfers in the total amount of PLN 14 thousand for others minority shareholders of Helios S.A., as sell-out price for 1,460 shares. As a result of above mentioned transactions, Agora Group fulfilled the obligation to purchase shares subject to sell-out procedure, which was recognised in its balance sheet.

As a result of above, Agora S.A. increased the block of Helios S.A. shares from the amount of 10,277,800 shares to the amount 10,573,352 shares i.e. 295,552 shares. Agora S.A. currently owns 91.44% of Helios S.A. shares.

The shareholders, whose shares are subject of sell-out procedures, haven't agreed on sell-out price calculated based on Article 418 (1) § 6 of CCC and based on Article 418 (1) § 7 of CCC, applied to the registry court for appointment of expert in order to determine the price of sell-out shares by the court.

The final evaluation of Shares, which are subject to the sell-out procedure, will be calculated by an expert appointed by the registry court having the jurisdiction over the registered office of Helios S.A. Possibly change of price will effect change of sell-out price of shares. As of the date of publication of this report, Helios S.A. he has not yet received the decision to appoint an expert.

(ii) Squeeze-out procedure

The squeeze-out procedure, which entered into force on July 14, 2016, concerns 10 shares. The owner of the mentioned shares, didn't respond to a Company's call, announced in the Court and Commercial Gazette, directed at the minority shareholders holding the above mentioned shares, to lodge the share certificates with the Company within two weeks from the date of announcement of the call, under pain of invalidation thereof. In connection with the above, on April 7, 2017 the Management Board of Helios S.A. adopted a resolution on cancelling the aforementioned shares. The above information was published in the Court and Commercial Gazette on 8 May 2017.
An expert appointed by the court is currently preparing a valuation of the shares.

As of the date of publication of this report, the compulsory sell-out and squeeze-out procedures have not been completed.

On January 10, 2018 the claim, submitted by Minority Shareholder, was delivered to Helios S.A. for repeal resolutions no. 2/2016 and no. 24/2016 of the Ordinary General Meeting of the Company of June 13, 2016 regarding: (i) adoption of the agenda (No. 2/2016), (ii) compulsory purchase of shares of minority shareholders (24/2016). The company responded to the claim, requesting dismissal of the claim as unfounded.

3. PARTICIPATION IN BUSINESS ORGANIZATION, HOME AND FOREIGN

The Agora Group wants to actively influence the environment it operates in. Therefore, its related companies are active members and participants of organizations involving business specialists in fields important for Company's activities. Group's representatives participate in the activities, inter alia, of the following major organizations:
- Polish:
    - Confederation of Private Employers „Lewiatan",
    - Polish Association of Stock Exchange Issuers,
    - Press Publishers Chamber,
    - National Circulation Audit Office (ZKDP),
    - Polish Internet Survey,
    - Internet Advertising Bureau Polska,
    - IGRZ – Outdoor Advertising Economic Chamber,
    - ReproPol (Association),
    - Polish Cinemas Association,
    - Polish New Cinemas Association,
    - IAA Polska – International Advertising Asscociation, Poland,
    - ZPAV – Association of Audo Video Producers,
    - KIPA – The Polish Audiovisual Producers Chamber of Commerce
    - Polish Chamber of Books.
- Foreign:
    - INMA – International Newsmedia Marketing Association,
    - EPC – European Publishers Council.
    - EGTA - *European Group of Television Advertising,*
    - UNIC - *International Union of Cinemas.*

Moreover, the Company is active in social and charitable activities, inter alia, through Agora Foundation.

4. MAJOR DOMESTIC AND FOREIGN INVESTMENTS

In 2017 carrying amounts of intangible assets of the Group (magazine titles, goodwill, licenses and patents, other) decreased by PLN 24.8 million (cost increased by PLN 25.9 million, amortisation and impairment losses for the period increased by PLN 50.7 million). Detailed information on intangible assets is included in note 3 to the consolidated financial statements.

In 2017 carrying amounts of property, plant and equipment of the Group decreased by PLN 110.5 million (cost increased by PLN 5.5 million, depreciation and impairment losses for the period increased by PLN 116.0 million). Detailed information on property, plant and equipment is included in note 4 to the consolidated financial statements.

In 2017 the Group purchased additional shares in Helios S.A. in the sell-out procedure described in point V.B.2 of this MD&A.

The capital investments (shares, contribution to capital, loans) made outside the Agora Group (companies excluded from consolidation and equity accounting) did not change. Detailed information is included in note 5 to the consolidated financial statements.

In 2017, the investments of the Group were financed from own funds. The non-renewable loan of PLN 25 million used by Agora S.A. in DNB Bank Polska S.A. was allocated for the repayment of the multi-purpose credit line in Bank Polska Kasa Opieki S.A.

In 2017, the Group invested its free cash outside its capital group mainly in short-term securities and bank deposits. As at the end of 2017, the amount of such investments was equal to PLN 92.1 million. Moreover, as at 31 December 2017, the Group had a deposit receivable in the amount of PLN 21.6 million related to a cash deposit provided by the subsidiary AMS S.A. securing the bank guarantees issued in relation to the concession contract for construction of bus shelters in Warsaw.

5. CHANGES IN THE SHAREHOLDERS' STRUCTURE OF THE COMPANY

In accordance to the formal notifications received from the shareholders, particularly on the basis of Article 69 of Act of July 29, 2005, on public offering, conditions governing the introduction of financial instruments to organised trading, and public companies, as at the day of publication of the annual report for 2016 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 with 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 Zlota Jesien and Dobrowolny Fundusz Emerytalny PZU) *(in accordance with 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 with 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 with 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 with the last notification of June 9, 2016)*	4 493 055	9,43	4 493 055	6,93
Aegon Powszechne Towarzystwo Emerytalne S.A. (Aegon Otwarty Fundusz Emerytalny) *(in accordance with the last notification of December 7, 2015)*	3,283,154	6.89	3,283,154	5.07

(1) Number of shares according to the shareholder's notification – as at December 27, 2012; proportion of voting rights and percentage of the share capital of Agora S.A. were recalculated by the Company after reduction of the Company's share capital.

Significant changes to the shareholders' structure

In the current report of December 15, 2017, the Management Board of Agora S.A. informed that on 15 December 2017 the Company received a notification from Aegon Powszechne Towarzystwo Emerytalne S.A., with its registered seat in Warsaw, at ul Wołoska 5, 02-675 Warsaw, registered with the District Court for the capital city of Warsaw in Warsaw, XIII Commercial Division of the National Court Register (KRS), with the KRS reference number: 0000028767, representing Aegon Otwarty Fundusz Emerytalny, entered in the Register of Pension Funds maintained by the Regional Court in Warsaw, VII Civil and Registration Division, with the number RFe 13, about reducing its shareholding below 5% of votes. As a result of a sale transaction concluded on December 12, 2017 and settled on December 14, 2017, Aegon Otwarty Fundusz Emerytalny reduced its shareholding in the Company below 5% of votes.

According to the notification, as at December 14, 2017, Aegon Powszechne Towarzystwo Emerytalne S.A. held 2,849,788 shares of the Company, which represented 5.979% of the share capital and 2,849,788 votes from the shares held, representing 4.398% of the total number of votes.

Before the sale of shares Aegon Otwarty Fundusz Emerytalny held 3,324,036 shares of Agora, which represented 6.974% of the share capital and 3,324,036 votes from the shares, representing 5.130% of the total number of votes.

In accordance to the formal notifications received from the shareholders, particularly on the basis of Article 69 of Act of July 29, 2005, on public offering, conditions governing the introduction of financial instruments to organised trading, and public companies, as at the day of publication of this annual report, the following shareholders were entitled to exercise over 5% of voting rights at the general meeting of shareholders of the Company:

Tab. 24

	No. of shares	% of share capital	no. of votes	% of voting rights
Agora-Holding Sp. z o.o. *(in accordance with 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 Zlota Jesien and Dobrowolny Fundusz Emerytalny PZU) *(in accordance with 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 with 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 with the formal notification received on 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 with the last notification of June 9, 2016)*	4,493,055	9.43	4,493,055	6.93

(1) Number of shares according to the shareholder's notification – as at December 27, 2012; proportion of voting rights and percentage of share capital of Agora S.A. were recalculated by the Company after reduction of the Company's share capital.

The Management Board of Agora SA does not have any information about contracts, which may result in future changes in the proportions of shares held by existing shareholders.

V.C. OTHER SUPPLEMENTARY INFORMATION

1. TRANSACTIONS WITH RELATED PARTIES

Following types of transactions are witnessed within the Agora Group:

- advertising and printing services,
- rent of machinery, office and other fixed assets,
- providing various services: legal, financial, administration, trade, sharing market research results, outsourcing,
- grant and repayment of loans and interest revenues and costs connected with them,
- dividend distribution,
- settlements within cash pooling agreement.

The above transactions within the Agora Group are carried out on arm's length basis and are within the normal business activities of companies. Detailed information on transactions with related parties is disclosed in note 39 to the consolidated financial statements.

2. AGREEMENTS BETWEEN THE COMPANY AND MANAGEMENT BOARD'S MEMBERS ON COMPENSATION IN CASE OF RESIGNATION OR DISMISSAL

In accordance with binding employment contracts concluded with members of the Management Board of Agora S.A., during the period of 18 months starting the day:
(i) on which the right of the shareholders holding series A shares to nominate candidates to the Management Board is removed from the Company's Statute;
(ii) on which one entity or a group of entities acting in concert exceeds the 50% threshold of the total number of votes at the General Meeting of Shareholders of Agora S.A.;
(iii) on which the Supervisory Board of the Company is appointed by voting by separate groups, should any of these contracts be terminated by the Company (Article 385 § 3-9 of the Code of Commercial Companies), the Management Board member will receive a compensation payment in the total amount being a sum of the following components:

(i) the amount equivalent to 12 times the monthly basic remuneration due to the member of the Management Board of Agora S.A. for the month preceding the month in which the member of the Management Board of Agora S.A. receives the termination notice;
(ii) the amount equivalent to the annual bonus for the financial year preceding the year of termination of the employment contract.

The redundancy payment mentioned above shall not be due when the employment contract is terminated for reasons indicated in Article 52 § 1 of the Labour Code.

3. REMUNERATION, BONUSES AND BENEFITS OF THE ISSUER'S MANAGEMENT BOARD AND SUPERVISORY BOARD MEMBERS AND MANAGEMENT BOARD AND SUPERVISORY BOARD MEMBERS OF ITS SUBSIDIARIES

The remuneration paid by Agora S.A. to Management Board members in 2017 amounted to PLN 4,642 thousand (2016: PLN 8,572 thousand). This amount includes salary and bonus payments for the period of holding the post of a Management Board member.

The remuneration paid by Agora S.A. to Supervisory Board members in 2017 amounted to PLN 468 thousand (2016: PLN 468 thousand).

Tomasz Jagiello received also remuneration as the President of the Management Board of Helios S.A. in the amount of PLN 356 thousand (in 2016: in the amount of PLN 356 thousand) and Agnieszka Sadowska received remuneration as the Member of the Management Board of Stopklatka S.A. in the amount of PLN 253 thousand.

The other members of Agora's Management and Supervisory Board did not receive any remuneration for serving as board members in subsidiaries, joint-controlled entities and associates.

Detailed information concerning remuneration of the Management Board and Supervisory Board Members is presented in note 26 to the consolidated financial statements.

The information related to liabilities to former Management Board members is described in note 18.

In 2017 the remuneration of Management and Supervisory Board Members in subsidiaries amounted to PLN 5,648 thousand (in 2016: PLN 5,912 thousand).

The Agora Group also executed two incentive programs based on financial instruments, in which Management Board members of Agora S.A. and Management Board members of subsidiary Yieldbird Sp. z .o.o. participated. Detailed information concerning these plans is presented in note 27 to the consolidated financial statements.

To the best of the Company's knowledge, the Management and Supervisory Board Members of the companies comprising the Agora Group have not been entitled to remuneration, monetary awards and benefits, other than described above, paid out, due or potentially due for holding their posts.

4. THE SHARES IN AGORA S.A. AND ITS RELATED PARTIES OWNED BY MEMBERS OF THE MANAGEMENT BOARD

In the described periods, the members of the management boards of subsidiaries of Agora S.A. or members of the Management Board of Agora S.A. did not hold shares in the Company or in its related companies, except for described below.

4.1. Shares in Agora S.A.

Tab. 25

	as of December 31, 2017 (no. of shares)	*Nominal value (PLN)*
Bartosz Hojka	2,900	2,900
Tomasz Jagiello	0	0
Grzegorz Kania	0	0
Anna Krynska – Godlewska	0	0
Agnieszka Sadowska	0	0

4.2 Shares in related parties

The status of ownership of shares in subsidiaries and associates by the members of the boards of subsidiaries and associates to Agora S.A. as of December 31, 2017 presents the table below.

Tab. 26

	as at December 31, 2017 (number of shares)	*Nominal value (PLN)*
Members of the Management Board of Agora S.A. holding shares in Agora – Holding Sp. z o.o.		
Bartosz Hojka	1	10,427.84
Members of the Management Board of Helios S.A. holding shares in Helios S.A.		
Tomasz Jagiello	833,838	83,383
Katarzyna Borkowska	68,264	6,826
Grzegorz Komorowski	44,000	4,400
Members of the Management Board of Yieldbird Sp. z o.o. holding shares in Yieldbird Sp. z o.o.		
Marcin Ekiert	105	5,250
Bartłomiej Chmiel	48	2,400
Members of the Management Board of Hash.fm Sp. z o.o. holding shares in Hash.fm Sp. z o.o.		
Konrad Traczyk	4,600	230,000
Members of the Management Board of IM 40 Sp. z o.o. holding shares in IM 40 Sp. z o.o.		
Jan Chojnacki	933	93,300

5. THE SHARES IN AGORA S.A. AND ITS RELATED PARTIES OWNED BY MEMBERS OF THE SUPERVISORY BOARDS

In the described periods, the members of the supervisory board of Agora S.A. or members of the supervisory boards of its subsidiaries did not hold shares in the Company or in its related companies, except for described below.

5.1. Shares in Agora S.A.

The status of ownership of shares in Agora S.A. by the members of the Supervisory Board is presented below:

Tab. 27

	as at December 31, 2017 (number of shares)	*Nominal value (PLN)*
Andrzej Szlezak	0	0
Wanda Rapaczynski	882,990	882,990
Dariusz Formela	0	0
Tomasz Sielicki	33	33
Andrzej Dobosz	0	0
Maciej Wisniewski	0	0

The members of the Supervisory Board did not have any rights to shares (options).

5.2. Shares in related companies

Tab. 28

	as of December 31, 2017 (no. of shares)	*Nominal value (PLN)*
Members of the Supervisory Board of Agora S.A. holding shares in Agora – Holding Sp. z o.o.		
Wanda Rapaczynski	1	10,427.84
Members of the Supervisory Board of Online Technologies Sp. z o.o. holding shares in Online Technologies Sp. z o.o.		
Malgorzata Grudzinska	54	4,320

6. CHANGES IN BASIC MANAGEMENT RULES IN THE ENTERPRISE OF THE ISSUER AND ITS CAPITAL GROUP

In 2017 there were significant changes in the composition of the Management Board which had in turn an influence on the way the whole enterprise is managed. During the course of year half of the board members were exchanged and the number of board members increased by a person responsible solely for investment and development initiatives in the Group. Due to the changes in the board composition the responsibilities of each board member for dedicated business divisions changed.

7. INFORMATION ON CREDIT AND LOAN AGREEMENTS TAKEN/TERMINATED IN 2017 AND GUARANTEES RECEIVED BY AGORA S.A. OR ITS SUBSIDIARIES.

In 2017 no credit or loan agreements were terminated for the Company or its subsidiaries and also nor the Company or its subsidiaries terminated any credit or loan agreements.

a) Agora S.A.

As at December 31, 2017 the Company had an open credit line in DNB Bank Polska S. A. on the basis of the Agreement signed on 25 May 2017.

Tab. 29

Creditor	Amount of the credit line	Currency	Interest rate (%)	Agreement date	Maturity date
DNB Bank Polska S. A.	PLN 135 million	PLN	WIBOR 1M or 3M + bank margin	25 May 2017	the non-renewable credit - quarterly 12 instalments from July 1, 2018 to April 1, 2021; credit facility in the current account - may be used by May 24, 2018.

More information concerning the Agreement with DNB Bank Polska S. A. is described in point V.A.1 of this MD&A.

b) subsidiaries

In 2017, the company Helios S.A. received bank warranties securing due performance of contracts in the total amount of PLN 153 thousand with expiry dates from February 18, 2019 to March 15, 2020.

New credit agreements in subsidiaries did not occur. More detailed information concerning loans, including amounts outstanding as at 31 December 2017, is presented in note 14 to the consolidated financial statements.

8. INFORMATION ON LOANS GRANTED IN 2017 AND GUARANTEES OR OTHER OFF-BALANCE SHEET ITEMS

Information on loans granted by Agora S.A. or by its subsidiaries in 2017 is described in the table below:

Tab. 30

No.	**Borrower**	**Lender**	Amount of loan (in PLN thousand)	Currency	Interest rate (%)	Agreement date	Maturity date
1	Instytut Badan Outdooru IBO Sp. z o.o.	AMS S.A.	124	PLN	Wibor 3M+1,5%	05.11.2013*	until 31 December 2017 both loans were repaid
2	Instytut Badan Outdooru IBO Sp. z o.o.	AMS S.A.	40	PLN	Wibor 3M+2%	04.10.2017	

**amount of loan includes tranche paid out in 2017*

Detailed information on off-balance sheet items (including granted guarantees and issued bills of exchange) is presented in note 36 to the consolidated financial statements.

9. THE SYSTEM OF CONTROL OF EMPLOYEE SHARE SCHEMES

In 2017 there was not any employee share scheme.

10. INFORMATION ABOUT THE SELECTION AND AGREEMENTS SIGNED WITH AN AUDITOR ENTITLED TO AUDIT FINANCIAL REPORTS

On March 30, 2017 the Supervisory Board selected the certified auditor of the Company's financial statements. On the basis of both, the Supervisory Board resolution and the Company's Statute, KPMG Audyt Spolka z ograniczona odpowiedzialnoscia spolka komandytowa with its registered seat in Warsaw at 4A Inflacka Street, registered under the number 3546 as an entity entitled to audit financial statements, was elected the certified auditor of the Company that is to audit financial statements of the Company for the years 2017, 2018 and 2019.

Information about the agreements and the values from those agreements concluded with the certified auditor is disclosed below (net amounts in PLN thousand):

Tab. 31

in PLN thousand	Financial year ended 31 December 2017	Financial year ended 31 December 2016
Remuneration for audit (1)	121.2	102.6
Other certifying services, including remuneration for review (1)	80.8	68.4

(1) Remuneration includes the amounts paid and due for professional services related to audit and review of unconsolidated and consolidated financial statements of the Company for a particular year (data for 2017 based on three-year agreement dated July 24, 2017, data for 2016 based on three-year agreement dated June 26, 2014).

11. INFORMATION ABOUT FINANCIAL INSTRUMENTS

Information about financial statements in respect of:

- risk: price risk, credit risk, material disruptions to cash flow and risk of liquidity problems, on which the Group is exposed and
- objectives and methods of financial risk management

is disclosed in notes 33 and 34 to the consolidated financial statements.

12. INFORMATION ON CAPABILITY OF EXECUTION OF INVESTMENT PLANS

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 Agora Group does not anticipate any liquidity problems with regards to its further investment plans (including capital investments).

13. THE DESCRIPTION OF BASIC HAZARDS AND RISK

- **Macroeconomic risk**

Advertising revenues strictly 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 2017, advertisers spent over 2.0% yoy more on advertising. Advertisers increased their expenditure in almost all advertising market segments. The erosion of advertising expenditure was observed only in press.

It should be noted that the level of advertising revenues is dependent on both the ad volume as well as prices of media purchase which hinders estimations regarding the development of the situation at the particular segments of ad market.

Polish economy is sensitive to coutries political situation and looping risk of abrupt legislative changes, whose full impact on the conditions of running business activity in Poland is hard to foresee.

- **Seasonality of advertising spending**

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

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

- **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: dailies, outdoor advertising, radio stations, magazines, 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 (47.0%) in 2017. The next largest segment of advertising market – Internet held 31.5% share in total ad spend. Ad expenditure in magazines and dailies constituted 5.0% and 2.5% share of total ad spend, respectively. Outdoor advertising held, in 2017, 5.5% of the advertising market share and radio ad spend constituted 7.0% of total ad expenditure. Cinema advertising in Poland constituted 1.5% of all advertising expenditure. Bearing in mind the dynamics of particular and the current Company's 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. 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.

Abrupt changes to law regulations in particular business areas may affect not only macroeconomic situation in Poland but also the propensity and the way advertisers (including state owned companies) spend advertising budgets.

- **Press**

Presently paid press 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 process of classifieds migration from press to Internet is taking its place. The dynamics of the above mentioned processes may have a negative impact on dailies copy sales and the revenues of the Group. At the same time, the Group digitalizes its content by means of metered paywall on websites related to *Gazeta Wyborcza*. At the end of 2017, the number of *Gazeta Wyborcza* active paid subscriptions totalled almost 133 thousand. Nowadays the Company focuses on the growth of average revenue from each subscription and growth of online advertising revenues. It is hard to predict if the Company will be able to deliver above expectations, because of the competitive internet market.

- **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**

Polish Internet advertising market is highly competitive and number of internet users in Poland is not growing so fast as in the past. Internet business is highly dependent on technology progress and number of Internet users and maintaining a strong position on that market is possible by means of investment in modern and innovative technology. The development of this medium is also determinated by the available infrastructure. The number of mobile internet users is increasing. Both, changes in the internet usage and increase of internet speed may also affect growth dynamics of individual segments of the internet advertising market. In this segment of advertising market the Group competes with local and international players. There is no guarantee, that on such a competitive market, the Group's position and ad revenues will be unchanged. Additionally, online advertising market is undergoing transformation. Search advertising and social media are becoming more popular among advertisers. Therefore the position of global platforms as Facebook and Google is increasing and they are the main beneficiaries of online advertising market growth in Poland. The Group's main source of Internet advertising revenue is display advertising. Programmatic, video and mobile advertising are also growing their share. Maintenance of the strong position in rapidly changing market requires investment in advanced technological solutions. Due to that fact there is no guarantee that the Group will be able to compete with national and foreign players with larger financial resources.

- **Responsibility for published content**

The Group's activity is based in its many aspects on publishing the content created by journalists, writers, publicists or users of Internet forums. This can result in publisher's responsibility or co-responsibility for distribution of information contradictory to law regulations, including infringement of personal interests. It cannot be ruled out, that the Group could unintentionally violate such lawsand as a result it could be a subject of claims relating to that and as a result it may have to pay relevant compensations.

- **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 tax rates related to this business activity. The factors mentioned above may have an impact on the Group's result.

On September 11, 2015 selected regulations on strengthening landscape protection changed. On its basis the local governments acquired rights to regulate the distribution of visual advertisement and small architecture in public space and charging adequate fees and potential fee penalties. It is really hard to estimate the impact of this regulation on the Agora Group's results. Till the day of this publication 3 local government introduced new rules of charging fees which did not affect the results of AMS.

In 2014, execution of the contract to construct of 1,580 bus shelters in Warsaw commenced. As of the day of this report there are 21 bus shelters to be built. AMS is acquiring proper administrative approvals in order to construct those bus shelters. The finish of bus shelters construction and settlement of the investment process with the Grantor is planned in the secondo quarter of 2018.

- **Cinema**

Helios 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 ban of Sunday trading introduced on selected Sundays since March 2018 may affect the business routine of shopping centres and result in drop of revenues from cinema activity of the Group. Additionally, this regulation may change the policy of setting the rental fees, especially in shopiing centres to be opened after March 1, 2018. It may have a negative impact on the results achieved by cinemas operating in shopping centres.

Moreover, the cinema operators compete with other technologies of film screening, inter alia, in Internet.

- **Risks of running licensed business**

The Group has been running its activities in radio market for years and since 2014 it started to operate in TV market. Radio and TV operations are licensed activity 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 and TV audience, for a certain radio or TV 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.

Additionally, KRRiT initialized the consultation among business activities in the licensed area. It is difficult to predict what will be the outcome, and how it will affect the results and operations of the Company and the Group.

Additionally, there is a risk that, the Group may not fulfill the disposition of concession or regulations, especially in relation to programme content or cease the broadcasting of the programme which may result in sanctions from KRRiT.

It cannot be ruled out that KRRiT will refuse to grant the concession the Group again, after the time for which they had been granted previously, or the conditions of newly granted concessions (or contracts related to those concessions) will be less beneficial from the Group's perspective.

- **Radio stations**

Polish radio ad market is highly competitive. Agora Group's radio stations compete with other radio broadcasters, 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 be 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.

Additionally, radio stations compete for audience with other media, especially with Internet.

- **Television**

Due to the purchase of 41.04% stake in Stopklatka S.A. by Agora on March 12, 2014 the Group entered television market. Our television channel competes with existing television broadcasters and potential new market entrants. Among Stopklatka TV competitors there are larger broadcasters with better brand recognition and financial resources than us. Stopklatka competes also with other media, including Internet oraz growing popularity of VOD services and other platforms enabling watching video materials in Internet.

In 2017 Agora sold its stake in Green Content Sp. z o.o.(broadcaster of TV programme METRO) and ceased to be a shareholder of the company.

- **Movie business**

Movie distribution and co-production is of project nature, which may result in volatitility of its results – it may also impact the Group's results. The majority of costs incurred, especially those related to movie co-production, burdens the Group results long before the profits related to that fields of operations. The impact of this activity on the Group's results depends also on the popularity of given film production.

- **Risk of claims as a rusult of intellectual property rights infringement**

The Group's activity is based in its many aspects on using the intellectual property rights and on license agreements. In the Group's opinion it does not infringe the intellectual property rights of the third parties. However, it cannot be ruled out that the Group may unintentionally violate such laws. As a result the Group could be a subject of claims and could be forced to pay relevant compensations.

- **Risk of rapid changes in law regulations, especially those relating the Group's operations**

Due to the fact that legal regulations in Poland change quite often, they may negatively impact the Group's operations and carry risk in business operations. This risk is especially associated with regulations that directly influence the day-to-day business, including those related the processing of personal data, changes to the Broadcasting Act and the regulations implementing those changes, Copyright and related rights Act, as well as acts regulating capital market in Poland and rules of commercial activities in Poland.

New regulations may pose a risk due to the problems with their interpretation, lack of judicial practice, unfavourable interpretations adopted by courts or public institutions.

Additionally tax regulations in Poland are subjetc of often changes. Changes in VAT and other kinds of tax burden may negatively impact the operations and financial results of the Group.
The Group is also a subject of risk in changes of tax rules interpretation by tax organs which may affect operations and financial results of the Group.

- **Impairment tests**

Inline with the *International Financial Reporting Standards*, the Group runs impairment tests. In the past and in the current period, some of the tests resulted in impairment loss which was reflected in the income statement (unconsolidated and/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.

- **Interest rate risk**

The changes in interest rates may influence the level of the Group's financial cost related to the Group's debt.

- **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 the Group will be able to preserve all valuable employees.

- **The risk of collective dispute**

On December 12, 2011 an Inter-union trade organization *NSZZ Soldarnosc* 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 managment 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.

- **Risk related to functioning within tax capital group (TCG)**

Functioning within TCG requires from Agora S.A. the obligation to maintain at least 75% of shares in subsidiary companies which are part of the TCG, for the period of validity of the TCG. Given the changes in the market environment and the execution of Agora's Group strategy, a necessity may arise of change in the ownership structure. In the case of decrease of share in any of the subsidiary companies below the threshold of 75%, the TCG status shall be lost retroactively. This may result in loss of savings, growth of costs of tax year closing and the necessity to prepare additional documents for transfer prices.

What is more, functioning within the TCG imposes on the organization a whole range of statutory requirements, such as, for example, obtaining at least a 2% level of TCG's tax profitability. Based on the financial forecasts prepared as at the date of establishing the TCG, the Company expects that all statutory requirements will be met throughout the duration of the TCG. Considering that the future financial results of companies included in the TCG depend on a number of factors, parts of which the Company is not able to predict or reliably estimate at the moment, it is uncertain whether, during the entire TCG operation, a group of eight companies forming it, it will be able to meet the requirements related to maintaining the profitability threshold described above, except that failure to meet the profitability condition will not result in a retroactive loss of benefits resulting from TCG.

- **Risk related to print activity**

Changes in the way media are consumed, and in particular the popularity of digital media, mean that the demand for printing services is decreasing. It is reflected in the decreasing volume of orders and dropping revenues. Oversupply of production capacities and strong price pressure on the print market may result in a further outflow of customers and a decrease of revenues of print businesses of the Agora Group. The printing plants of the Group specialize in printing services in the coldset technology. The main customers include publishers of dailies, weeklies and retail chains. They also print Agora's Gazeta Wyborcza. The Agora Group's printing houses also offer heatset printing services. However, they constitute a smaller share in the entire printing production of the Agora Group and may not be able to compensate for the decreases related to production in the coldset technology.

14. FACTORS AND UNUSUAL EVENTS WHICH HAD INFLUENCE ON THE RESULTS OF BUSINNESS ACTIVITIES FOR 2017 WITH THE ESTIMATION OF THEIR INFLUENCE

A positive impact on the Agora Group results in 2017 had an execution of an option by Discovery Polska Sp. z o.o. regarding 51.06% share in the company Green Content Sp. z o.o. on September 1st, 2017. As a result of an option execution Discovery Polska Sp. z o.o. became an owner of 100.0% shares in Green Content Sp. z o.o., whereas Agora ceased to be a stakeholder of Green Content Sp.z o.o. The above trascation had a positive impact on the net result of Agora S.A. and the Agora Group of PLN 11.1 million and PLN 11.4 million, respectively.

A most significant negative impact on the Agora Group results had an impairment loss recognized in the fourth quarter of 2017 in the amount of PLN 88.9 million. They affected mainly Print, Internet and Press segments of the Group.

In the fourth quarter of 2017 the Group reviewed the useful lives of selected fixed assets, which resulted in higher amortization write-offs in Movies and Books segment as well as in general costs of the Agora Group (not attributed to any of the business segments) in total amount of PLN 4.8 million.

15. LEGAL ACTIONS CONCERNING LIABILITIES OR DEBTS OF THE ISSUER OR ITS SUBSIDIARIES, WHICH AMOUNT IN SINGLE OR IN TOTAL TO AT LEAST 10% OF THE AGORA'S SHARE CAPITAL

In 2017, there were no legal actions against Agora S.A. or its subsidiaries related to their liabilities or debts whose total value would amount to at least 10% of Agora's share capital in a single or in all legal proceedings.

16. INFORMATION ON PURCHASE OF OWN SHARES

In the current report of September 26, 2017, the Management Board of Agora S.A. announced its offer to buy up to 1,191,635 (in words: one million one hundred and ninety-one thousand six hundred and thirty-five) shares of the Company, corresponding to no more than a total of 2.50% of the Company's share capital as at the offer announcement date ("Offer").

The Offer was announced in order to implement the Own Share Buyback Program on the terms and conditions set out in Resolution No. 19 of the Ordinary General Meeting of the Company held on June 21, 2017, on the adoption of an own share buyback program of the Company ("Resolution"). The contents of the Resolution were published in the form of current report no. 10/2017 of June 21, 2017.

All of the Company's shareholders were entitled to participate in the Offer. The Offer authorized the Company to buy back up to 1,084,595 (in words: one million eighty-four thousand five hundred and ninety-five) bearer shares listed on the Warsaw Stock Exchange and no more than 107,040 (in words: one hundred and seven thousand and forty) registered shares which, as at the Offer announcement date, corresponded to, respectively, no more than 2.28% and no more than 0.22% of the Company's share capital. The offered purchase price per share was PLN 20.00, and it was the same for registered and bearer shares. Under the Resolution, the Company allocated up to PLN 23,832,713 (in words: twenty-three million eight hundred and thirty-two thousand seven hundred and thirteen Polish zlotys) for the purchase of the shares subject to the Offer.

On the basis of the Resolution, the Company was authorized to buy, under one or more offers, no more than 1,537,594 (in words: one million five hundred and thirty-seven thousand five hundred and ninety-four) shares which corresponded to no more than 3.23% of the Company's share capital. The authorization to buy the own shares back was granted to the Company's Management Board for the period to the earlier of December 31, 2017 and the exhaustion of the reserve allocated for the implementation of the Share Buyback Program (including the acquisition costs), i.e. PLN 23,832,713 (in words: twenty-three million eight hundred and thirty-two thousand seven hundred and thirteen Polish zlotys). Considering that the Resolution provided for the minimum and maximum purchase price of the Company's shares of PLN 15.50 per share and PLN 20.00 per share, respectively, and the fact that the final share purchase price was set at PLN 20.00 (in words: twenty Polish zlotys), the final number of the Company's shares to be purchased under the Offer was set at 1,191,635, so that the total price for the purchase of the shares would not be higher than the reserve allocated for the implementation of the Own Share Buyback Program.
The offers to sell shares were accepted from the Company's shareholders from October 2, 2017 to October 6, 2017. All the transactions were settled on October 10, 2017.
Millennium Dom Maklerski S.A. managed the Offer and its settlement. Detailed information about the rules of the own share buyback and the reply procedure was included in the Offer which was published on the Company's website, www.agora.pl.

In the current report of October 10, 2017, the Management Board of Agora S.A. informed that on October 10, 2017 the Company bought a total of 1,084,595 own shares as part of the implementation of the Own Share Buyback Program. All the purchased shares were bearer shares listed on the Warsaw Stock Exchange, with a nominal value of PLN 1.0 each, and (as at October 10, 2017) corresponded to a total of 2.28% of the Company's share capital and a total of 1,084,595 votes at the General Meeting of the Company, which represented 1.67% of the total number of votes at the General Meeting of the Company ("Purchased Shares"). The purchase price was PLN 20.0 per Purchased Share and PLN 21,691,900 in total for all the Purchased Shares.
The number of bearer shares offered by the shareholders for sale under the Offer totalled 29,131,971. The shareholders did not offer any registered shares for sale.
Since the total number of the bearer shares offered by the shareholders for sale under the Own Share Buyback Program exceeded the total number of shares which the Company had intended to buy under the Offer (i.e. 1,084,595 shares) from the pool of the bearer shares, the number of shares purchased from individual shareholders was calculated in accordance with the share offer reduction rules, described in detail in point 10 of the Offer. The average reduction rate applied to the pool of the bearer shares was 96.3%.
Before the purchase of the Purchased Shares under the Own Share Buyback Program, the Company did not have any own shares. At present, the Company holds only the Purchased Shares.
In accordance with the applicable laws, the Company does not exercise the shareholders' rights attached to its own shares. The Company plans to redempt the purchased shares at the next general meeting of shareholders.

17. DIVISIONS OF THE COMPANY AND OF ITS SUBSIDIARIES

Agora S.A. has 19 divisions and the major headquarters in Warsaw. Other companies from the Group do not have local divisions.

18. THE MANAGEMENT BOARD'S STATEMENT OF THE REALIZATION OF FORECASTS

The Management Board did not publish any forecasts of the Group's financial results and because of that this report does not present any Management Board's statement of the realization of them, as well as any differences between actual and forecasted financial results.

19. ISSUING OF SECURITIES

In 2017 the Company did not issue any securities.

20. OTHER INFORMATION

Significant events for the Company's business activities

In the current report of February 17, 2017, the Management Board of Agora S.A. informed that on February 17, 2017 the Company received a statement of resignation from a Management Board Member, Mr. Robert Musiał, as Member of the Company's Management Board, with effect from February 28, 2017. Personal reasons and other career plans were the reasons for his resignation.

In the current report of 1 March 2017, the Management Board of Agora S.A. informed that, pursuant to the provisions of par. 28, clause 3 of the Company's Statute, the Management Board elected, by way of co-option, Ms. Agnieszka Sadowska as an additional member of the Management Board. On the Management Board of Agora S.A., she supervises the Internet and the Print segments, the Technology and the Magazines divisions, the BigData department, and the television business. Pursuant to the provisions of par. 28, clause 3 of the Company's Statute, the Company's Management Board was obliged to place an item on the agenda of the next Ordinary General Meeting of the Company, concerning confirmation of the election of a new member of the Management Board by way of co-option and to present a relevant draft resolution.

In the current report of September 5, 2017, the Management Board of Agora S.A. informed that on September 5, 2017 the Company received a statement of resignation from Mr. Grzegorz Kossakowski as member of the Management Board of Agora S.A. in the current term of office with effect from the date of submission of that statement and of his resignation from running for the Company's Management Board in the next term of office.

In the current report of November 9, 2017, the Management Board of Agora SA informed that the members of the Supervisory Board, pursuant to the provisions of § 21, clause 4 of the Company's Statute, at the already closed meeting, on 9 November 2017, appointed Mr. Maciej Wiśniewski to the Supervisory Board by co-option. The appointment of Mr. Maciej Wiśniewski to the Supervisory Board was the result of the resignation of Ms. Anna Kryńska-Godlewska from the Company's Supervisory Board.

In the current report of December 20, 2017, the Management Board of Agora S.A. informed that on December 20, 2017 Helios S.A., a subsidiary of Agora, signed a Term Sheet with two private individuals in order to establish a company engaged in developing and managing a network of eating places, inter alia, in the fast casual segment.

An investment agreement was to be concluded under the condition that the detailed rules of cooperation and management of the newly established company are agreed and that the consent of the President of the Office of Competition and Consumer Protection is obtained.

The value of the investment is not material from the perspective of Agora or its subsidiary, Helios S.A. However, it may mean the commencement of activities in a new market segment by an entity in the Agora Group.

Furthermore, the Company has informed that the Term Sheet does not constitute a binding obligation for the parties.

In the current report of February 15, 2018 the Management Board of Agora S.A. informed that the President of the Office of Competition and Consumer Protection granted a consent to concentration by creating a joint venture by Helios S.A. with its registered seat in Łódź (a subsidiary company of Agora S.A.) and two natural persons. The rules for the concentration had been included in the application form and in regulatory filing 34/2017.

The consent of the President of the Office of Competition and Consumer Protection and the detailed rules for the partnership are the sole requirements for the conclusion of the investment agreement and creation of a company involved in developing and operating a network of eateries, inter alia, in the "fast casual" segment.

In the current report of March 6, 2018 the Management Board of Agora S.A. informed that on 6 March 2018 Helios S.A., an Agora's subsidiary signed an investment agreement with two individual investors: Piotr Grajewski and Piotr Komór. The subject of the Investment Agreement is to establish a new company and co-operation between parties under the Agreement. The aim of the Company is to design the concept, create, manage and develop (mainly via establishing own brands) a network of 45 eateries located in Poland: in shopping centers or as independent premises.

When establishing the Company Helios S.A. shall take up 90% of shares (which corresponds to 90% of votes at the meeting of shareholders) and shall invest in it PLN 5.0 million. Helios S.A. estimates that the total amount of investment shall not exceed PLN 10.0 million. The Individual Investors shall jointly take up 10% in the Company (5% each). The Investment Agreement allows for them to increase their involvement up to 30% in total, provided that the Company meets defined financial targets.

As of the day of publication of this report, the District Court for the capital city of Warsaw in Warsaw did not enter the aforementioned company in the register of entrepreneurs of the National Court Register.

In the current report of March 7, 2018 the Management Board of Agora S.A. informed informs that on 7 March, 2018 Agora and Kino Polska TV S.A. ("Kino Polska") signed a letter of intent ("Letter of Intent") regarding the potential purchase of all of Agora's shares in Stopklatka S.A. by Kino Polska ("Transaction").

According to the Letter of Intent, Agora and Kino Polska shall negotiate about the rules and conditions of the potential Transaction.

The Letter of Intent does not constitute a binding commitment of Agora and Kino Polska to carry out the Transaction. The Letter of Intent is valid until June 30, 2018.

Growth directions of the Agora Group; mid-term priorities of the Agora Group

In the current report of January 9, 2017, the Management Board of Agora S.A. informed that as at the end of December 2016 the number of digital subscriptions to *Gazeta Wyborcza* was close to 100 thousand, which means higher-than-planned execution of one of the strategic goals of the Company. The medium-term development plans of the Agora Group set the goal of 90 thousand paid digital subscriptions to the daily as at the end of 2016. The goal expressed as the number of digital subscriptions to *Gazeta Wyborcza* is connected with the transformation of the business model of the Company's press activities.

The number of digital subscriptions to *Gazeta Wyborcza* increased by approximately 30% compared with the data recorded as at the end of December 2015 (over 77 thousand digital subscriptions).

In the current report of October 20, 2017, the Management Board of Agora S.A. informed that the number of digital subscriptions to *Gazeta Wyborcza* amounted to nearly 110 thousand, which means faster-than-planned execution of one of the strategic goals of the Company. The medium-term development plans of the Agora Group set the goal of approximately 110 thousand paid digital subscriptions to the daily as at the end of 2017. In recent months, the Company has also improved the level of monetization of the digital content of *Gazeta Wyborcza*, which was also one of the strategic goals for the Press segment. The goal expressed as the number of digital subscriptions to *Gazeta Wyborcza* is connected with the transformation of the business model of the Company's press activities.

Recommendation of the Management Board of Agora S.A. not to pay dividend and on the distribution of profit from previous years

In the current report dated on May 11, 2017, the Management Board of Agora S.A. informed that on 11 May 2017, a Management Board resolution was adopted to recommend to the General Meeting not to pay out dividend. The Management Board proposed to cover the net loss for the fiscal year 2016 amounting to PLN 52,754,372.37 from the Company's reserve capital.

At the same time, the Management Board of the Company decided to recommend to the General Meeting the distribution of profit from previous years to shareholders, by financing, by the end of 2017, a share buyback process up to the total maximum amount of PLN 23,832,713, with the purchase price of PLN 15.50 - 20.00 per a share.

The above-mentioned proposal was positively evaluated by the Supervisory Board of the Company.

General Meeting of Shareholders of Agora S.A.

In the current report dated on May 26, 2017, the Management Board of Agora S.A. informed that the Ordinary General Meeting of Agora S.A. ("General Meeting") would be convened on June 21, 2017 at 11:00 am.

In the current report dated on May 26, 2017, draft resolutions to be presented to the General Meeting were published.

In the current report dated on June 21, 2017, the Management Board of Agora S.A. announced the resolutions adopted by the General Meeting, including the resolutions concerning: (i) the approval of the appointment of Ms. Agnieszka Sadowska to the Board, which took place by co-opting on March 1, 2017; (ii) the authorisation of the Management Board of the Company to acquire Company's own shares for the purposes of their subsequent redemption, and provision of general terms and conditions of this process; and (iii) the formation of a specialpurpose reserve capital allocated for the acquisition of own shares in order to redeem them.

In the current report dated on June 21, 2017, the Management Board of Agora S.A. informed that during the General Meeting on 21 June 2017, the following shareholders held over 5% of votes in the Meeting:

- Agora - Holding Sp. z o.o.: 22,528,252 votes, i.e. 49.32% of votes at the Ordinary General Meeting and 34.77% of the total number of votes.
- Otwarty Fundusz Emerytalny PZU "Zlota Jesien": 7,800,000 votes, i.e. 17.07% of votes during the Ordinary General Meeting and 12.04% of the total number of votes.
- MDIF Media Holdings I, LL: 5,355,645 votes, i.e. 11.72% of votes during the Ordinary General Meeting and 8.27% of the total number of votes.
- Nationale-Nederlanden Otwarty Fundusz Emerytalny: 4,000,000 votes, i.e. 8.76% of votes during the Ordinary General Meeting and 6.17% of the total number of votes.
- Aegon Otwarty Fundusz Emerytalny: 3,556,548 votes, i.e. 7.79% of votes during the Ordinary General Meeting and 5.49% of the total number of votes.

In the current report of September 5, 2017, the Management Board of Agora S.A. informed that on September 5, 2017, it received a request from Agora-Holding Sp. z o.o., which is the Company's shareholder holding 100% of preferred series A shares, for convening, at the earliest possible date, no later than by the end of 2017, the Extraordinary General Meeting of the Company. Furthermore, Agora-Holding Sp. z o.o. provided information about its intention to announce candidates for members of the Company's Management Board: Ms. Anna Kryńska-Godlewska and Mr. Grzegorz Kania.

Furthermore, the Management Board of Agora S.A. informed that it received information from the Chairman of the Company's Supervisory Board of its intention to appoint, by way of co-option, Mr. Maciej Wiśniewski to the Company's Supervisory Board, after Ms. Anna Kryńska-Godlewska resigned from the Company's Supervisory Board.

In the current report of October 13, 2017, the Management Board of Agora S.A. informed about convening, for November 8, 2017, for 11 a.m., the Extraordinary General Meeting of Shareholders of Agora S.A. ("Extraordinary General Meeting").

In the current report of October 13, 2017, draft resolutions were published, subject to submission to the Extraordinary General Meeting.

In the current report of October 24, 2017, the Management Board of Agora S.A. informed the public that Agora-Holding Sp. z o.o. announced Ms. Anna Kryńska-Godlewska and Mr. Grzegorz Kania as candidates for members of the Management Board of Agora S.A. Agora-Holding Sp. z o.o. is the Company's shareholder holding 100% of preferred series A shares, that give the permission i.a. to announce candidates for members of the Company's Management Board.

In the current report of October 24, 2017, the Management Board of Agora S.A. informed the public that the Company received Ms. Anna Kryńska-Godlewska's resignation as member of the Supervisory Board of Agora S.A., with effect from the date of closing the extraordinary general meeting convened for November 8, 2017.

In the current report of November 8, 2017, the Management Board of Agora S.A. informed the public about the contents of the resolutions adopted by the Extraordinary General Meeting, i.e. the appointment of Ms. Anna Kryńska-Godlewska and Mr. Grzegorz Kania to the Management Board.

In the current report of November 8, 2017, the Management Board of Agora S.A. informed that at the Extraordinary General Meeting held on November 8, 2017, the following shareholders held more than 5% of votes at this general meeting:

- Agora-Holding Sp. z o.o.: 22,528,252 votes, i.e. 49.98% of votes at this Extraordinary General Meeting and 34.77% of the total number of votes;
- Otwarty Fundusz Emerytalny PZU "Złota Jesień": 7,500,000 votes, i.e. 16.64% of votes at this Extraordinary General Meeting and 11.58% of the total number of votes;
- MDIF Media Holdings I, LL: 5,355,645 votes, i.e. 11.88% of votes at this Extraordinary General Meeting and 8.27% of the total number of votes;
- Nationale-Nederlanden Otwarty Fundusz Emerytalny: 4,000,000 votes, i.e. 8.87% of votes at this Extraordinary General Meeting and 6.17% of the total number of votes;
- Aegon Otwarty Fundusz Emerytalny: 3,424,136 votes, i.e. 7.60% of votes at this Extraordinary General Meeting and 5.28% of the total number of votes.

Sale of real estate

In the current report of October 27, 2017, the Management Board of Agora S.A. informed that on October 27, 2017, the Company concluded the promised preliminary agreement on the sale of the right of perpetual usufruct rights to undeveloped plot of land with a total surface area of 6,270 square meters at ul. Czerniakowska 85/87 in Warsaw ("Property" and "Preliminary Agreement" respectively).

The Preliminary Agreement demonstrates the features of a sale agreement with binding effects, concluded under the condition that the Mayor of the capital city of Warsaw does not exercise the right of first refusal to the right of perpetual usufruct of the Real Estate ("Condition"). In the case of fulfilment of the Condition, an agreement disposing of the right of perpetual usufruct of the Real Estate ("Transfer Agreement") would be concluded by the Company.

In the current report of December 7, 2017, the Management Board of Agora S.A. informed, further to current reports no. 33/2016 and 25/2017, that by virtue of an Amendment to the Conditional Agreement of December 7, 2017, the sale of the right of perpetual usufruct of the undeveloped plot of land with a total surface area of 6,270 square meters at ul. Czerniakowska 85/87 would take place by the end of February 2018 and not by the end of 2017, as previously informed.

The Amendment concluded on December 7, 2017 to the Conditional Agreement concluded on October 27, 2017 does not affect the nature of the Conditional Agreement which remains a sale agreement with binding effects, concluded under the condition that the Mayor of the capital city of Warsaw does not exercise the right of first refusal to the right of perpetual usufruct of the Property.

In the current report of February 26, 2017, the Management Board of Agora S.A. informed, since the condition for sales of the right of perpetual usufruct was fulfilled, on February 26th, 2018 the Company signed an agreement transferring the right of perpetual usufruct of undeveloped property with the total area of 6,270 square meters in 85/87 Czerniakowska Street in Warsaw.

The total amount of the transaction is net PLN 19.0 million, and it shall positively impact the operating result (EBIT) of Agora S.A. and Agora Group by PLN 8.3 million in 1Q2018.

In the current report of January 22, 2018, the Management Board of Agora S.A. informed, that on the 22nd of January, 2018 the Company signed a conditional sale agreement of the usufruct right of two land properties of 347 square meters, total, in 19/20 Wełniarska Street and 7/8 Tkacka Street in Gdańsk, including the ownership of the building set on the land properties of net 1,508 square meters ("Property").

The decision to sell the Property stems from the fact that the Company does not utilize effectively the entire Property for its operations. The Company believes that the optimal solution shall be to lease office space adapted to the current scale of operations of the Company in Gdańsk.

In the current report of February 20, 2018, the Management Board of Agora S.A. informed, that on February 20th, 2018 the Company signed an annex to preliminary sale agreement of the usufruct right of two land properties of 347 square meters, total, in 19/20 Wełniarska Street and 7/8 Tkacka Street in Gdańsk, including the ownership of the building set on the land properties of net 1,508 square meters.

By virtue of the signed annex, the deadline for conclusion of the final Sales Agreement was changed. Originally, the signing of the Agreement was scheduled until February 20th, 2018. The new deadline for concluding the new contract was scheduled until February 27th, 2018.

In the current report of February 27, 2018, the Management Board of Agora S.A. informed, that on the 27th of February, 2018 the Company signed an agreement for sale of the right to perpetual usufruct of two properties of 347 square meters, total, in 19/20 Wełniarska Street and 7/8 Tkacka Street in Gdańsk, including the ownership of the building set on the land properties of net 1,508 square meters.

The total sale price of the Property amounted to PLN 8.65 million net, and its impact on the operating result of the Agora Group in 1Q2018 shall amount to ca PLN 5.6 million.

Establishing a mortgage on the real estate of Agora S.A.

In the current report of September 19, 2017, the Management Board of Agora S.A. informed that the Company received a notification from the District Court for Warsaw-Mokotów in Warsaw, VII Land and Mortgage Register, pertaining to the establishment of a mortgage, on August 23, 2017, on Agora S.A.'s right of perpetual usufruct of the real estate at ul. Czerska 8/10 in Warsaw and the Company's right of ownership of the building erected on that real estate. As at August 31, 2017, the net carrying value of the above assets amounted to PLN 105,634,769.67. The value of the established mortgage is PLN 202,500,000.00.

The mortgage was established as a security for the debt under the Credit Limit Agreement ("Agreement") with DNB Bank Polska Spółka Akcyjna ("Bank"), about which the Company informed in current report no. 6/2017 of May 25, 2017. The Agreement concerned a multi-purpose credit line of up to PLN 135,000,000.00.

The mortgage secures the repayment of the debt to the Bank, comprising, inter alia, the principal, interest on the principal, default interest, commissions and charges on the credit facility provided for and set out in the Agreement.

Furthermore, the Company informed that it repaid all of its liabilities in respect of the previous Multi-Purpose Credit Limit, including a commission, interest and other dues to Bank Polska Kasa Opieki S.A. on the basis of the agreement concluded on May 28, 2014. The Company commenced proceedings aimed at removing the contractual mortgage established for Bank Polska Kasa Opieki S.A. which encumbered the aforementioned assets.

In the current report of November 2, 2017, the Management Board of Agora S.A. informed that the Company received a notification from the District Court for Warsaw-Mokotów in Warsaw, VII Land and Mortgage Register, pertaining to the removal, on October 26, 2017 of the contractual mortgage established on Agora S.A.'s right of perpetual usufruct of the real estate at ul. Czerska 8/10 in Warsaw and the Company's right of ownership of the building erected on that real estate, for Bank Polska Kasa Opieki S.A. on the basis of the agreement concluded on May 28, 2014 on the Multi-Purpose Credit Limit.

Notification made under Article 19(1) of the Market Abuse Regulation (MAR)

In the current report of October 11, 2017, the Management Board of Agora S.A., in discharge of the obligation referred to in Article 19(3) of the MAR, informed that on October 11, 2017 the Company received two notifications made under Article 19(1) of the MAR.

Selection of a certified auditor of the Company's financial statements

In the current report dated on March 30, 2017 the Management Board of Agora S.A. informed that on March 30, 2017 the Supervisory Board selected the certified auditor of the Company's financial statements. On the basis of both, the Supervisory Board resolution and the Company's Statute, KPMG Audyt Spolka z ograniczona odpowiedzialnoscia spolka komandytowa with its registered seat in Warsaw at 4A Inflacka Street, registered under the number 3546 as an entity entitled to audit financial statements, was elected the certified auditor of the Company that is to audit financial statements of the Company for the years 2017, 2018 and 2019.

Dates of publication of periodic reports in 2018

In the current report of November 28, 2017, the Management Board of Agory S.A. announced the publication dates of Agora Group's periodic reports in 2018.

Furthermore, the Company informed that it would not: (i) publish separate quarterly reports, due to which consolidated quarterly reports would include quarterly financial information; (ii) publish a separate semi-annual report, due to which condensed semi-annual financial statements together with a report of an entity entitled to audit financial statements and condensed additional information would be placed in a consolidated semi-annual report; (iii) publish a consolidated quarterly report for the fourth quarter of 2017 or for the second quarter of 2018.

Information about tests for asset impairment

In the current report of January 4, 2018, the Management Board of Agory S.A. that the Agora Group ("the Group") was in the process of conducting asset impairment tests in accordance with the International Financial Reporting Standards, inter alia on the basis of an analysis of long-term financial forecasts for all of the business segments of the Group.

The above mentioned analysis which is now being conducted by the Management Board, shows the possibility of necessity to incur impairment loss of fixed assets in the Print segment, impairment loss of the monthly "Cztery Kąty" and the impairment loss of goodwill of Trader.com. (Polska) Sp. z o.o. The total impact of the above mentioned impairment losses on the Agora Group's financial results in the fourth quarter of 2017 could range from ca PLN 70.0 million to ca PLN 90.0 million on the basis of the analysis possible to execute as at the 4th of January, 2018.

What is more, the Company reviewed the useful lives of selected fixed assets of the Group, which could result in higher amortization charges. This, in turn, will negatively influence the operating result of the Group by ca PLN 5.0 million in the fourth quarter of 2017.

Final value of asset impairment tests was PLN 88.9 million and was provided by the Company togheter with the publication of financial statements of 2017.

Consultation procedure on employment reduction in the Print segment of Agora S.A

In the current report of February 1, 2018 the Management Board of Agora S.A. informed that on February 1st, 2018, in accordance with the Act of March 13th, 2003 on Special Rules for Termination of Employment for Reasons Not Attributable to Employees, resolved to initiate the consultation on group layoffs with the trade unions operating in the Company. Additionally, in accordance with the Act of April 7th, 2006 on informing and consulting employees, the Company's works council consulted on the group layoff process.

The reason for the planned restructuring measures, including restrictions on employment, is the ongoing decrease of revenues from sales of print services in the coldset technology in which Agora Group's printing plants specialize. This trend mainly results from the condition of the press market in Poland - the main client of the Company's coldset printing plants. Services commissioned by clients from other market segments, including those realized in the heatset technology, present a significantly smaller share in the Group's print activity; due to infrastructural constraints, they never were, nor are able to compensate the decrease of revenues from coldset printing services.

Considering the current condition of the press market as well as negative forecasts regarding the prospects for its further development and progressive digitization of the media, it is not possible to stop the downward trend in the coldset printing business. Therefore, the Management Board of the Company decided that it is necessary to take decisive restructuring measures aimed at reducing operating costs of the printing plants and optimizing the operational processes so as to limit the negative impact of decrease of the number of volumes of print on the financial condition of the Print segment, i.a. by adjusting the employment structure to the current volume of services provided by Agora's printing plants.

The intention of the Management Board of Agora S.A. was to lay off up to 53 employees of the Print segment of Agora Group (which is 16.3% of employees of this segment - including 1.9% of employees in the Company and 17.1% of employees of Agora Poligrafia Sp. z o.o., as at February 1st, 2018) between February 21st and March 23rd, 2018.

The Company shall go through these difficult changes in a thought out manner and with care for its employees, offering the dismissed employees a range of protective and supportive initiatives.

On February 1st, 2018 the Management Board of the Company requested the trade unions operating at the Company and the Company's works council to join in the consultation on collective redundancy process and provided the relevant Labor Office with information on the intention to execute group layoffs in the Company.

In the current report of February 7, 2018 The Management Board of Agora S.A., in relation to regulatory filing no. 3/2018 dated February 1st, 2018, informed about:

(i) concluding on February 7th, 2018 a trilateral agreement ("Agreement") with trade unions operating at the Company (which fulfills the provisions of article 3, Section 1 of the Act of March 13th, 2003 on Special Rules for Termination of Employment for Reasons Not Attributable to Employees) and with work council in the Company (which constitutes an agreement in accordance with the Act of April 7th, 2006 on informing and consulting employees),

(ii) adopting by the Management Board of the Company on February 7th, 2018 resolution to execute collective redundancies in the Print segment of the Agora Group, in accordance with the provisions of the Agreement.

The collective redundancies shall be executed from February 15th, 2018 until March 16th, 2018, and shall affect up to 53 employees of the Print segment of the Agora Group, i.e. ca 16.3% of all employees of the segment.

In accordance with the agreement, the laid-off employees will be provided by the Company with a wider range of supportive measures than required by law. The redundancy payment estimated according to law regulations shall be increased by indemnity in the amount equal to one additional monthly salary. The laid-off employees shall be supported by additional protective measures provided by the Company, inter alia, help in searching for new job or reskilling. Employees who will remain employed in the Print segment will have their basic remuneration increased, inter alia, due to the changed scope of duties. The Company, in accordance with requirements of law, shall submit an appropriate set of information, together with the signed Agreement, to a relevant Labor Office.

The estimated amount of provision for collective redundancies which will be charged to the Agora Group's result in 1Q2018, shall amount to approximately PLN 1.6 million. The Agora Group estimates that the restructuring measures my result in the annual savings may amount to approximately PLN 2.0 – PLN 2.5 million.

VI. REPORT AND DECLARATION RELATING TO AGORA S.A. COMPLIANCE WITH THE CORPORATE GOVERANCE RULES IN 2017

This Statement and Report on compliance with corporate governance rules at Agora S.A. in 2017 has been prepared on the basis of § 91(5)(4) of the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state (consolidated text: Journal of Laws of 2014, item 133, as amended).

1. CORPORATE GOVERNANCE CODE APPLICABLE TO THE COMPANY IN 2017

In 2017, Agora S.A. was required to comply with the corporate governance code set out in the document "Best Practice for WSE Listed Companies 2016" ("Code of Best Practice"). The Code of Best Practice was adopted by resolution No 26/413/2015 of the WSE Board dated 13 October 2015. The Management Board of the Company exercises due care in order to observe the principles of the Code of Best Practice. The Code of Best Practice has been published on the WSE's website (https://www.gpw.pl/dobre-praktyki).

2. CORPORATE GOVERNANCE RULES THAT WERE NOT APPLIED BY THE ISSUER, TOGETHER WITH THE CIRCUMSTANCES AND REASONS FOR NON-APPLICATION OF THE ABOVE RULES, AND INFORMATION HOW THE COMPANY INTENDS TO ELIMINATE ANY POSSIBLE CONSEQUENCES OF NON-APPLICATION OF A GIVEN RULE OR WHAT STEPS IT INTENDS TO TAKE TO REDUCE THE RISK OF NON-APPLICATION OF THAT RULE IN THE FUTURE

In 2017, the Company complied with all rules set out in the Code of Best Practice. The recommendation on providing shareholders with the possibility to participate in general meetings using electronic communication means (IV.R.2), as regards enabling shareholders to participate through real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the general meeting, was complied with by means of a dedicated e-mail address.

3. RECOMMENDATIONS FOR BEST PRACTICE FOR LISTED COMPANIES

3.1. Disclosure policy and investor communications

As regards its disclosure policy, the Company observes the recommendations by ensuring that all interested parties have easy and non-discriminatory access to disclosed information using diverse tools of communication.

The Company operates a corporate website and publishes on it, in a legible form and in a separate section, information required under the legislation and detailed rules of the Code of Good Practice, as well as other corporate documents aimed at presenting the Company's business profile as broadly as possible to all interested parties. Although Agora S.A.'s shares are not qualified for the WIG20 and mWIG40 indices, the Company provides all the above information and documents also in English.

In addition, the Company operates a mobile version of the investor relations service and Agora's press office, as well as the Company's Twitter account, thus ensuring access to information on an ongoing basis. The Company ensures direct and personal contact with employees of the Investor Relations Department and representatives of the Company's Management Board. The Company also offers a subscription to the corporate newsletter containing selected corporate information or press releases. Additionally, the Company is engaged in industry-focused mailing activities, providing reports on individual media segments. On its website, the Company also publishes reports on compliance with corporate governance rules and information on the policy for changing the entity authorized to audit financial statements. In early 2018, the Company launched a new version of the corporate website.

Where the Company becomes aware that untrue information is disseminated in the media, which may significantly affect its evaluation or image, the Management Board of the Company, as soon as such information is known, decides how to respond to such information in the most effective way – whether by publishing a statement on the Company's corporate website or by using other, selected solutions, where such solutions are considered more appropriate due to the nature of the information and the circumstances in which such information is published.

The Company makes every effort to prepare and publish periodic reports as soon as possible after the end of a reporting period, taking into account the complexity of the Company's capital structure. The Management Board of Agora S.A. regularly meets with representatives of the capital market and the media at meetings held after the publication of quarterly results. These meetings are also broadcast online so as to enable all those who could not appear personally to follow the course of such a meeting, as well as to ask questions by e-mail.

3.2. Best practices for management boards of listed companies and members of supervisory boards

The Company's Management Board and Supervisory Board act in the interest of the Company. The Management Board and the Supervisory Board have members who represent high qualifications and experience.

Serving on the Management Board of the Company is the main area of the professional activity of Management Board members. The division of responsibilities for individual areas of the company's activity among Management Board members is published by the Company on its corporate website. As part of the division of responsibilities among the Management Board members in 2017, one of them also served as the President of the Management Board of a subsidiary – Helios S.A. – included in the business segment directly supervised by that member. Another member of the Management Board was also a member of the Management Board of Stopklatka S.A., i.e. a subsidiary supervised by that member on behalf of Agora S.A. In the opinion of the Management Board, this supports the effective implementation of the development plan of both these companies and the entire enterprise of the issuer.

The Company's Supervisory Board has no control over the selection of candidates to the Management Board of the Company. Candidates for members of the Management Board are nominated by shareholders holding series A shares, while the Management Board members are appointed by the General Meeting (with the reservation that Management Board members may be co-opted in accordance with the Statutes). Nevertheless, when assessing the performance of individual members of the Management Board after the end of each financial year, the Supervisory Board discusses the professional plans with each of the Management Board members in order to ensure efficient operations of the Management Board.

Members of Agora's Supervisory Board represent diversified fields of expertise and many years of professional experience allowing them to look at issues related to the Company's and the Group's operations from a broader perspective. Supervisory Board representatives are able to devote the time necessary to perform their duties. If a Supervisory Board member resigns or is unable to perform his or her duties, the Company immediately takes steps necessary to ensure substitution or replacement on the Supervisory Board, provided that members of the Supervisory Board are appointed by the General Meeting. In accordance with requirements of the Code of Best Practice, at least two members of the Supervisory Board meet the criteria of being independent.

Members of the Company's Supervisory Board receive all necessary information on the Company's and Group's operations on an ongoing basis. In addition, the Company allows its Supervisory Board to use professional and independent advisory services (taking into account the Company's financial position) necessary for the Supervisory Board to exercise effective supervision in the Company.

The Supervisory Board of Agora did not depart from any of the Good Practices applied by members of the supervisory boards. As part of its responsibilities, the Board prepares a brief assessment of the Company's standing, including an evaluation of the internal control, risk management and compliance systems and the internal audit function. The aforesaid assessment covers all significant controls, in particular financial reporting and operational controls. This assessment is published by the Company together with all materials related to the general meeting on the Company's corporate website.

At the same time, the Supervisory Board reviews and issues opinions on matters to be discussed at the general meeting. Representatives of the Supervisory Board always participate in the General Meeting in a composition enabling them to answer any questions from shareholders, to the extent permitted by the applicable law. In 2017, the Supervisory Board was represented at the General Meeting by its Chairman, Mr Andrzej Szlęzak.

Each year, the Supervisory Board also prepares a report on its activities in the financial year. The Board will also prepare the report on its activities in 2017. This report will comprise information on: composition of the Board and its Committees, the Board members' fulfilment of the independence criteria, number of meetings of the Board and its Committees in the reporting period and self-assessment of the Supervisory Board's performance. The Supervisory Board will also present its assessment of the company's compliance with the disclosure obligations concerning compliance with the corporate governance principles defined in the Exchange Rules and the regulations on current and periodic reports published by issuers of securities, as well as an assessment of the rationality of the company's policy for sponsorship, charity or other similar activities or information about the absence of such policy.

Where there is any relationship between a member of the Supervisory Board and any shareholder who holds at least 5% of the total vote in the company, such member notifies the Company's Management Board and other members of the Supervisory Board of this fact. The same applies if there is a conflict of interest or a potential conflict of interest.

3.3. General meeting and shareholder relations

At present, securities issued by the Company are traded only on the Warsaw Stock Exchange, hence all the Company's shareholders acquire their rights on the same dates in accordance with the Polish legal system. All shareholders have the same rights as far as the transactions and contracts executed between the Company and its shareholders or related entities are concerned. In the event of amendments to the rules of the general meeting, the Company endeavours to do so in good time in order to enable all shareholders to exercise their rights, and the Company strives to ensure that the amendments to the rules of the general meeting take effect at the earliest as of the next general meeting.

The Company also makes every effort (including determination of the venue and date of the general meeting) to ensure the participation of the highest possible number of shareholders in the general meeting. The Company informs without delay about any changes concerning the organization of the general meeting, including any changes to the agenda of the general meeting. Agora also enables media representatives to participate in the general meeting of the Company.

The Company strives to hold an ordinary general meeting as soon as possible (taking also into account the organization of the Agora Group's operations) after the publication of an annual report and set the date in keeping with the applicable legislation. On 21 June 2017, the Company's General Meeting, convened at the request of the Management Board, was held at its registered office in Warsaw, and all documents related to its organization and course, including the recording of video broadcasts, were published on the Company's corporate website. The meeting was held in accordance with the provisions of the Commercial Companies Code and the Rules of the General Meeting. Members of the Management Board and Supervisory Board as well as the statutory auditor were present during the general meeting and were ready to provide explanations within the scope of their competences and legal regulations. In the case of questions from shareholders and answers given to them during the course of the general meeting, they are available to the public via real-time broadcasting of the general meeting. In addition, if necessary, the Company prepares a list of questions asked before and during the general meeting and answers to such questions. The questions are answered by representatives of the Company's Management Board and Supervisory Board present at the general meeting.

During the Ordinary General Meeting of the Company held in 2017, no amendments were made to the rules of the General Meeting and the Company's Statutes.

The General Meeting approved the Company's annual separate and consolidated financial statements for the financial year 2016 and the Management's Report on the Company's activities in the financial year 2016.

The General Meeting determined the number of members of the Supervisory Board of the term of office commencing with its conclusion at 6 persons, appointing Dariusz Formela, Tomasz Sielicki, Wanda Rapaczyński, Andrzej Szlęzak, Anna Maria Kryńska-Godlewska and Andrzej Dobosz to the Supervisory Board.

In 2017, the General Meeting hereby approves the appointment of Agnieszka Sadowska to the Management Board which took place by co-optation on 1 March 2017.

In 2017, the Ordinary General Meeting also adopted a resolution on covering the net loss from the Company's supplementary capital and authorized the Management Board to acquire the Company's treasury shares for subsequent redemption. For this purpose, the General Meeting allocated the amount of PLN 23,832,713 from the supplementary capital to a reserve fund created to execute the buy-back of treasury shares.

On 8 November 2017, an Extraordinary General Meeting was also held. It was convened at the request of the Management Board, held at its registered office in Warsaw, and all documents related to its organization and course, including the recording of video broadcasts, were published on the Company's corporate website. The meeting was held in accordance with the provisions of the Commercial Companies Code and the Rules of the General Meeting.

The Extraordinary General Meeting appointed Anna Kryńska-Godlewska and Grzegorz Kania to the Management Board of Agora for a joint term of office which will expire on the date of the General Meeting approving the financial statements for 2017.

For several years, the Company has provided real-time broadcast of the general meeting in Polish and in English. During both general meetings held in 2017, the Company provided shareholders with the possibility of bilateral real-time communication using electronic means of communication via a dedicated e-mail address. Due to significant financial and technological expenditure and potential legal doubts, the Company does not enable shareholders to exercise, in person or by proxy, their voting rights during the general meeting using electronic means of communication.

The Company strives to comply with all detailed rules concerning the general meeting and shareholder relations indicated in the Code of Best Practice.

4. OPERATION AND KEY POWERS OF THE GENERAL MEETING, SHAREHOLDERS' RIGHTS AND THE MANNER OF THEIR EXERCISE

The General Meeting of Agora ("GM") acts on the basis of the Commercial Companies Code and Agora's Statutes. Pursuant to Section 16(2) of the Statutes, the GM may adopt the Rules of the General Meeting, setting out the rules of its operation. The adoption, amendment or revocation of the Rules require three-quarters of the votes cast to be valid. The Rules of the GM is available at URL: https://www.agora.pl/en/general-meeting-of-shareholders. The GM is convened in accordance with the provisions of the Code of Commercial Companies.

Resolutions of the General Meeting are passed by an absolute majority of the votes cast unless the Code of Commercial Companies or the Statutes provide otherwise. Pursuant to § 15(2) of the Statutes, resolutions concerning a merger of the Company with another entity, other forms of consolidation that are or will be allowed under law, division of the Company, remuneration of members of the Supervisory Board, including individual remuneration of those members who were elected to a continuous supervisory, are adopted by a majority of three-quarters of votes cast. The majority of three-quarters of votes cast when the shareholders representing at least 50% of the Company's share capital are present, is required for resolutions on the removal of matters from the agenda of the general meeting that were previously contained in the agenda. In the event a motion for such removal is submitted by the Company’s Management Board, an absolute majority of votes cast is required in order to adopt such a resolution. Acquisition or disposal of real property, a perpetual usufruct right or interest in real property does not require the GM’s resolution.

Pursuant to § 15(4) of the Statutes, the removal of any matters from the agenda of the general meeting at the request made, on the basis of Article 400 or Article 401 of the Code of Commercial Companies, by a shareholder representing at least such part of the Company's share capital as is indicated in the said provisions, requires consent of the shareholder who made such request. Adoption of a resolution relating to shareholder's liability with respect to the Company due to any reason shall require an majority of three-quarters of votes cast in the presence of shareholders representing at least 50% of all the Company shares conferring the right to vote in the adoption of such resolution.

According to § 17(1) of the Statutes, none of the shareholders may exercise more than 20% of the overall number of votes at the general meeting, provided that for the purposes of establishing obligations of purchasers of material blocks of shares as provided in the Act on Public Offering such restriction of the voting rights does not exist. This restriction of the voting rights does not apply also to:

- shareholders holding the preferred series A shares;
- a shareholder who, while having no more than 20% of the overall number of votes at the general meeting, announced, in accordance with the Act on Public Offering, a tender for subscription for the sale or exchange of all the shares of the Company and in result of such tender purchased shares which, including the previously held Company shares, authorize the said shareholder to exercise at least 75% of the overall number of votes at the general meeting. For the purposes of calculating a shareholder's share in the overall number of votes at the general meeting referred to above, it is assumed that the restriction of the voting rights (up to 20%) does not exist.

Pursuant to § 17(5) of the Statutes, at any General Meeting the percentage of votes of foreign entities and entities controlled by foreign entities may not be greater than 49%. The limitation does not apply to entities with their seats or residence in a Member State of the European Economic Area.

Each share, whether preferred or not, entitles its holder to one vote in connection with passing a resolution regarding the withdrawal of the Company's shares from public trading.

Pursuant to § 7(1) of the Statutes, in addition to registered series A shares, the Company’s share capital comprises also ordinary, both registered and bearer, BiD series shares. Series A registered shares are preferred in such a way that each of them carries five votes at the general meeting, subject to the above reservations.

Pursuant to § 11(1) of the Statutes, the sale or conversion of preferred series A shares into bearer shares requires the written consent of shareholders holding at least 50% of the preferred series A shares registered in the share register on the date of filing the request for a permit for sale or conversion of preferred series A shares into bearer shares. Within 14 days from the date of receipt of the request, the Management Board is obliged to deliver a copy of the request to each holder of preferred series A shares who are authorized to express their consent, to the address of each shareholder registered in the share register.

Candidates for members of the Supervisory Board may be nominated by shareholders holding preferred series A shares or shareholders who documented their entitlement to not less than 5% of the votes at the last general meeting before the candidates were nominated and who, at the time of making the nomination, hold not less than 5% of the Company’s share capital (§ 21(1)(a) of the Statutes). Where a member of the Supervisory Board tenders his/her resignation, other Supervisory Board members may appoint by means of co-optation a new member who will perform his/her duties until the general meeting appoints a Supervisory Board member, however no longer than until the end of the common term of office of the Supervisory Board. Dismissal (removal) of a member of the Supervisory Board prior to the end of the common term of office of the Supervisory Board may be effected by a resolution of the general meeting adopted by a simple majority of votes, provided that until the expiry of the preferred status of series A shares 80% of voting rights attached to all outstanding series A shares are cast in favour of such resolution.

Information on powers of the general meeting and rights of shareholders to appoint and dismiss the Management Board members is provided further in this document.

Bearer shares may not be converted into registered share.

The rights of the Company's shareholders, including minority shareholders, are exercised to the extent and in a manner consistent with the provisions of the Code of Commercial Companies.

In accordance with the principles of transparency, effective information policy and in an effort to ensure that all shareholders have equal access to information about the Company, Agora S.A. broadcasts the general meeting online, in Polish and English.

General meetings of the Company are always attended by representatives of the Company's Management Board, Supervisory Board and the statutory auditor.

5. COMPOSITION AND CHANGES THEREOF, AS WELL AS THE RULES OF OPERATION OF MANAGEMENT AND SUPERVISORY BODIES OF THE COMPANY AND THEIR COMMITTEES.

5.1. Management Board

The Management Board operates on the basis of the Commercial Companies Code and the Statutes. Pursuant to the Statutes, the Management Board is composed of 3–6 members with the exact number determined by the shareholders holding the majority of preferred series A shares, and following the expiration of such preferred status of all series A shares, by the Supervisory Board (§ 28 of the Statutes).

The term of office of the Management Board is 5 years (§ 29(1) of the Statutes). Remuneration and other benefits for Members of the Management Board are determined by the Supervisory Board in consultation with the President of the Management Board. In accordance with § 27 of the Company's Statutes, the Management Board manages the Company's affairs and represents the Company in dealings with third parties. Responsibilities of the Management Board include all matters related to conducting the Company's affairs not reserved for other governing bodies of the Company. Resolutions of the Management Board are adopted by a simple majority of votes cast (§ 34(1) of the Statutes). Each member of the Management Board is authorized to make binding statements with respect to property rights and obligations of the Company and to sign on behalf of the Company. The Management Board's organization and manner of operation is defined in detail in the rules of organization and operation of the Management Board.

Pursuant to § 35 of the Statutes, members of the Management Board are bound by a non-competition clause. In particular, they may not engage in any competitive business or participate in such business as its participant, shareholder or member of its governing bodies. This prohibition does not pertain to the participation by members of the Management Board in supervisory and management bodies of competing entities in which the Company directly or indirectly holds any shares and the acquisition by members of the Management Board of no more than 1% of the shares in competing public companies.

As at the date of presenting this Directors' Report, the Company's Management Board is composed of the following members:

- Bartosz Hojka - President of the Management Board,
- Tomasz Jagiełło - Member of the Management Board,
- Agnieszka Sadowska - Member of the Management Board (since 1 March 2017),
- Anna Kryńska-Godlewska - Member of the Management Board (since 8 November 2017),
- Grzegorz Kania - Member of the Management Board (since 8 November 2017).

Bartosz Hojka

Member of the Company's Management Board since 28 June 2013. President of Agora's Management Board since 12 March 2014.

He supervises Radio and Press Segments, Corporate Sales division, as well as Human Resources and Corporate Communications departments. He is a member of supervisory boards of Helios S.A., AMS S.A., Yieldbird Sp. z o.o., Goldenline Sp. z o.o. and Stopklatka S.A.

From the very beginning of his professional career, he has been involved with the electronic media, including working as an editor in Radio Katowice TOP and TVP regional center in Katowice. He started his work in Agora in 1998 as a program director in Silesian Karolina radio. Later, as a program and marketing director of all stations of Agora Radio Group (GRA) he was responsible for, among others, the launch of the Złote Przeboje brand. In 2005–2013, a member of the management board and managing director of GRA, a radio group comprising Radio Złote Przeboje, Rock Radio, Radio Pogoda and Radio TOK FM where GRA is the majority shareholder. He restructured Agora's radio operations which resulted in improvement of the segment's profitability. Under his leadership, Radio TOK FM has become one of the most influential media in Poland. At that time, GRA has increased the scale of its operations and developed, under the brand name Tuba.FM, innovative products dedicated to online, mobile device and SMART TV users. Furthermore, GRA founded Doradztwo Mediowe – the market leader in radio brokerage services. At present, it includes the Tandem Media team.

Bartosz Hojka is a member of the Digital News Initiative (DNI) Fund – a fund set up by Google, where publishers from all over Europe can apply for funding for projects to develop quality journalism through technology and innovation.

Born in 1974, graduate of journalism faculty at the University of Silesia. Since 2010, lecturer at the Department of Radio and Television at the University of Silesia.

Tomasz Jagiełło

Since 28 June 2013, a member of Agora's Management Board. He supervises Helios, NEXT FILM and Agora's Publishing House, as well as the General Counsel department of Agora. He is a member of supervisory boards of AMS S.A. and Stopklatka S.A.

Tomasz Jagiełło is the founder and president of the management board of Helios S.A., the largest cinema operator in Poland in terms of the number of cinemas. Co-founder of the company's success, from the beginning responsible for its development and strategy. He represented the company during the acquisition of 5 cinemas from the Kinoplex network in 2007 and during the acquisition of a majority stake in Helios by Agora SA in 2010. He was one of the initiators of establishing the company NEXT FILM Sp. z o.o., so that Helios has expanded its activities into film distribution market.

Long-time board member of the Association of Polish Cinemas. Over several years, he was also a member of the Polish Film Institute.

Born in 1967, graduated from the Faculty of Law at the University of Łódź and the Faculty of Law at the University of Edinburgh.

Agnieszka Sadowska

Member of Agora's Management Board since 1 March 2017. She supervises the Internet, Print and Outdoor Advertising segments, Magazines division, Big Data department and TV business.

Agnieszka Sadowska has been working at Agora since 1999. She began her career as a financial analyst. She also worked in the New Projects division, responsible for acquisitions and investments in the Agora Group, and was also head of Controlling & Business Development division.

In 2010–2013, she was the managing director of Publio.pl, an online platform with e-books and audiobooks. She was responsible for the concept of the platform and oversaw the creation and operation of the service which in just a year after the start was at the forefront of online bookstores with electronic publications.

Since November 2013, Agnieszka Sadowska has been successfully developing television business in the Agora Group, including development of Stopklatka TV, a TV channel run in cooperation with Kino Polska TV S.A. She is a member of the Management Board of Stopklatka S.A. and the co-creator of the company's success. The channel proved profitable after less than 3 year from its launch. At the same time, within the structures of Agora S.A., she was responsible for the Company's successful conduct through the licensing process and obtaining a license to broadcast terrestrial television channel METRO within MUX-8. Since 2016, she was the President of the Management Board of Green Content Sp. z o.o. which received a license to broadcast the METRO channel. The channel was launched on 2 December 2016, and since the beginning it has achieved the best results among all TV channels on MUX-8. Agnieszka Sadowska also participated in the process of acquisition by Agora of strategic investor for the development of METRO, as well as in the subsequent sale of the channel to Discovery Poland.

Born in 1974, graduate of the Faculty of Finance and Banking at the University of Economics in Wrocław. In 1999, she earned an MBA at the Warsaw University of Technology Business School. She completed numerous training courses in management and finance, including ACCA, obtaining the status of ACCA member.

Anna Kryńska-Godlewska

Member of Agora's Management Board since 8 November 2017. She supervises the New Business Development division.

Anna Kryńska-Godlewska is a manager with more than twenty years of experience in the field of capital investment management. For the past 20 years, she has been associated with the Media Development Investment Fund, where she has been the Chief Investment Officer and Management Board Member, specialising in direct investments in media companies in Europe, Asia, Africa and South America for the past nine years. Previously, she worked at, among others, Fidea Management, the management company of X NFI, CIECH S.A. and Bank Handlowy in Warsaw. She was a member of Agora S.A.'s Supervisory Board from 23 June 2016 until 8 November 2017.

Born in 1972, she is a graduate of the Warsaw School of Economics, Faculty of Finance and Banking System and the Institute Francais de Gestion. She has complete further professional training courses, e.g. at Harvard Business School.

Grzegorz Kania

Member of Agora's Management Board since 8 November 2017. He supervises Finance and Administration as well as Technology divisions, and Internal Audit department.

Grzegorz Kania specialises in financial management and has nearly twenty years of experience in international companies. He started his career at PricewaterhouseCoopers, specialising in consulting and auditing services for companies in the new technology, media and entertainment industries. In 2003-2008, he was Deputy Chief Financial Officer of UPC Polska. In 2008-2011, he was responsible for finances of the Scandinavian BLStream Capital Group (now Intive), a provider of mobile applications and other IT solutions. Since 2012 he has been CFO at Ringier Axel Springer Poland and since 2014 he worked as CFO in Onet-RAS Poland Group.

Born in 1973, graduate of the Faculty of Computer Science and Management at the Wrocław University of Science and Technology. An ACCA member since 2001.

5.2. Supervisory Board

The Supervisory Board operates on the basis of the Commercial Companies Code and the Statutes. In accordance with §18(1) of the Company's Statutes, the Supervisory Board is composed of no less than six and no more than ten members appointed by the General Meeting subject to other provisions of the Statutes. The number of Supervisory Board members is determined by the General Meeting. The General Meeting appoints the Chairman of the Supervisory Board. Members of the Supervisory Board may elect from among themselves a deputy of the chairman or persons performing other functions (§18(2) of the Statutes).

Members of the Supervisory Board are appointed for a joint term of office of three years. Consequently, the term of office of the previous Supervisory Board expired on the date of the Company's General Meeting approving the financial statements for 2015, i.e. on 23 June 2016. On the same day, the General Meeting of the Company's Shareholders appointed the current Supervisory Board whose term of office will expire on the date of the Company's General Meeting approving the financial statements for 2018.

Pursuant to § 20(4) of the Statutes, at least two members of the Supervisory Board are independent members. At present, the majority of the Supervisory Board members are independent. The majority of members of the Supervisory Board also meet the independence requirements specified in the Code of Best Practice. Specific competencies of Agora's Supervisory Board include, among others, assessment of the Directors' Report on the Company's operations and the Company's financial statements, assessment of the Management Board's proposals concerning profit distribution or loss coverage, determination of remuneration of the Management Board's members in consultation with the President of the Management Board, appointment of a statutory auditor and approval of significant transactions between the Company and its related parties, as well as other matters provided for by the provisions of law and the Statutes. Pursuant to § 23(8) of the Statutes, the Supervisory Board meetings are convened at least once a quarter. The Chairman also convenes Supervisory Board meetings at the request of the Company's Management Board, expressed in a resolution or at the request of each member of the Supervisory Board. Supervisory Board meetings may be held with the use of means of remote communication in a manner allowing communication among all members taking part in such a meeting. The venue of a meeting held with the use of means of remote communication is the location of the person who chairs the meeting.

Pursuant to § 23(5) of the Statutes, resolutions of the Supervisory Board are adopted by an absolute majority of votes cast in the presence of at least half of the members of the Supervisory Board, except where other provision of the Statutes provide for a different majority and quorum.

As at the date of presenting this Directors' Report, the Company's Supervisory Board (current term of office) is composed of the following members:

- Andrzej Szlęzak – Chairman of the Supervisory Board,

- Andrzej Dobosz – Member of the Supervisory Board,

- Dariusz Formela – Member of the Supervisory Board,

- Wanda Rapaczynski – Member of the Supervisory Board,

- Tomasz Sielicki – Member of the Supervisory Board,

- Maciej Wiśniewski – Member of the Supervisory Board (since 9 November 2017).

As at the date of the Ordinary General Meeting of the Company's Shareholders, i.e. 21 June 2017, the Company's Supervisory Board (previous term of office) was composed of the following members:

- Andrzej Szlęzak – Chairman of the Supervisory Board,

- Andrzej Dobosz – Member of the Supervisory Board,

- Dariusz Formela – Member of the Supervisory Board,

- Anna Kryńska – Godlewska – Member of the Supervisory Board,

- Wanda Rapaczynski – Member of the Supervisory Board,

- Tomasz Sielicki – Member of the Supervisory Board.

Andrzej Szlęzak, Ph.D.

Partner in the Soltysinski, Kawecki & Szlezak (SK&S) law firm. He joined SK&S shortly after its founding in 1991, in 1993 he became a partner and in 1996 a senior partner. At SK&S, he was engaged in legal services in a number of privatizations and restructuring processes of various sectors of Polish industry and banking. He supervised numerous merger and acquisition projects, participated in greenfield projects, prepared a large number of transaction documents, and was the author of numerous legal opinions from the field of civil and commercial law. He is an arbitrator of the Court of Arbitration at the Polish Chamber of Commerce in Warsaw and Vice-President of the Council of Arbitration, and was frequently appointed as an arbitrator in disputes brought before the ICC International Court of Arbitration in Paris.

Andrzej Szlezak received his master's degrees in Law and English Philology at the Adam Mickiewicz University in Poznan. In 1979–1981, he was a trainee judge at the Regional Court in Poznan. Since 1979, he was a research worker in the Institute of Civil Law at the Adam Mickiewicz University, where he received his doctorate and habilitation degree in the field of civil law. In 1994, he was appointed professor of the Adam Mickiewicz University until his departure from the Faculty of Law in 1996. A. Szlezak, Ph.D., was a scholarship holder of a number of foreign universities, including the universities of Oxford and Michigan. Currently, A. Szlezak is a professor of the University of Social Sciences and Humanities (SWPS) in Warsaw. He is the author of numerous publications, including foreign-language ones, in the area of civil and commercial law.

The General Meeting of Shareholders appointed Andrzej Szlezak to the position of the Chairman of Agora S.A.'s Supervisory Board. Andrzej Szlezak is a member of the Human Resources and Remuneration Commission in Agora's Supervisory Board.

The independence of Supervisory Board Members and the Committees operating in the Supervisory Board are discussed in separate section of the report.

Andrzej Dobosz

Polish literary critic, journalist and non-professional actor. He used to be a member of Krzywe Koło Club, the Polish Writers' Union and Polish Philosophical Society. He is a member of Polish PEN Club, Association of Art Historians and Polish Filmmakers Association. Author of such publications as "Z różnych półek", "Pustelnik z Krakowskiego Przedmieścia", "Ogrody i śmietniki", "Generał w bibliotece".

He studied at the Polish Language Department and Philosophy at Warsaw University.

Andrzej Dobosz is a member of the Human Resources and Remuneration Commission in Agora's Supervisory Board.

Dariusz Formela

Since 2012, the president of the management board of Gobarto S.A. (previously PKM DUDA S.A.) responsible for development and implementation of the company's strategy. In 2009–2012, he was a member of the management board of PKM DUDA S.A. and president of the management board of CM Makton S.A. In 1998–2008, he worked for the ORLEN Capital Group, where he was also a member of the management board of PKN ORLEN and Możejki Nafta responsible for, among others, the oversight of the group companies and the integration of capital assets. He was also responsible for development and implementation of the restructuring plan in the ORLEN Capital Group. Dariusz Formela is a member of the Audit Committee of Avia Solutions Group S.A.

He is a graduate of the Law and Administration Faculty at the University of Gdansk. He also obtained an MBA diploma from the University of Bradford and Kozminski University.

Dariusz Formela is a member of the Audit Committee in Agora's Supervisory Board.

Wanda Rapaczynski

Associated with the company almost since its inception. In 1998–2007 and between 28 June 2013 and 12 March 2014, she served as the President of the Management Board. Under her leadership, Agora grew into one of the largest and most well-known media companies in Central and Eastern Europe. After resignation from the function of the President of the Management Board in 2007, she remained associated with Agora as an advisor to the Supervisory Board until her appointment to the supervisory body. Member of the Supervisory Board of the Company in 2009–2013. She represented Agora in the European Publishers Council and the Polish Confederation of Private Employers LEWIATAN, where she was a member of the main board and a member of the supervisory board of the Polish Private Media and Advertising Employers Confederation.

In 1984–1992, she was the Head of New Product Development in Citibank NA in New York. Previously, for two years she was the director of a research project at the Faculty of Psychology at Yale University, and in 1977–1979 a research worker at Educational Testing Service in Princeton, New Jersey. Her professional career began as a psychology lecturer at universities in New York and Connecticut.

She is a member of the Supervisory Board of Adecco S.A. since 2008, a Swiss company operating internationally, specialized in recruiting activities, where she chairs the Corporate Governance Committee. For years she was a member of the Council of the Central European University in Budapest, where she chaired its Audit Committee. She was also a member of the International Advisory Council at the Brookings Institution in Washington for many years. Since 2002 she has been a member of Polish Group in the Trilateral Commission.

In 1977 she received a Ph.D. in Psychology from City University of New York. A graduate of Yale University, School of Organization and Management, where in 1984 she received a Master of Private & Public Management.

Wanda Rapaczynski is a member of the Human Resources and Remuneration Commission in Agora's Supervisory Board.

Tomasz Sielicki

Tomasz Sielicki worked in Sygnity S.A. (formerly ComputerLand S.A.) since the company's inception in 1991. From 1992 to 2005, he served as the President of the Management Board, later for two years he served as the President of the Sygnity Group (formerly ComputerLand Group). He is widely considered to be the founder of the company's success. In 2007–2017, he was a member of the Supervisory Board of Sygnity S.A.

He is a member of, among others, the Information Society Development Foundation Council, Council of the Gessel Foundation for the National Museum in Warsaw, Trilateral Commission, Council of the United Way Foundation, Program Council of Leslaw Paga Academy of Capital Market Leaders, Public Affairs Institute, and a board member of the Polish Olympics Committee.

Tomasz Sielicki is a member of the Audit Committee in Agora's Supervisory Board.

Maciej Wiśniewski

Maciej Wiśniewski has twenty years of experience in investment management and investment funds. He successfully founded, developed and sold Investors Towarzystwo Funduszy Inwestycyjnych S.A. which was one of the first private investment fund companies on the Polish market. Previously, he was associated with BZ WBK AIB Asset Management and LG Bank. He started his professional career at Raiffeisen Capital and Bank Millennium.

Maciej Wiśniewski graduated from the Faculty of Finance and Banking at the Warsaw School of Economics and the Faculty of Finance at London Business School.

Maciej Wiśniewski is a member of the Audit Committee in Agora's Supervisory Board.

5.3 Committee and Commission established within the Supervisory Board

There is one Committee and one Commission operating within the Supervisory Board: the Audit Committee, and Human Resources and Remuneration Commission established in compliance with the Company's Statutes, performing advisory role to the Supervisory Board. Competences and procedures of the Audit Committee, and Human Resources and Remuneration Commission were set forth in the by-laws of these bodies adopted by virtue of resolutions of the Supervisory Board. As at the date of submission of this Report, the Committee and Commission are composed of the following members:

(i) Audit Committee:

- Dariusz Formela – Chairperson of the Audit Committee,

- Tomasz Sielicki,

- Maciej Wiśniewski.

The Audit Committee is responsible for monitoring financial reporting of the Company and the Agora Group, as well as financial audit activities, performing supervisory functions with respect to monitoring of internal control systems, internal audit and risk management, and performing supervisory activities with respect to monitoring the independence of external auditors.

In order to exercise its powers, the Audit Committee may require the Company to provide certain information on accounting, finance, internal audit and risk management that is necessary for the performance of the Audit Committee's activities, and may examine the Company's documents.

The meetings of the Audit Committee are convened when necessary, but at least four times per year.

Meetings of the Audit Committee are convened by its chairman on his own initiative or at the request of a member of the Audit Committee, as well as at the request of the Management Board, internal or external auditor. Meetings of the Audit Committee may also be convened by the Chairman of the Supervisory Board.

The Audit Committee submits to the Supervisory Board its motions, positions and recommendations in time for the Supervisory Board to take appropriate actions, as well as annual and half-yearly reports on its activities in a given financial year and an assessment of the Company's situation in the areas within its competence.

Pursuant to a resolution of the Supervisory Board of 30 March 2017 and in accordance with the provisions of the Company's Statutes, KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered office in Warsaw at ul. Inflancka 4A, a registered audit entity No 3546, was selected as the Company's statutory auditor who will audit the financial statements for 2017, 2018 and 2019.

In December 2017, the Supervisory Board of Agora S.A. adopted, in the form of a resolution, the "Policy of selection of the audit company for auditing the financial statements of Agora S.A. and the Agora S.A. Capital Group" and "Procedure of selection of the audit company in Agora S.A. and the Agora S.A. Capital Group". The obligation to adopt the above documents resulted from the Act of 11 May 2017 on statutory auditors, audit firms and public supervision.

(ii) Human Resources and Remuneration Commission:

- Wanda Rapaczynski - chairperson of the Human Resources and Remuneration Commission,

- Andrzej Dobosz,

- Andrzej Szlęzak.

In accordance with the Bylaws of the Human Resources and Remuneration Commission, responsibilities of the Commission include periodic assessment of the principles of remuneration of the Management Board members and providing the Supervisory Board with appropriate recommendations in this respect, making recommendations regarding the amount of remuneration and granting additional benefits to individual members of the Management Board for consideration by the Supervisory Board.

When submitting the above recommendations to the Supervisory Board, the Commission should specify all forms of remuneration, in particular the fixed remuneration, the performance-based remuneration system and severance pay. Additionally, the Committee's competencies include advising the Supervisory Board on the selection criteria and the procedures for appointing Management Board members in cases provided for in the Company's Statutes, advising the Supervisory Board on the procedures to ensure proper succession of Management Board members in cases provided for in the Company's Statutes

Meetings of the Human Resources and Remuneration Commission are held as frequently as needed to ensure its proper operation, at least once a year.

Meetings of the Commission are convened by its Chairperson on his/her own initiative or at the request of a member of the Commission, Supervisory Board or of the President of the Company's Management Board. Meetings of the Commission may also be convened by the Chairman of the Supervisory Board.

The Commission submits to the Supervisory Board its motions, positions and recommendations in time for the Supervisory Board to take appropriate actions, as well as annual reports on its activities in a given financial year and an assessment of the Company's situation in the areas within its competence.

6. RULES GOVERNING APPOINTMENT AND DISMISSAL OF THE COMPANY'S MANAGEMENT PERSONNEL; POWERS OF THE MANAGEMENT PERSONNEL, INCLUDING IN PARTICULAR THE AUTHORITY TO RESOLVE TO BUY BACK OR ISSUE SHARES

6.1. Appointment

In accordance with § 28 of the Statutes, the Management Board is appointed by the General Meeting, except for the appointment of additional members of the Management Board by way of co-optation.

Subject to situations where additional members of the Management Board are co-opted, the Management Board is composed of 3–6 members with the exact number of members determined by the shareholders holding the majority of preferred series A shares, and following the expiration of such preferred status of all series A shares, by the Supervisory Board.

During the term of its office, the Management Board may appoint by co-optation not more than two additional members; the co-optation of additional members is effected by a resolution of the Management Board. In case a member of the Board is appointed by way of co-optation, the Management Board is obliged to include in the agenda of the nearest General Meeting an item concerning confirmation of appointment of a new member of the Board by way of co-optation and propose an appropriate draft resolution. Should the General Meeting not approve the appointment of the new member of the Management Board by way of co-optation, such Management Board member's mandate expires on conclusion of that General Meeting.

In accordance with the Statutes, the majority of members of the Management Board must be Polish citizens residing in Poland.

In accordance with § 30 of Agora S.A.'s Statutes, candidates for the Management Board members may be nominated exclusively by shareholders holding preferred series A shares, and following the expiry of the preferred status of all such shares, by the Supervisory Board.

In the event that the persons authorized to determine the number of members of the Management Board and to nominate candidates for such members do not exercise one or both of the above rights, the number of members of the Management Board may be determined by the General Meeting, while each shareholder during such General Meeting may nominate candidates for such members.

6.2. Dismissal

In accordance with § 31 of the Statutes, individual or all members of the Management Board may be dismissed (removed), due to important reasons, prior to the end of their term of office on the basis of a resolution of the General Meeting adopted by a simple majority of votes, provided that until the expiry of the preferred status of series A shares 80% of voting rights attached to all outstanding series A shares are cast in favour of such resolution. A resolution on dismissal (removal) of Management Board members should state the reasons for which such dismissal is made.

Members of the Management Board appointed by way of co-optation may be dismissed in the manner provided for above, or by a resolution of the Management Board; however, the persons concerned may not vote on this matter.

In the event that some members of the Management Board are dismissed or their mandate expires during the term of office for other reasons, supplementary elections shall be held only at such time as when the number of members of the Management Board performing their functions is less than three or when the requirement that the majority of members of the Management Board must be Polish citizens residing in Poland is no longer met.

If the number of members of the Management Board is lower than that required in the preceding paragraph, the Management Board will be required to immediately convene an extraordinary General Meeting in order to hold supplementary elections. Supplementary elections may take place also during the ordinary General Meeting if, in accordance with the provisions of law, such meeting must be convened within a short period of time, while convening an extraordinary General Meeting would not be appropriate in such case.

In the event of supplementary elections, provisions regarding the election of members of the Management Board for their full term of office apply.

In accordance with § 33(1) of the Statutes, members of the Management Board may elect the chairman or persons performing other functions among themselves.

6.3. Powers of the management personnel

In accordance with § 27 of the Company's Statutes, the Management Board of the Company manages its affairs and represents the Company in dealings with third parties.
Responsibilities of the Management Board include all matters related to conducting the Company's affairs not reserved for other governing bodies of the Company.

The authority to resolve to buy back or issue shares remains with the General Meeting of the Company.

7. SHAREHOLDERS WITH MAJOR HOLDINGS OF SHARES

To the best of the Company's knowledge, as at the day of publication of this Directors' Report, the following shareholders were entitled to exercise over 5% of voting rights at the General Meeting of the Company:

	number of shares	*% of share capital*	number of votes at GM	*% of votes at GM*
Agora-Holding Sp. z o.o. *(in accordance with the last notification dated 24 September 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 with the last notification dated 27 December 2012)(1)*	7,594,611	15.93	7,594,611	11.72

	number of shares	*% of share capital*	number of votes at GM	*% of votes at GM*
of which: **Otwarty Fundusz Emerytalny PZU Złota Jesień** *(in accordance with the last notification dated 27 December 2012)(1)*	7,585,661	15.91	7,585,661	11.71
Media Development Investment Fund, Inc. (MDIF Media Holdings I, LLC) *(in accordance with the official notification received on 6 June 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 with the last notification dated 9 June 2016)*	4,493,055	9.43	4,493,055	6.93

(1) number of shares according to the shareholder's notification – as at 27 December 2012; proportion of voting rights and percentage of share capital of Agora S.A. were recalculated by the Company after registration of the reduction of Company's share capital.

The Management Board of Agora S.A. is not aware of any agreements which may result in future changes in holdings of shares by its current shareholders.

8. HOLDERS OF ANY SECURITIES CONFERRING SPECIAL CONTROL RIGHTS IN RELATION TO THE ISSUER

Series A Shares

Agora Holding Sp. z o.o. is the only holder of registered preferred series A shares. The series A shares carry preferences regarding the number of votes per one share and right to determine the number of Management Board members and to propose candidates for the Management and Supervisory Board members, to dismiss those members, and to grant the consent to sell series A shares or convert them into bearer shares. Each of the series A shares carries 5 votes at the General Meeting and the restriction of the voting rights (according to which none of the shareholders may exercise more than 20% of the overall number of votes at the general meeting – pursuant to § 17 (1)) does not apply to shareholders holding the preferred series A shares.

Shareholders holding the preferred series A shares have the exclusive right to nominate candidates for the Management Board members. They also belong to the limited number of entities with the exclusive right to nominate candidates for the Supervisory Board of Agora S.A. Holders of the majority the preferred series A shares may also determine the exact number of the Management Board members.

Another preference carried by series A shares includes the right to dismiss members of the Management or Supervisory Board prior to the end of their term of office. The dismissal can be made on the basis of the resolution adopted by the General Meeting. For the dismissal, a simple majority of votes is required, provided that until the expiry of the preferred status of series A shares 80% of voting rights attached to all outstanding series A shares are cast in favour of such resolution.

The Statutes of Agora S.A. provide that none of the shareholders may exercise more than 20% of the overall number of votes at the General Meeting, provided that for the purposes of establishing obligations of purchasers of material blocks of shares as provided in the Act on Public Trading in Securities such restriction of the voting rights does not exist. This restriction of the voting rights does not apply to shareholders holding the preferred series A shares.

Each share, whether preferred or not, entitles its holder to one vote in connection with passing a resolution regarding the withdrawal of the Company's shares from public trading.

9. RESTRICTIONS ON TRANSFER OF OWNERSHIP RIGHTS TO THE ISSUER'S SECURITIES

Pursuant to the Statutes of Agora S.A., the sale or conversion of preferred series A shares into bearer shares requires the written consent of shareholders holding at least 50% of the preferred series A shares registered in the share register on the date of filing the request for such consent. The procedure for requesting and granting such consent is laid down in the Statutes. In addition, the sale of series A preferred shares may be made only at a price not higher than their nominal value.

10. LIMITATIONS ON THE EXERCISE OF VOTING RIGHTS

According to the Company's Statutes, none of the shareholders may exercise more than 20% of the overall number of votes at the General Meeting. For the purposes of establishing obligations of purchasers of material blocks of shares as provided in the Act on Public Offering such restriction of the voting rights does not exist. The restriction of the voting rights referred to in the preceding sentence does not apply to:

a) shareholders holding the preferred series A shares;

b) a shareholder who, while having no more than 20% of the overall number of votes at the General Meeting, announced, in accordance with the Act on Public Offering, a tender for subscription for the sale or exchange of all the shares of the Company and in result of such tender purchased shares which, including the previously held Company shares, authorize the said shareholder to exercise at least 75% of the overall number of votes at the General Meeting. For the purposes of calculating a shareholder's share in the overall number of votes at the general meeting referred to above, it is assumed that the restriction on the voting rights provided for in § 17(1) of the Company's Statues does not exist.

For the purposes of the aforementioned limitation on the voting rights and exception from the limitation provided for in item b), exercise of votes by a subsidiary is treated as the exercise of votes by a parent company as defined in the Act on Public Offering.

At any General Meeting, the percentage of votes of foreign entities and entities controlled by foreign entities may not be greater than 49%. The limitation does not apply to entities with their seats or residence in a Member State of the European Economic Area.

Each share, whether preferred or not, entitles its holder to one vote in connection with passing a resolution regarding the withdrawal of the Company's shares from public trading.

11. KEY FEATURES OF THE COMPANY'S INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS USED IN THE PROCESS OF PREPARATION OF FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

Management Boards of the Group companies are responsible for the internal control systems in individual companies and their efficiency in the process of preparing financial statements and periodic reports developed and published in accordance with the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state.

The Chief Financial Officer of the parent company or chief financial officer/management board of respective company, as appropriate, supervises the process of preparing the financial statements and periodic reports in individual Group companies from the subject-matter point of view. The process of drawing up annual and interim financial statements is coordinated by the Reporting Department of the Finance and Administration Division, as well as financial and accounting departments of individual Group companies. The Company constantly monitors changes to the applicable stock market reporting laws and regulations, and makes preparations sufficiently in advance to incorporate them into its rules and policies.

Each month, following the closing of the books, the members of the Management Board of the Parent Company and the management staff of the Group receive management information reports, including analyses of key financial data and operating ratios of the business segments. On a monthly basis, meetings of the Management Board with management staff are also organized to discuss the Company's and the Group's performance by segment and division.

All financial data contained in the separate and consolidated financial statements and periodic reports are sourced from the financial and accounting systems, where all business events are recorded in accordance with the Company's and the Group's accounting policies (approved by the Management Board), based on the International Accounting Standards and the International Financial Reporting Standards. The Company has been preparing financial statements in accordance with International Financial Reporting Standards (formerly: International Accounting Standards) since 1992.

The consolidated and separate financial statements of the Company and the Group are submitted to the member of the Management Board supervising the Finance and Administration department and the Chief Financial Officer for preliminary verification and then to the Management Board for final verification. Prior to their publication, consolidated and separate financial statements are also submitted to members of the Audit Committee.

Meetings of the Supervisory Board are held at least once a quarter, during which, depending on the questions submitted by members of the Supervisory Board, the Management Board provides information on key financial data and operating ratios of business segments.

Consolidated and separate annual and semi-annual financial statements are subject to, respectively, independent audit and review by the Company's statutory auditor. The results of the audit and review are presented by the statutory auditor to the member of the Management Board supervising the Finance and Administration department, the management of the financial division (including the Chief Financial Officer) and published in the auditor's report.

Conclusions from the audit and review of the consolidated and separate financial statements are presented to the Audit Committee. Representatives of the Audit Committee analyze the results of the audit and review at closed meetings with the Company's auditor, also without the participation of the Company's Management Board.

In addition, the statutory auditor also provides the Audit Committee with recommendations concerning improvements of the internal control system in the Company and the Group, which were identified during the audit of the financial statements.

Additionally, the Company has an Internal Audit Department, whose main task is to identify risks and weaknesses of internal control. At its meetings, the Audit Committee discusses the results of the Internal Audit work with its director, also without the participation of the Company's Management Board.

The recommendations received from the statutory auditor and Internal Audit are discussed by the Audit Committee with the Company's Management Board.

12. RULES OF AMENDING THE STATUTES OF AGORA S.A.

The Statutes of Agora S.A. do not contain any provisions different from the provisions of the Commercial Companies Code with respect to amendments to the Company's Statutes.

13. REMUNERATION POLICY

As regards the recommendation concerning the policy for remuneration in the Company, the principles of determining remuneration of the Company's employees, except for members of the Management Board and Supervisory Board, are established in accordance with internal remuneration regulations. On the other hand, pursuant to the remuneration policy for key managers of the Agora Group adopted in 2015, the remuneration of the Company's Management Board members is determined by the Supervisory Board on the basis of a recommendation from the Human Resources and Remuneration Commission of the Supervisory Board. The Supervisory Board sets objectives and criteria for awarding bonuses to individual members of the Management Board for a given financial year and in a longer perspective. A report on its application is presented later in this document.

The Company's remuneration policy directly supports the implementation of the Agora Group's medium-term growth plans.

The Company's remuneration system is based on fixed remuneration and variable remuneration resulting from incentive plans and discretionary bonuses.

The Agora Group's remuneration policy differentiates the level of remuneration according to the position held, performance and competences. This variable part ensures flexibility and adaptability to the employer's needs.

Through the incentive scheme, the objectives closely linked to the Agora Group's medium-term growth plan are forwarded to the managers and to employees, which ensures effective support for Agora's business ventures.

The incentive-based remuneration system for employees and managers consists of a fixed part (base salary), a variable part (including annual bonuses and discretionary awards) and non-wage benefits. Base salary in the Company and Agora Group companies is related to the employee's potential, competence and performance in achieving his or her goals.

The aim of the system is to motivate employees to achieve high performance in their work through the implementation of individual goals and evaluation of attitudes, while the management staff can use it as a tool to motivate employees. The bonus system provides for an annual assessment of the employee's performance, summarising the employee's overall contribution for a given bonus year, indicating areas of strengths and areas that require further development. The annual assessment includes an assessment of the level of accomplishment of individual objectives and attitudes throughout the year, as well as an assessment of the total employee's work in a given bonus year and is the basis for calculating the bonus amount.

Agora also provides employees with non-wage benefits such as co-financing of medical care, cafeteria system or a company car. Employees can also take advantage of employee loans for, inter alia, housing purposes and are also beneficiaries of benefits from the Company's Social Benefits System.

Remuneration policy for members of the Management Board of Agora S.A.

Pursuant to the Statutes, the terms and conditions of contracts and remuneration of the President of the Management Board and other members of the Management Board fall within the competence of the Supervisory Board of Agora; however, the terms and conditions of contracts and remuneration of other members of the Management Board are determined in consultation with the President of the Management Board.

The remuneration system for members of the Management Board of Agora operates on the basis of three elements – a fixed part (base salary), a variable part (incentive system and discretionary bonus) and non-wage benefits, the range of which is determined by the Supervisory Board.

Remuneration paid to the Management Board members in 2017 (PLN ’000)

Member of the Management Board	Total	Base salary	Variable remuneration	Other benefits
Bartosz Hojka	1,643	804	836	3
Tomasz Jagiełło	745	240	505	-
Agnieszka Sadowska (1)	560	283	272	5
Grzegorz Kania (2)	90	90	-	-
Anna Kryńska-Godlewska (2)	90	90	-	-
Grzegorz Kossakowski (3)	908	400	505	3
Robert Musiał (4)	606	100	505	1

(1) Agnieszka Sadowska was appointed to the Management Board of the Company on 1 March 2017.
(2) Anna Kryńska-Godlewska and Grzegorz Kania were appointed to the Management Board of the Company on 8 November 2017.
(3) Grzegorz Kossakowski was a member of the Company's Management Board until 5 September 2017.
(4) Robert Musiał was a member of the Company's Management Board until 28 February 2017.

Remuneration paid by Agora S.A. to members of the Management Board in 2017 amounted to PLN 4,642 thousand and this amount also includes payments of incentive bonuses.
Tomasz Jagiełło received additional remuneration for the function of President of the Management Board of Helios S.A. in the amount of PLN 356 thousand (in 2016: PLN 356 thousand) and Agnieszka Sadowska for the function of a Management Board Member of Stopklatka S.A. in the amount of PLN 253 thousand. Other members of the Management Board and Supervisory Board did not receive any remuneration for serving on the governing bodies of subsidiaries, jointly controlled entities and associates.

In 2017, four out of five members of the Management Board used company cars acquired by the Company. Tomasz Jagiełło used a company car purchased by Helios S.A.

The Agora Group also operated two incentive schemes based on financial instruments, in which members of the Management Board of Agora S.A. and members of the Management Board of the subsidiary Yieldbird Sp. z o.o. participated. For details on these schemes, see note 27 to the consolidated financial statements.

In 2017, there were no significant changes in the manner of remuneration of members of the Company's Management Board.

In 2017, remuneration for serving as members of management and supervisory bodies of subsidiaries in the Agora Group amounted to PLN 5,648 thousand (PLN 5,912 thousand in 2016).

Members of the Management Board of Agora S.A. are also provided with medical care on the same terms as other employees of the Company.

Remuneration paid to the Supervisory Board members in 2017 (PLN ’000)

Member of the Supervisory Board	Base salary
Andrzej Szlęzak (Chairman of the Supervisory Board)	108
Wanda Rapaczynski	72
Tomasz Sielicki	72
Dariusz Formela	72
Anna Kryńska - Godlewska (1)	62
Andrzej Dobosz	72
Maciej Wiśniewski (2)	10

(1) Anna Kryńska–Godlewska was a member of the Supervisory Board until 8 November 2017.

(2) Maciej Wiśniewski is a member of the Supervisory Board since 9 November 2017.

The total remuneration amounted to PLN 468 thousand (2016: PLN 468 thousand).

Employment contract terms of the Management Board members of Agora S.A.

Existing employment contracts concluded with members of the Management Board of Agora S.A. provide that in the period of 18 months from the date:
(i) on which the right of the shareholders holding series A shares to nominate candidates to the Management Board is removed from the Company’s Statutes,
(ii) on which one entity or a group of entities acting in concert exceeds the 50% threshold of the total number of votes at the General Meeting of Agora S.A.;
(iii) on which the Supervisory Board of the Company is appointed by voting by separate groups, pursuant to Article 385 § 3-9 of the Code of Commercial Companies, should any of these contracts be terminated by the

Company, the member of the Management Board of Agora S.A. will receive severance pay in the amount equal to the sum of the following components:

(i) the amount equivalent to 12 times the monthly base salary payable to the member of the Management Board of Agora S.A. for the month preceding the month in which the member of the Management Board of Agora S.A. receives the termination notice;

(ii) the amount equivalent to the annual bonus for the financial year preceding the year of termination of the employment contract.

The severance pay referred to in the preceding sentence is not due when the employment contract is terminated for reasons indicated in Article 52 § 1 of the Labour Code.

Rules for determining the value of the Incentive Plan for 2016-2017

Starting from the second quarter of 2016, Management Board members of the Company participate in an incentive scheme ("Incentive Plan"), on the basis of which, they will be eligible to receive an annual bonus based on two components described below:

(i) the stage of implementation of the target based on the EBITDA of the Agora Group ("the EBITDA target"). The EBITDA target is specified as the EBITDA result (being the sum of operating profit/loss and amortization/depreciation) to be reached in the given financial year, as determined by the Supervisory Board. The amount of potential bonus in this component of the Incentive Plan depends on the stage of the EBITDA target implementation and will be determined on the basis of the audited consolidated financial statements of the Agora Group for the given financial year;

(ii) the level of Company's share price increase ("the Target of Share Price Increase"). The amount of potential bonus in this component of the Incentive Plan will depend on the level of Company's share price increase in the future. The share price increase will be calculated as a difference between the average of the quoted closing Company's share prices in the first quarter of the financial year commencing after the financial year for which the bonus is calculated ("the Average Share Price IQ") and the average of the quoted closing Company's share prices in the fourth quarter of the financial year preceding the financial year for which the bonus is calculated ("the Average Share Price IVQ"). If the Average Share Price IQ is lower than the Average Share Price IVQ, the Target of Share Price Increase is not satisfied and the bonus in this component of the Incentive Plan will not be granted.

The bonus from the Incentive Plan depends also on the fulfillment of a non-market condition, which is the continuation of holding the post of the Management Board member during the year, for which the bonus is due.

The rules, goals, adjustments and conditions for the Incentive Plan settlement for the Management Board members are specified in the Supervisory Board's resolution.

As at 31 December 2017, the value of the EBITDA target bonus provision was estimated based on the best estimate of the expected value of implementation of the EBITDA target in 2017 and was recognized in the income statement.

As at 31 December 2017, the value of the provision for the Share Price Increase Target bonus was estimated using the binomial model (*Cox, Ross, Rubinstein* model), which takes into account – inter alia – the current share price of the Company (as at the balance sheet date of the current financial statements) and volatility of the share price of Company during the last 12 months preceding the balance sheet date as at which the financial statements are prepared. The value was charged to the income statement in proportion to the settlement period of this component of the Incentive Plan.

The basic parameters of the binomial model used for calculation of the fair value of the potential bonus from the implementation of the Target of Share Price Increase are described below:

Agora S.A.'s share price as at the balance sheet date of the financial statements	PLN	14.44
volatility of Agora S.A.'s share price during the last twelve months	%	29.65
Average Share Price IVQ	PLN	11.13
risk free rate	%	1.19-1.52 (at maturities)

The impact of the Incentive Plan on the separate financial statements of Agora S.A. is presented in the following table:

	2017	2016
Income statement – increase in staff costs	3,052	1,457
Income statement – deferred tax	(580)	(277)
Accruals – closing balance	2,013	1,457
Deferred tax asset – closing balance	382	277

** the total cost in 2017 includes the plan costs for 2017 and a portion of the cost of the exchange rate element of the plan for 2016, settled in May 2017.*

Total cost of the Incentive Plan related to the participation of members of Agora S.A.'s Management Board in this scheme:

	2017	2016
Bartosz Hojka	1,103	521
Tomasz Jagiełło	631	312
Agnieszka Sadowska (1)	423	-
Grzegorz Kania (2)	62	-
Anna Kryńska - Godlewska (2)	62	-
Grzegorz Kossakowski (3)	495	312
Robert Musiał (4)	276	312
	3,052	**1,457**

(1) Agnieszka Sadowska was appointed to the Management Board of the Company on 1 March 2017.
(2) Anna Kryńska-Godlewska and Grzegorz Kania were appointed to the Management Board of the Company on 8 November 2017.
(3) Grzegorz Kossakowski was a member of the Company's Management Board until 5 September 2017.
(4) Robert Musiał was a member of the Company's Management Board until 28 February 2017.

14. DIVERSITY POLICY

With respect to the recommendation concerning the comprehensiveness and diversity of balanced participation of women and men in the company's governing bodies, the Management Board of the Company points out that it has no influence on the composition of the Company's main governing bodies. Candidates for members of the Supervisory Board may be nominated by shareholders holding preferred series A shares or shareholders who documented their entitlement to not less than 5% of the votes at the last general meeting before the candidates were nominated and who, at the time of making the nomination, hold not less than 5% of the Company's share capital (§ 21(1)(a) of the Statutes). In accordance with § 30 of Agora S.A.'s Statutes, candidates for the Management Board members may be nominated exclusively by shareholders holding preferred series A shares, and following the expiry of the preferred status of all such shares, by the Supervisory Board. In the event that the persons authorized to determine the number of members of the Management Board and to nominate candidates for such members do not exercise one or both of the above rights, the number of members of the Management Board may be determined by the General Meeting, while each shareholder during such General Meeting may nominate candidates for such members.

Moreover, the Management Board of the Company wishes to stress that according to the Agora Group's diversity policy adopted in December 2015, the main criteria for selection of candidates for all managerial positions, remaining in the competencies of the Management Board, include expertise, experience and skills necessary to perform the function in question. Applying these principles to all employees of the Company and the Group ensures healthy functioning of the organization and accepting new business challenges.

Diversity and openness are values which form an integral part of both the Company's business activities and employment policy. The diversity policy implemented at Agora S.A. is based on Agora's Charter, which was developed jointly between the Company and "Gazeta Wyborcza" daily.

As an employer, Agora S.A. is guided by the principles of equal treatment and counteracting all forms of discrimination, believing that this brings real benefits and supports Agora S.A.'s growth and innovation. One of the objectives of the diversity policy pursued by Agora S.A. is to emphasize the openness of the organization to diversity, which increases the effectiveness of work, builds trust and counteracts discrimination. The diversity practice also aims to fully tap into the potential of employees, their diverse skills, experiences and talents in an atmosphere of respect, support and teamwork.

As an employer, Agora creates an atmosphere at work, which makes employees feel respected, and gives them the sense that they are able to fully realize their professional potential. Agora creates a culture of dialogue, openness, tolerance and teamwork.

In 2016, Agora S.A. introduced a diversity policy which applies to all employees. Its aim is to consistently create a workplace that is free from discrimination, regardless of reasons, and at the same time engages the best specialists who contribute to the company's success. Agora S.A. is an employer who cares for the development of the team through internal and external training. Agora S.A.'s diversity policy is based on overcoming barriers such as age, gender or health status and is guided by the principle that the professional potential of employees is determined by their competence. In this manner, the Company wants to support implementation of its strategy to the best of its abilities and to offer the highest-quality products and services to its consumers.

Supervisory Board

The procedure for the appointment of Supervisory Board members is set forth in the Company's Statutes, other laws and regulations applicable to the Company. The Company has limited impact on the composition of the body supervising its operations.
Despite this, the current 6-person composition of the Supervisory Board in 2017 reflected all the ideas underlying the diversity policy.

Management Board

The procedure of appointing the Management Board is also specified in the Company's Statutes. Only holders of series A shares have the right to appoint candidates for a Management Board member. In the Company's opinion, when presenting candidates, these shareholders took into account, as a decisive criterion, first of all high qualifications, professional experience in the main areas of Agora Group's operations and professional preparation for the position of a member of the Management Board.

Members of the Company's Management Board have complementary experience and competences – they are graduates of: Warsaw School of Economics, Warsaw University of Technology University of Silesia, University of Łódź, University of Edinburgh, Wrocław University of Technology, Institute Francais de Gestion, Harvards Business School (professional training courses), University of Economics in Wrocław, MBA at the Warsaw University of Technology Business School.
It is worth emphasizing that the decisive aspect in selecting the governing bodies of the company and its key managers is ensuring versatility and diversity, especially in the area of professional experience, age, education and

gender. High qualifications, as well as professional and substantive experience and preparation for the performance of a specific function are of decisive importance in this respect.

Gender structure in supervisory and management bodies of Agora S.A.

	Men		Women	
As at the end of	2017	2016	2017	2016
Management Board	3	4	2	0
Supervisory Board	5	4	1	2

On 1 March 2017 Agnieszka Sadowska was appointed to the Management Board of Agora S.A., and on 8 November 2017 Anna Kryńska-Godlewska was appointed to the Management Board. Thus, there are two women on the Management Board of the Company.

Administrative bodies

The administrative bodies of the Agora Group comprise employees holding managerial positions. The diversity policy for administrative bodies involves the creation of a workplace free from discrimination based on gender, age, origin, health, education, political or religious beliefs, where competence and experience are the basis of the organizational culture. This approach is reflected in the diversity of teams across the Group. Gender equality is one of the key aspects of diversity due to the similar number of male and female employees (women accounted for 51.7% of employees in the entire Group as at 31 December 2017 and men accounted for 48.3%). The gender structure in the administrative bodies confirms that this objective has been achieved.

Gender structure in administrative bodies (management positions) of Agora Group (without Helios S.A.) (as at 31 December 2017).

	% in the Agora Group	
	Women	**Men**
Agora Group	50.9%	49.1%

On 8 March 2017, the Company, as the first media group in Poland, also signed the Diversity Charter, joining the European initiative to promote diversity in the workplace.

15. ANY OBLIGATIONS ARISING FROM PENSIONS AND SIMILAR BENEFITS FOR FORMER MEMBERS OF MANAGEMENT, SUPERVISORY BODIES AND LIABILITIES INCURRED IN CONNECTION WITH SUCH PENSIONS, WITH AN INDICATION OF THE TOTAL AMOUNT FOR EACH CATEGORY OF BODY

The Issuer has no retirement or similar benefit obligations with respect to former members of management, supervisory or administrative bodies.

16. SOCIAL AND SPONSORING ACTIVITIES POLICY

The **social and sponsoring activities policy at Agora Group** was adopted by the Management Board in 2016 to reflect the strategic approach to corporate social responsibility. In 2017, the Company continued its long-term activities within the following pillars: social, educational, cultural and charity, while launching new projects. These included national and regional initiatives implemented by Agora S. A. (including "Gazeta Wyborcza" and its branches from all over Poland, Gazeta.pl portal and its services, Agora's Publishing House), as well as by Radio TOK FM and Agora's radio stations, Helios cinema network, AMS outdoor advertising company and Agora Foundation.

As part of its **social** activities, Agora implements long-term campaigns for the benefit of seniors, civil society and sustainable urban development, and is involved in environmental issues. The **DługoWIECZNI** campaign once again addressed the subject of older people, among others thanks to a special supplement available with the "Gazeta Wyborcza" daily - **Koperta życia** (Life Envelope), and in connection with the celebration of the **Seniors' Week in Poznań**. From a civic point of view, important discussions were held with important personalities making up a series of **Wyborcza na żywo** (Wyborcza Live) meetings taking place all over Poland. Last year, nearly 7,000 people participated in almost 80 local meetings held as part of this project. Radio TOK FM prepares regular debates on important social issues – in 2017, the **Usłysz…** (Hear...) formula focused on the reform of education. In addition, for the 7th time Radio TOK FM has awarded its **Anna Laszuk Award** for a character, organization or institution that has an exceptional influence on reality. In 2017, initiatives for the development of cities and their communities, carried out for a number of years, were focused on the nationwide **Pracownia miast** campaign and regional events: **Miasta Idei na Śląsku** and **Śląskiego bez smogu!** The latter campaign was additionally connected with the social campaign **Oddychać po ludzku** (Decent breathing). In the environmental area, it is worth mentioning the activities of the Gazeta.pl portal, which has been involved in the Greenpeace's **Adoptuj pszczołę** (Adopt a Bee) campaign for the third time. Additionally, in 2017 Agora initiated new social projects addressed to various groups of stakeholders. The Wroclaw division of "Gazeta Wyborcza" published a free newspaper for the Ukrainians "**Pryvit**", and the video team of Gazeta.pl prepared socially engaged films: "**Kiedy zobaczyłem Cię po raz pierwszy"** - related to Father's Day and "**Powstańcy 1944"** – commemorating the participants of the Warsaw Uprising, as well as talks with entrepreneurs on social issues as part of the Next.Gazeta.pl series entitled "Next Time". The Agora's Publishing House and the Information Society Development Foundation, together with libraries, promoted reading as part of the "**Paczka literacka**" campaign. On the other hand, the innovative "**Jutronauci**" project created by "Gazeta Wyborcza" supported the promotion of innovative attitudes in many dimensions. In articles, videos, meetings and conferences, visionaries and researchers talked about their inventions, ideas and plans. In addition, 207 projects were submitted to the scholarship program "Bilet za horyzont" by future participants of the "Jutronauci" initiative. **NewsMavens.com**, the first European website created exclusively by women, has initiated an important discussion on the diversity of newsrooms and media coverage from the smaller EU countries. The pioneering project received funding from Google DNI and has already involved 21 female journalists from 13 editorial offices.

Education is a key topic of Agora's corporate social responsibility, and initiatives implemented by Agora include projects addressed to schools, teachers, parents and students. Support for educational institutions in the difficult process of change was the goal of the 16th edition of the **Szkoła z Klasą 2.0** campaign. 95 schools and 642 teachers and other school staff applied to the project implemented by the Szkoła z Klasą Foundation, Civic Education Center and "Gazeta Wyborcza" with the support of the Polish-American Freedom Foundation and the Agora Foundation. A similar educational project was the **Matematyka się liczy** (Mathematics counts) campaign carried out by "Gazeta Wyborcza" in cooperation with the mBank Foundation. Apart from the competition for schools, there was also an educational conference, workshops and fairs, as well as special information materials and the Wyborcza.pl/matematyka website. The Helios cinema network is also developing its educational initiatives. **Kino na temat** and **Kino na temat Junior** are series of film meetings, during which young viewers have the opportunity to discuss important topics preceded by a screening of an interesting movie. Apart from taking part in the screening, the youngest children can participate in general development activities and games. In 2017, more than 2.5 thousand screenings were held throughout Poland.

The Agora Group's media are also involved in activities related to the **promotion and popularisation of culture**. Examples of such long-standing projects include literary awards (**NIKE Award, Ryszard Kapuściński Award**), Warsaw festivals and events (**Co Jest Grane Festival, European Music Fair Co jest Grane 24**) and **Olsztyn Green Festival**. Cultural prizes awarded in many local editorial offices of "Gazeta Wyborcza" are also important, such as Wdechy in Warsaw, WARTO Award in Wrocław, and the Cegła z Gazety – Janoscha Award in Katowice. The **NIKE Award** for the Book of the Year has been awarded since 1998. This award and the NIKE Foundation's activities are funded by Agora and the Agora Foundation. **Ryszard Kapuściński Award,** organized since 2010 by "Gazeta Wyborcza" and the City of Warsaw, is a distinction granted to authors of the best reporter's book of the year and the best translation of the year. Additional activities related to this award are educational initiatives promoting the works of Ryszard Kapuściński among pupils of Warsaw schools. For 14 years now, the "Gazeta Wyborcza" weekly magazine "Co Jest Grane 24" has been organizing the Warsaw cultural awards "**Wdechy**". Warsaw also hosts two major cultural and musical events: **Co Jest Grane Festival** in the summer and **European Music Fair Co Jest Grane 24** in the autumn. Olsztyn hosts the **Olsztyn Green Festival**. The Agora Group's activities also include promotion of Polish cinema. **Kultura Dostępna w Kinach** (Culture Available in Cinemas) is part of a multi-annual program organized by the National Cultural Centre and the Ministry of Culture and National Heritage throughout the country. Owing to the series, a wide audience can get acquainted with Polish film art. In 2017, nearly 2.2 thousand screenings of almost 50 Polish films were held in the Helios cinema network as part of the series. For 18 years now, AMS has been inviting young graphic designers to create posters focusing on social issues. The **AMS Poster Gallery** is probably the largest competition of this type in Poland. In 2017, the participants submitted nearly 500 projects on the subject "Rzeczpospolita = Rzecz wspólna". The winning works can be viewed for a year on AMS citylights all over Poland. New cultural initiatives of AMS included activities related to the promotion of Polish literature, which is why special thematic bus stops: "**Przystanek: Literatura"** and **"Przystanek: Wyspiański"** were created. In 2017, "Gazeta Wyborcza" also initiated regular meetings with artists who are talked about and the works that are to be experienced. About 3 thousand people took part in 6 meetings under the slogan **Centrum Premier Czerska 8/10,** while several thousand people watched the broadcasts at Wyborcza.pl and social media. The list of guest included, among others: Agnieszka Holland, Olga Tokarczuk, Elżbieta Dzikowska, Martyna Wojciechowska, Marek Kamiński, Aleksander Doba, Krystyna Janda, creators of the movie "Loving Vincent", and Dan Brown. 2017 saw the first edition of the **Akademia Opowieści** (Academy of Stories) project, whose aim was to encourage the readers of "Gazeta Wyborcza" to describe the most important character in their lives. The initiative of reporters associated with "Duży Format" and the "Brama Grodzka – Teatr NN" Centre included meetings and workshops held in 12 Polish cities. They were accompanied by articles and materials published in "Duży Format" and on Wyborcza.pl/akademiaopowiesci, as well as a competition and a conference summarising the results. In the contest entitled "The most important person in my life", the readers sent 1655 stories about people who were important, but not widely known.

The last of the pillars of Agora's social activities are **charitable initiatives**, in which the Company's employees are also involved. Examples include the long-term involvement of "Gazeta Wyborcza" in **charity campaigns on Children's Day**, as well as activities undertaken as part of **Fabryka świętego Mikołaja** in Wroclaw and **Krzesło dla ISKIERKI** initiative in Katowice. In addition, as a part of creating equal opportunities, the Agora Foundation and the Academy for the Development of Philanthropy have been running **Agrafka Agory** program for many years. Employees, readers, listeners, viewers and customers of the Agora Group engage in auctions and fundraising for the benefit of **Wielka Orkiestra Świątecznej Pomocy, WOŚP** (The Great Orchestra of Christmas Charity). In 2017, a total of over PLN 22 thousand was collected and "Gazeta Wyborcza" was the media patron of the 25th Final of WOŚP. The local editorial offices of the daily newspaper and the Helios cinemas helped raising money for the initiative and hosted local WOŚP headquarters. Auctions were organized by Radio TOK FM, Gazeta.pl portal, Radio Złote Przeboje and Helios cinema network. In 2017, Agora Group radio stations also became involved in a special charity campaign "**Odbudowujemy wieś Wysoka Zaborska"** (We are rebuilding the village of Wysoka Zaborska), aimed at helping those who suffered in the August storm. In total, PLN 282 thousand was collected for the benefit of affected families, and PLN 15 thousand was transferred to the account of the Brusy Commune from the sale of a special advertising block. The Agora Radio Group also funded a housing container for one of the most affected families.

Employees' involvement in various pro bono activities is an illustration of the Company's priority approach to social issues. As part of the "Finished – Let's swap" campaign, the books donated by the employees are distributed among others to the single mother's homes and hospitals. In 2017 Agora's employees took part in an unpaid blood donation campaign in which 5 litres of blood were collected. They also participated in the "Recycling of kindness" poll, in which they chose an organization to which the Company transferred funds from the sale of the paper archive of "Gazeta Wyborcza".

The initiatives and projects implemented in the area of social involvement fully reflect the objectives set out in the **Social and sponsoring activities policy at Agora Group**: education, individual and social development, shaping civic attitudes and caring for human rights, promotion of culture and universal access to it, promotion of health and healthy lifestyle, care for the natural environment and other aspects of charity and support activities.

In Agora's opinion, the implementation of the **Social and sponsoring activities policy** is consistent with the interests of the Company and its stakeholders, including shareholders, as it creates goodwill, contributes to social development and reflects the Company's responsibility for its impact on the environment.

VII. MANAGEMENT BOARD'S REPRESENTATIONS

1. REPRESENTATION CONCERNING ACCOUNTING POLICIES

Management Board of Agora confirms that, to the best knowledge, the annual 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 results of the Issuer's Capital Group for the period.

The Management Discussion and Analysis of Group's business activities shows true view of the state of affairs of the Issuer's Capital Group, including evaluation of risks and dangers.

2. REPRESENTATION CONCERNING ELECTION OF THE COMPANY'S AUDITOR FOR THE ANNUAL AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Management Board of Agora confirms that the Company's auditor chosen the audit of annual consolidated financial statements has been elected according to applicable rules and that the company auditing Agora's accounts as well as certified auditors engaged in the audit of this financial statements met objectives to present an objective and independent opinion about an audited annual consolidated financial statements in accordance with legal regulations and professional rules.

3. NON-FINANCIAL REPORTING

Fulfilling the requirements of Accounting Act the Company presents separate consolidated and non-consolidated report of Agora S.A. and the Agora Group regarding non-financial reporting for 2017, prepared according to standards set out by Global Reporting Initiative (GRI G4). According to art 49b point 9 of Accounting Act both reports are available on the corporate website www.agora.pl (https://www.agora.pl/raportCSR-2017) in Polish and English.

Warsaw, 8 March 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 Kryńska-Godlewska - Member of the Management Board	*Signed on the Polish original*
Grzegorz Kania - Member of the Management Board	*Signed on the Polish original*

AGORA GROUP

Consolidated financial statements
as at 31 December 2017 and for the year ended thereon

March 8, 2018

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(all amounts in PLN thousands unless otherwise indicated) translation only

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2017

	Note	31 December 2017	31 December 2016
Assets			
Non-current assests:			
Intangible assets	3	437,942	462,781
Property, plant and equipment	4	513,965	627,510
Long-term financial assets	5	83	83
Investments in equity accounted investees	6	7,847	21,417
Receivables and prepayments	7	14,937	14,287
Deferred tax assets	15	16,537	13,374
		991,311	**1,139,452**
Current assets:			
Inventories	8	34,792	33,829
Accounts receivable and prepayments	9	243,806	254,354
Income tax receivable		200	836
Short-term securities and other financial assets	10	92,834	80,032
Cash and cash equivalents	11	19,198	50,197
		390,830	**419,248**
Non-current assets held for sale	4	13,747	10,682
		404,577	**429,930**
Total assets		**1,395,888**	**1,569,382**

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

(all amounts in PLN thousands unless otherwise indicated) translation only

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2017 (CONTINUED)

	Note	31 December 2017	31 December 2016
Equity and liabilities			
Equity attributable to equity holders of the parent:			
Share capital	12	47,665	47,665
Treasury shares	12	(21,744)	-
Share premium		147,192	147,192
Retained earnings and other reserves	13	822,505	902,266
		995,618	**1,097,123**
Non-controlling interest		**19,065**	**20,195**
Total equity		**1,014,683**	**1,117,318**
Non-current liabilities:			
Deferred tax liabilities	15	12,328	23,768
Long-term borrowings	14	56,108	71,931
Other financial liabilities	16	30,605	24,707
Retirement severance provision	17	2,804	2,745
Provisions	18	539	696
Deferred revenues and accruals	19	3,985	4,542
		106,369	**128,389**
Current liabilities:			
Retirement severance provision	17	298	228
Trade and other payables	20	140,381	160,881
Income tax liabilities		7,039	14,114
Short-term borrowings	14	29,169	38,988
Other financial liabilities	16	-	9,818
Provisions	18	3,296	7,541
Deferred revenues and accruals	19	94,653	92,105
		274,836	**323,675**
Total equity and liabilities		**1,395,888**	**1,569,382**

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

(all amounts in PLN thousands unless otherwise indicated) translation only

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017	2016
Revenue	21	1,165,479	1,198,432
Cost of sales	22	(814,665)	(849,236)
Gross profit		**350,814**	**349,196**
Selling expenses	22	(206,142)	(226,123)
Administrative expenses	22	(131,440)	(125,186)
Other operating income	23	14,334	29,841
Other operating expenses	24	(100,602)	(11,046)
Operating profit/(loss)		**(73,036)**	**16,682**
Finance income	28	13,386	3,653
Finance cost	29	(10,839)	(18,671)
Share of results of equity accounted investees		(4,727)	(1,469)
Profit/(loss) before income taxes		**(75,216)**	**195**
Income tax expense	30	(4,077)	(13,379)
Net loss for the period		**(79,293)**	**(13,184)**
Attributable to:			
Equity holders of the parent		(83,541)	(16,637)
Non-controlling interest		4,248	3,453
		(79,293)	**(13,184)**
Basic/diluted earnings per share (in PLN)	31	**(1.76)**	**(0.35)**

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

(all amounts in PLN thousands unless otherwise indicated) translation only

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
Net loss for the period	**(79,293)**	**(13,184)**
Other comprehensive income/(loss):		
Items that will not be reclassified to profit or loss		
Actuarial gains/(losses) on defined benefit plans	264	(3)
Income tax effect	(51)	1
	213	(2)
Items that will be reclassified to profit or loss		
Other comprehensive income/(loss) for the period	**213**	**(2)**
Total comprehensive income/(loss) for the period	**(79,080)**	**(13,186)**
Attributable to:		
Shareholders of the parent	(83,327)	(16,639)
Non-controlling interests	4,247	3,453
	(79,080)	**(13,186)**

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

(all amounts in PLN thousands unless otherwise indicated) translation only

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Equity attributable to equity holders of the parent						
	Share capital	Treasury shares	Share premium	Retained earnings and other reserves	**Total**	**Non-controlling interest**	**Total equity**
Twelve months ended 31 December 2017							
As at 31 December 2016	**47,665**	**-**	**147,192**	**902,266**	**1,097,123**	**20,195**	**1,117,318**
Total comprehensive income for the period							
Net profit/(loss) for the period	-	-	-	(83,541)	(83,541)	4,248	(79,293)
Other comprehensive income	-	-	-	214	214	(1)	213
Total comprehensive income for the period	**-**	**-**	**-**	**(83,327)**	**(83,327)**	**4,247**	**(79,080)**
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Equity-settled share-based payments (note 27)	-	-	-	-	-	604	604
Dividends of subsidiaries	-	-	-	-	-	(2,534)	(2,534)
Repurchase of own shares (note 12)	-	(21,744)	-	-	(21,744)	-	(21,744)
Total contributions by and distribtutions to owners	**-**	**(21,744)**	**-**	**-**	**(21,744)**	**(1,930)**	**(23,674)**
Changes in ownership interests in subsidiaries							
Acquisition of non-controlling interests	-	-	-	3,579	3,579	(3,579)	-
Additional contribution of non-controlling shareholder	-	-	-	(13)	(13)	97	84
Sale of a subsidiary (32)	-	-	-	-	-	35	35
Total changes in ownership interests in subsidiaries	**-**	**-**	**-**	**3,566**	**3,566**	**(3,447)**	**119**
Total transactions with owners	-	(21,744)	-	3,566	(18,178)	(5,377)	(23,555)
As at 31 December 2017	**47,665**	**(21,744)**	**147,192**	**822,505**	**995,618**	**19,065**	**1,014,683**

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

(all amounts in PLN thousands unless otherwise indicated) translation only

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

	Equity attributable to equity holders of the parent						
	Share capital	Treasury shares	Share premium	Retained earnings and other reserves	**Total**	**Non-controlling interest**	**Total equity**
Twelve months ended 31 December 2016							
As at 31 December 2015	**47,665**	**-**	**147,192**	**958,629**	**1,153,486**	**16,699**	**1,170,185**
Total comprehensive income for the period							
Net profit/(loss) for the period	-	-	-	(16,637)	(16,637)	3,453	(13,184)
Other comprehensive income	-	-	-	(2)	(2)	-	(2)
Total comprehensive income for the period	**-**	**-**	**-**	**(16,639)**	**(16,639)**	**3,453**	**(13,186)**
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Dividends declared	-	-	-	(35,749)	(35,749)	-	(35,749)
Dividends of subsidiaries	-	-	-	-	-	(852)	(852)
Total contributions by and distribtutions to owners	**-**	**-**	**-**	**(35,749)**	**(35,749)**	**(852)**	**(36,601)**
Changes in ownership interests in subsidiaries							
Acquisition of non-controlling interests	-	-	-	822	822	(1,240)	(418)
Acquistion of a subsidiary	-	-	-	-	-	2,035	2,035
Recognition of put option granted to non-controlling interests	-	-	-	(1,760)	(1,760)	-	(1,760)
Additional contribution of non-controlling shareholder	-	-	-	(98)	(98)	100	2
Other	-	-	-	(2,939)	(2,939)	-	(2,939)
Total changes in ownership interests in subsidiaries	**-**	**-**	**-**	**(3,975)**	**(3,975)**	**895**	**(3,080)**
Total transactions with owners	-	-	-	(39,724)	(39,724)	43	(39,681)
As at 31 December 2016	**47,665**	**-**	**147,192**	**902,266**	**1,097,123**	**20,195**	**1,117,318**

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

(all amounts in PLN thousands unless otherwise indicated) translation only

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017	2016
Cash flows from operating activities			
Profit/(loss) before income taxes		**(75,216)**	**195**
Adjustments for:			
Share of results of equity accounted investees		4,727	1,469
Depreciation of property, plant and equipment		80,523	77,857
Amortization of intangible assets		22,484	20,331
Foreign exchange (gain) /loss		-	33
Interest, net		3,017	3,270
(Profit) / loss on investing activities		74,965	(6,362)
Purchase of programming assets		-	(3,012)
(Decrease) / increase in provisions		(4,273)	5,519
(Increase) / decrease in inventories		(963)	(4,797)
(Increase) / decrease in receivables and prepayments		3,095	25,246
(Decrease) / increase in payables		(21,450)	(6,634)
(Decrease) / increase in deferred revenues and accruals		2,430	(3,801)
(Profit) / loss on disposal/acquisition of subsidiary	32	129	(7,169)
Remeasurement of put options	34	5,898	7,136
Other adjustments		1,613	10
Cash generated from operations		**96,979**	**109,291**
Income taxes paid		(19,717)	(12,297)
Net cash from operating activities		**77,262**	**96,994**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and intangibles		24,077	26,403
Disposal of subsidiaries (net of cash disposed), associates and jointly controlled entities	32	18,987	3,896
Dividends received		-	360
Loan repayment received		1,040	3,600
Interest received		1,142	1,251
Disposal of short-term securities		124,702	141,478
Other inflows (1)		-	18,645
Purchase of property, plant and equipment and intangibles		(70,016)	(88,920)
Acquisition of subsidiary (net of cash acquired), associates and jointly controlled entities		-	(6,204)
Acquisition of short-term securities		(141,000)	(129,000)
Loans granted		(164)	(200)
Net cash used in investing activities		**(41,232)**	**(28,691)**

(all amounts in PLN thousands unless otherwise indicated) translation only

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

	Note	2017	2016
Cash flows from financing activities			
Proceeds from borrowings		32,412	37,675
Proceeds from cash pooling		-	6,645
Other inflows		84	248
Repurchase of own shares		(21,744)	-
Acquisition of non-controlling interest		(3,185)	(5,486)
Dividends paid to equity holders of the parent		-	(35,749)
Dividends paid to non-controlling shareholders		(2,534)	(852)
Repayment of borrowings		(41,723)	(29,805)
Outflows from cash pooling		(9,804)	-
Payment of finance lease liabilities		(16,506)	(17,541)
Interest paid		(3,321)	(3,755)
Other		(708)	(649)
Net cash used in financing activities		**(67,029)**	**(49,269)**
Net increase (decrease) in cash and cash equivalents		**(30,999)**	**19,034**
Cash and cash equivalents			
At start of period		50,197	31,163
At end of period		19,198	50,197

(1) other inflows in 2016 relate to the return of cash deposits provided to the bank by AMS S.A. as a cash collateral securing the concession contract for construction and utilization of bus shelters in Warsaw and cash paid by the Company in connection with the subscriptions for shares of Stopklatka S.A., which was returned to Agora S.A. on January 21, 2016.

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

(all amounts in PLN thousands unless otherwise indicated) translation only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017 AND FOR THE YEAR ENDED THEREON

1. GENERAL INFORMATION

(a) Core business activity

Agora S.A. with its registered seat in Warsaw, Czerska 8/10 street ("the Company") principally conducts publishing activity (including *Gazeta Wyborcza*, magazines, periodicals and books) and carries out internet activity. Additionally, the Agora Group ("the Group") is active in the cinema segment through its subsidiary Helios S.A. and in the outdoor segment through its subsidiary AMS S.A. Moreover, the Group controls 4 radio broadcasting companies and offers printing services for external clients in printing houses belonging to the Company and to its subsidiary Agora Poligrafia Sp. z o.o. The Group also engages in projects related to production and co-production of movies through its subsidiaries Next Film Sp. z o.o. and is present in TV segment by holding shares in Stopklatka S.A. On September 1, 2017 Agora S.A. sold its shares in Green Content Sp. z o.o., which started broadcasting METRO TV programme on December 2, 2016.

As at 31 December 2017 the Agora Group ("the Group") comprised: the parent company Agora S.A. and 16 subsidiaries. Additionally, the Group held shares in 2 jointly controlled entities: Stopklatka S.A. and Online Technologies HR Sp. z o.o. and in 2 associates: Instytut Badan Outdooru IBO Sp. z o.o. and Hash.fm Sp. z o.o.

The Group carries out activity in all major cities of Poland.

(b) Registered Office

Czerska 8/10 Street
00-732 Warsaw

(c) Registration of the Company in the National Court Register

Seat of the court:	Regional Court in Warszawa, XIII Commercial Department
Registration number:	KRS 0000059944

(d) Tax Office and Provincial Statistical Office registration of the Company

NIP:	526-030-56-44
REGON:	011559486

(e) Management Board

During the period reported in the consolidated financial statements, the Management Board of Agora S.A. comprised the following members:

Bartosz Hojka	President	for the whole year
Grzegorz Kossakowski	Member	till 5 September 2017
Tomasz Jagiello	Member	for the whole year
Robert Musial	Member	till 28 February 2017
Agnieszka Sadowska	Member	from 1 March 2017
Anna Krynska-Godlewska	Member	from 8 November 2017
Grzegorz Kania	Member	from 8 November 2017

(f) Supervisory Board

The Supervisory Board of the Company comprised the following members:

Andrzej Szlezak	Chairman	for the whole year
Tomasz Sielicki	Member	for the whole year
Wanda Rapaczynski	Member	for the whole year
Dariusz Formela	Member	for the whole year
Andrzej Dobosz	Member	for the whole year
Anna Krynska –Godlewska	Member	till 8 November 2017
Maciej Wisniewski	Member	from 9 November 2017

(g) Information about the financial statements

The consolidated financial statements were authorised for issue by the Management Board on 8 March 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) aplicable to financial reporting, adopted by the European Union.

Information about standards and interpretations, which were published and become effective after the balance sheet date, including those awaiting endorsement by the European Union, is presented in point (ae).

(b) Basis of preparation

The consolidated financial statements are presented in PLN thousands. Polish zloty is functional currency of parent company and its subsidiaries, associates and joint-ventures. All amounts (unless otherwise indicated) are recalculated and rounded to nearest thousand. The consolidated financial statements are prepared on the historical cost basis except that financial instruments are stated at their fair value.

The consolidated financial statements of the Group were prepared with the assumption that the Company and its Group would continue their business activities in the foreseeable future. There are no threats that would prevent the Company or the Group from continuing their business operations.

The accounting policies were applied consistently by Group entities.

In the preparation of these consolidated financial statements, the Group has followed the same accounting policies as used in the Consolidated Financial Statements as at 31 December 2016, except for the changes connected with IFRSs described below.

For the Group's financial statements for the year started with January 1, 2017 the following amendments to existing standards, which were endorsed by the European Union, are effective:

1) Amendments to IAS 7 *Statement of Cash Flows - Disclosure initiative;*
2) Amendments to IAS 12 *Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses.*

The application of the amendments to IAS 7 resulted in additional disclosures for the changes in liabilities arising from financing activities as presented in note 34 p.5.

(c) Basis of consolidation

(i) Subsidiaries

Subsidiaries are those entities, which are controlled by the Group. Control exists when the Group due to its involvement in an investee is exposed, or has rights, to variable returns and has the ability to affect those returns through its power over the investee. The Group has power over an investee when the Group has existing rights that give it the current ability to direct the relevant activities, ie the activities that significantly affect the investee's returns.

The acquitision method of accounting is applied to account for the acquisition of subsidiaries by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date when control commences until the date that control ceases to exist. Contingent consideration is initially recognised at the acquisition date fair value. Subsequent changes in the value of the contingent payment liability is recognised through the income statement Changes in a parent`s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(ii) Joint ventures and associates

An associate is that entity in which the Group has significant influence, but not control. Joint venture is an entity which is jointly controlled by the Group and other shareholders on the basis of a statute, company's act or other agreement. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates and joint ventures from the date that significant influence or joint control commences until the date that significant influence or joint control ceases to exist. The investments in associates and joint ventures are accounted for using the equity method. An interest in a joint venture or associate is initially recorded at cost and adjusted thereafter for the post-acquistion change in the Group's share of net assets of the joint venture or associate. When the Group's share of losses exceeds the carrying amount of the investment, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate or joint venture.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains and losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains or losses arising from transactions with associates and joint ventures are eliminated to the extent of the Group's interest in the entity. Unrealised gains or losses arising from transactions with associates are eliminated against the investment in the associate and the joint venture.

(iv) Put options granted to non-controlling interests

When an agreement signed by the Group with non-controlling shareholders grants a conditional put option for the shares, which they possess and the put option granted meets the definition of a financial liability under *IAS 32 Financial Instruments: Presentation* and at the same time, the non-controlling shareholders holding put options have retained their rights to the economic benefits associated with the underlying shares, the Group recognises the financial liability in the consolidated balance sheet (line item: other financial liabilities) equal to the estimated, discounted redemption amount of the put option and decreases other reserves (line item in the consolidated balance sheet : Retained earnings and other reserves). Subsequent changes in the value of the liability are recognised through the income statement.

(d) Property, plant and equipment

Items of property, plant and equipment are stated at historical cost or cost incurred for their manufacture, development or modernization, less accumulated depreciation and impairment losses, if any (see accounting policy from point w).

The cost of property, plant and equipment comprises costs incurred in their purchase or development and modernisation and includes capitalised borrowing costs.

Depreciation is calculated on the straight line basis over the estimated useful life of each asset. Estimated useful life of property, plant and equipment, by significant class of asset, is usually as follows:

Perpetual leasehold of land	86 - 97 years
Buildings	3 - 40 years
Plant and machinery	2 - 20 years
Motor vehicles	3 - 8 years
Other equipment	2 - 20 years

Land is not depreciated.

Repairs and renewals are charged to the income statement when the expenditure is incurred; in other cases are capitalised.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(e) Intangible assets

Goodwill arising on an acquisition represents the excess of the cost of the acquisition over the fair value of the net identifiable assets acquired. Goodwill is stated at cost less impairment losses, if any (see accounting policy w). Goodwill is tested annually for impairment or more often if there are indications of impairment.

In respect of associates and joint-ventures accounted for the equity method, the carrying amount of goodwill is included in the carrying amount of the investment in the associate and the joint-venture.

Other intangible assets, except for the acquired magazine titles, that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses, if any (see accounting policy w).

Other intangibles are depreciated using the straight line method over the estimated useful life of each asset, except for some special projects related to distribution and co-operation rights for movies and computer games, in case of which the consumption of economic benefits may significantly differ from the straight line approach and the pattern of consumption of economic benefits in particular periods can be reliably determined based on generated revenue and it can be demonstrated that revenue and the consumption of economic benefits of the intangible asset are highly correlated.

Estimated useful lives of intangible assets (apart from acquired magazine titles) are usually between 2 and 20 years.

Acquired magazine titles have indefinite useful lives and are not amortised. Their market position and lack of legal and market barriers for their publishing determined such qualification. Instead they are tested annually for impairment or more often if there are indications of impairment (see accounting policy w).

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Internally generated intangible assets comprise expenditure related to developing computer software and internet applications, including costs of employee benefits, which can be directly allocated to the development phase of an internal project. During the development phase and after its completion the internally generated intangible assets are assessed whether there are indications of impairment according to the accounting policy described in point w.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, cash in transit and demand deposits.

(g) Derivative financial instruments

Derivative financial instruments are recognized initially and subsequently measured at fair value. The Group does not apply hedge accounting and any gain or loss relating to the change in the fair value of the derivative financial instrument is recognized in the income statement.

Upon signing an agreement that includes derivative financial instruments embedded, the Group assesses whether the economic characteristics of the embedded derivative instrument are closely related to the economic characteristics of the financial instrument ("host contract") and whether the agreement that embodies both the embedded derivative instrument and the host contract is currently measured at fair value with changes in fair value reported in earnings, and whether a separate instrument with the same terms as the embedded instrument would meet the definition of a derivative instrument. Derivatives embedded in foreign currency non-financial instrument contracts are not separated from the host contracts if these contracts are in currencies which are commonly used in the economic environment in which transactions take place. If the embedded derivative instrument is determined not to be closely related to the host contract and the embedded derivative instrument would qualify as a derivative instrument, the embedded derivative instrument is separated from the host contract and valued at fair value with changes recorded in the income statement.

(h) Loans

Loans originated by the Group are financial assets created by the Group providing money, goods, or services to a debtor, other than those created with the intent to be sold in the short-term. Loans originated by the Group comprise loans provided to associate entities, other non-consolidated entities and loans originating on the buy-sell back treasury bonds transactions. Originated loans are carried at amortized cost, less impairment losses recognised. At the end of each reporting period, the Group assesses, whether there is objective evidence of impairment of financial assets. An impairment loss is calculated as the difference between the asset`s carrying amount and the present value of the estimated future cash flows discounted with the effective interest rate. Changes in impairment losses are recognized in profit or loss. Accrued interest is included in net profit or loss for the period in which it arises.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are those that the Group principally holds for the purpose of short-term profit taking. Subsequent to initial recognition (at which date available-for-sale financial assets are stated at cost), all available-for-sale financial assets are measured at fair value. Financial gains or losses on financial assets are recognised in net profit or loss for the period.

(j) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories of financial assets. Subsequent to initial recognition (at which date available-for-sale financial assets are stated at cost), all available-for-sale financial assets are measured at fair value. Unrealised gains or losses of available-for-sale financial assets are recognised in equity. For interest-bearing financial assets interest is calculated using the effective interest method and is recognised in the income statement.

(k) Derecognition of financial instruments

Financial assets are derecognised, when the contractual rights to the cash flows from the financial asset have expired or the Group has transferred the contractual rights to the cash flows to a third party and simultaneously transferred substantially all the risks and rewards of ownership of the asset.

The financial liabilities are removed from the balance sheet, when the obligation specified in the contract is discharged, cancelled or has expired.

(l) Foreign currency

Functional and presentation currency for Agora S.A., its subsidiaries and associates is Polish zloty. Foreign currency transactions are translated at the foreign exchange rates prevailing at the date of the transactions using:

- the purchase or selling rate of the bank whose services are used by the Group entity – in case of foreign currency sales or purchase transactions, as well as of the debt or liability payment transactions,
- the average rate specified for a given currency by the National Bank of Poland as on the preceding date before that date – in case of other transactions.

Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised as financial income or expense in the consolidated income statement. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to PLN at the foreign exchange rate set by the National Bank of Poland ruling for that date.

(m) Receivables

Trade and other receivables are stated at amortised cost less impairment losses. The Group recognises impairment losses for receivables in dispute and doubtful debts. The losses are charged to other operating or financial costs depending on the nature of the amount that was provided for.

(n) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimate of the selling price in the ordinary course of business, less VAT, discounts and the costs of completion and selling expenses. Inventories comprise goods for resale, materials, finished goods and work in progress, including production cost of own movies.

Cost is determined by specific identification of their individual costs for paints and paper and by the first-in, first-out (FIFO) method for other materials, goods for resale and finished goods.

(o) Equity

(i) Share capital

The share capital of the parent company is also the share capital of the Group and is presented at the nominal value of registered stock, in accordance with the parent company's statute and commercial registration.

(ii) Treasury shares purchased for their redemption.

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity.

(iii) Share premium

The share premium is a capital reserve arising on the Group's initial public offering ("IPO") during 1999 and is presented net of the IPO costs, decreased by the tax shield on the costs.

(iv) Retained earnings and other reserves

Retained earnings represent accumulated net profits / losses, including reserve capital accumulated from prior years profits. Other reserves include also the equivalent of costs of share-based payments recognised in accordance with IFRS 2 in relation to the share incentive plans based on Agora S.A.'s shares, which ended in the first half of 2013, the initial recognition of put options granted to the non-controlling shareholders and actuarial gains and losses on defined benefit plans recognised in accordance with the policy described in point (r).

(p) Income taxes and deferred income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax expense is calculated according to tax regulations.

Deferred income tax is provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, and for tax losses carried forward, except for:

(i) the initial recognition of assets or liabilities that in a transaction which is not a business combination and at the time of the transaction affect neither accounting nor taxable profit and

(ii) differences relating to investments in subsidiaries and associates to the extent the parent is able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

The principal temporary differences arise on depreciation of property, plant and equipment and various transactions not considered to be taxable or tax-deductible until settlement. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. At each balance sheet date deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Group set off for the presentation proposes deferred income tax assets against deferred income tax liabilities at the companies' level.

(q) Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

(r) Retirement severance provision

The Group makes contributions to the Government's retirement benefit scheme. The state plan is funded on a pay-as-you-go basis, i.e. the Group is obliged to pay the contributions as they fall due and if the Group ceases to employ members of the state plan, it will have no obligation to pay any additional benefits. The state plan is defined contribution plan. The expense for the contributions is charged to the income statement in the period to which they relate.

Employees of the Group are entitled to retirement severance payment which is paid out on the non-recurrent basis at the moment of retiring. The amount of payment is defined in the labour law. The Group does not exclude assets that might serve in the future as a source of settling liabilities resulting from retirement payments. The Group creates provision for future liabilities in order to allocate costs to the periods they relate to. The Group's obligation in respect of retirement severance provision is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The amount of the liability is calculated by actuary and is based on forecasted individual's entitlements method. Changes in the value of the liability are recognized in profit or loss, except for actuarial gains and losses, which are recognized in other comprehensive income.

(s) Interest-bearing borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method.

(t) Grants related to property, plant and equipment or intangible assets

Grants received for the financing of acquisition or construction of property, plant and equipment or intangible assets are recognized, when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching thereto. The grants are initially recognised at fair value as deferred income and credited to the income statement as other operating income on a systematic basis over the useful life of the respective assets.

(u) Trade and other payables

Trade and other payables are stated at amortised cost.

(v) Revenue recognition

Sales revenue comprises revenue earned (net of value added tax (VAT), returns, discounts and allowances) from the provision of services or goods to third parties.

(i) Sale of goods

Revenues are recognised when the significant risk and rewards of ownership have been transferred to the buyer and the amount can be measured reliably.

(ii) Sale of services

Revenue from sales of advertising services is recognized as services are provided.

(iii) Interest income

Revenue is recognised as the interest accrues (using the effective interest method).

(iv) Dividend income

Dividend income is recognised when the right to receive payment is established.

(w) Impairment losses

The carrying amount of the Group's assets, other than inventories (see accounting policy n), and deferred tax assets (see accounting policy p) for which other procedures should be applied, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amount is estimated (the higher of net selling price and value in use). The value in use is assumed to be a present value of discounted future economic benefits which will be generated by the assets.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement.

At each balance sheet date the Group reviews recognised impairment losses whether there is any indication showing that some of the recognised impairment losses should be reversed. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversal on an impairment loss is recognised in the income statement.

An impairment loss for goodwill is not reversed.

(x) Operating lease payments

Leases which do not transfer substantially all the risks and rewards incidental to ownership are classified as operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

(y) Finance lease

Leases which transfer substantially all the risks and rewards incidental to ownership of the leased item are classified as finance leases. Assets acquired under finance lease agreements are initially recognised at the fair value or, if lower, the present value of the minimum lease payments. The initial value is then depreciated and diminished by any impairment charges. If there is no reasonable certainty that the lessee will obtain the ownership by the end of the lease term, the leased asset is fully depreciated over its useful life, but no longer than the lease term. In other cases the depreciation policy is consistent with that for depreciable assets as described in point (d).

Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is calculated using constant internal rate of return and is recognised as an expense during the lease period.

(z) Borrowing costs

Interest and other costs of borrowing are recorded in the income statement using effective interest rate in the period to which they relate, unless directly related to investments in qualifying assets, which require a substnatial period of time to get ready for its intended use or sale, in which case they are capitalised.

(aa) Share-based payments

Within the Agora Group there are incentive plans carried out, which are accounted for in accordance with IFRS 2 *Share-based payments.* In the Incentive Plan for Management Board members of the Company described in note 27 one of the components (based on share price appreciation) is accounted for as a cash-settled share-based payment. In this plan, members of the Management Board of the Company are entitled to a reward based on the realization of the Target of Share Price Rise. The value of the provision for the cost of the reward concerning the realization of the Target of Share Price Rise, is estimated on the basis of the Binomial Option Price Model (Cox, Ross, Rubinstein model), which takes into account – inter alia – actual share price of the Company (as at the balance sheet date of the current financial statements) and volatility of the share price of Company during the last 12 months preceding the balance sheet date. The value is charged to the staff costs in Income Statement in proportion to the full period of the Plan with a corresponding figure recognised within accruals. The changes in the value of this accrual are included in staff costs.

More over, starting from the third quarter 2017, the eligible employees of a subsidiary Yieldbird Sp. z o.o. participate in an equity-settled incentive program. On the basis of the plan, the eligible employees are entitled to receive shares in the company The fair value of shares was determined at the grant date and is recognised in staff costs over the vesting period with a corresponding increase in Group equity allocated to non-controlling interests.

(ab) Dividend distribution

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

(ac) Related parties

For the purposes of these financial statements, related parties comprise significant shareholders, subsidiaries, associates, joint ventures and members of the Management and Supervisory Boards of the parent and group entities and their immediate family, and entities under their control.

(ad) Accounting for tax exemption in Special Economic Zone (SEZ)

The Group's subsidiary (Agora Poligrafia Sp. z o.o.) operated in a Special Economic Zone till 8 August 2016. Income from activities in SEZ was exempt from taxation up to the amount defined by SEZ regulations. The tax exemption was recognised in the Group's income statement in the period to which it relates. Future tax benefits relating to tax exemption were treated as an investment relief and recognised, by analogy, based on the provisions of IAS 12, as deferred tax assets (as described in point p).

(ae) New accounting standards and interpretations of International Financial Reporting Interpretations Committee (IFRIC)

The Group did not early applied new standards and interpretations, which were published and endorsed by the European Union or which will be endorsed in the nearest future and which become effective after the balance sheet date.

Standards and interpretations endorsed by the European Union:

1) IFRS 15 *Revenue from Contracts with Customers* (effective for annual periods beginning on or after January 1, 2018 or later)

The Standard provides a framework that replaces existing revenue recognition guidance in IFRS. Under the new standard, entities will apply a five-step model to determine when to recognize revenue, and at what amount. The model specifies that revenue should be recognized when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that depicts the entity's performance or at a point in time, when control of the goods or services is transferred to the customer. The Standard includes new qualitative and quantitative disclosure requirements to enable financial statements users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group conducted the processs of assessing the impact that the application of the main provisions of the new standard may have on the consolidated financial statements, in particular in relation to multiple-element arrangements, licence agreements, customer bonuses and services provided with the engagement of subcontractors. On the basis of the analysis, the Group assesses that the initial application of the standard will have no material impact on the timing or amount of revenue recognised in the financial statements. At the same time, the Group assesses, that the new standard will influence the presentation of selected balance sheet line items and will increase disclosures in financial statements as required by the standard. In case of balance sheet, there will be a change in presentation of returns provision, which will be reclassified from the line item "Accounts receivable and prepayments" to the line item „Trade and other payables". In the current accounting policy the returns provision (at the amount of PLN 9,795 thousand as at 31 December 2017) decreases the carrying value of trade receivables. The above change will increase the balance sheet total. Additionally, the Group plans to reclassify the accruals balance from the line item „Deferred revenues and accruals" to the line item „Trade and other payables". After implementation of the standard the current line item „Deferred revenues and accruals" will comprise only deferred revenue resulting from contracts with customers. The above change will impact only the presentation of line items within liabilities and will not impact the balance sheet total. The approximate range of this change results from the amounts disclosed in note 19 to the consolidated financial statements.

2) IFRS 9 *Financial Instruments (2014)* (effective for annual periods beginning on or after January 1, 2018 or later).

The new standard replaces the guidance included in IAS 39 *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets, including a model for calculating impairment losses. One of significant changes relates to the changes in classification categories of financial assets. On initial recognition, financial assets will be classified into one of three categories:

- financial assets measured at amortized cost;

- financial assets measured at fair value through profit or loss; or

- financial assets measured at fair value through other comprehensive income (OCI).

The standard retains almost all of the existing requirements from IAS 39 on the classification and measurement of financial liabilities and for derecognition of financial assets and financial liabilities. In respect of the financial assets impairment requirements, IFRS 9 replaces the "incurred loss" impairment model in IAS 39 with an "expected credit loss" model. Under the new approach, it will no longer be necessary for a loss event to occur before an impairment allowance is recognized.

In case of IFRS 9, the Group assesses that the application of the new guidance will have no material impact on the methods of measurement of financial instruments. In particular, the Group does not expect any changes in classification of financial assets, which would result in a change in their measurement. In respect of credit risk assessment, the Group performed an analysis of its current methodology for calculating impairment losses of receivables, which takes into account a specific loss component and a collective loss component determined on the basis of historical payment statistics, and concludes that the initial application of the standard will have no material impact on the value of receivables.

3) IFRS 16 *Leasing* (effective for annual periods beginning on or after January 1, 2019 or later)

IFRS 16 supersedes IAS 17 Leases and related interpretations. The Standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases. Bringing operating leases in balance sheet will result in recognizing a new asset – the right to use the underlying asset – and a new liability – the obligation to make lease payments. The right-of-use asset will be depreciated and the liability accrues interest. Lessor accounting shall remain largely unchanged and the distinction between operating and finance leases will be retained.

The Group has started the processs of assessing the impact that the application of the new standard may have on the consolidated financial statements. On the basis of the initial analysis, the Group assesses that a part of the operating lease contracts (including in particular the lease of office space, locations for outdoor advertising panels and Helios cinemas) may be classified as lease contracts under IFRS 16. As a result, the initial application of the standard starting on 1 January 2019, may result in increasing assets and liabilities in the balance sheet while decreasing the costs of depreciation and interest expense at the same time. However, it should be noted that the current operating lease costs are recognised on a straight line basis according to IAS 17, while the implementation of IFRS 16 will result in assets costs being recognised on a straight line basis through depreciation charges and interest costs being recognised by using the effective interest method, which will cause higher total contract costs at the beginning of the contract and diminishing charges over the contract period. In 2018 the analysis of the impact of IFRS 16 will be continued, in particular, by considering the contracts linked to future minimum operating lease payments disclosed in note 37 to the consolidated financial statements.

4) Amendments to IFRS 4 *Insurance contracts* (effective for annual periods beginning on or after January 1, 2018 or later)

The amendments provide for the scope of applying IFRS 4 after IFRS 9 becomes effective.

The amendments will have no impact on the consolidated financial statements.

5) Amendments to IFRS - *Improvements 2014-2016* (effective for annual periods beginning on or after January 1, 2018 or later, except for the changes to IFRS 12 that shall be applied for annual periods beginning on or after 1 January 2017)

Annual changes to IFRS that contain amendments to 3 standards (IFRS 1, IFRS 12 and IAS 28).

The Group does not expect, that the amendments will have material impact on the consolidated financial statements.

Standards and interpretations awaiting on endorsement by the European Union:

1) Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective for annual periods beginning on or after January 1, 2016 or later, however, the European Commission decided to defer the endorsement indefinitely)

The amendments remove the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture concerning the recognition of profit or loss on the loss of control of subsidiary and require a full gain or loss to be recognised when the assets transferred meet the definition of a business under IFRS 3 *Business Combinations.*

The amendments will have no impact on the consolidated financial statements.

2) Amendments to IFRS 2 *Share-based Payments* (effective for annual periods beginning on or after January 1, 2018 or later)

The amendments, claryfing how to account for certain types of share-based payment transactions, provide requirements on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The Group does not expect, that the amendments will have material impact on the consolidated financial statements.

3) IFRIC 22 *Foreign Currency Transactions and Advance Consideration* (effective for annual periods beginning on or after January 1, 2018 or later)

IFRIC 22 provides requirements about which exchange rate to use in reporting foreign currency transactions when payment is made or received in advance and clarifies that the transaction date is the date on which the company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

The amendments will have no impact on the consolidated financial statements. The Group already applies accounting policy consistent with these requirements.

4) Amendments to IAS 40 *Investment Property* (effective for annual periods beginning on or after January 1, 2018 or later)

The amendments provide clarification on transfers to, or from, investment properties. A transfer into, or out of investment property should be made only when there has been a change in use of the property and such a change in use would involve an assessment of whether the property qualifies as an investment property.

The amendments will have no impact on the consolidated financial statements.

5) IFRS 17 *Insurance Contracts* (effective for annual periods beginning on or after January 1, 2021 or later)

IFRS 17, which supersedes the interim standard, IFRS 4 Insurance Contracts, establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within its scope.

The amendments will have no impact on the consolidated financial statements.

6) IFRIC 23 *Uncertainty over Income Tax Treatments* (effective for annual periods beginning on or after January 1, 2019 or later)

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. If it is probable that the tax authorities will accept the uncertain tax treatment, then the tax amounts recorded in the financial statements are consistent with the tax return with no uncertainty reflected in measuring current and deferred taxes. Otherwise, the taxable income (or tax loss), tax bases and unused tax losses shall be determined in a way that better predicts the resolution of the uncertainty, using either the single most likely amount or expected value method (sum of probability weighted amounts). When assessing the probability of acceptance, an entity shall assume the tax authority will examine the position and will have full knowledge of all the relevant information.

The Group does not expect, that the amendments will have impact on the consolidated financial statements.

7) Amendments to IFRS 9 *Financial Instruments* (effective for annual periods beginning on or after January 1, 2019 or later)

The amendments allow companies to measure prepayable financial assets, with contractual terms that result in contractual cash flows that are solely payments of principal and interest on the principal amount outstanding with so-called negative compensation, at amortized cost or at fair value through other comprehensive income, instead of at fair value through profit or loss, if they meet other relevant requirements of IFRS 9.

The Group does not expect, that the amendments will have impact on the consolidated financial statements.

8) Amendments to IAS 28 *Investments in Associates and Joint Ventures* (effective for annual periods beginning on or after January 1, 2019 or later)

The amendments clarify that companies account for investments in associates or joint ventures, for which equity method is not applied, in accordance with provisions of IFRS 9 *Financial Instruments*.

The Group does not expect, that the amendments will have impact on the consolidated financial statements.

9) Amendments to IFRS - *Improvements 2015-2017* (effective for annual periods beginning on or after January 1, 2019 or later)

Annual changes to IFRS that contain amendments to 4 standards (IFRS 3, IFRS 11, IAS 12 and IAS 23).

The Group does not expect, that the amendments will have impact on the consolidated financial statements.

10) Amendments to IAS 19 *Employee Benefits* (effective for annual periods beginning on or after January 1, 2019 or later)

The amendments require that an entity uses current and updated assumptions when a change to a plan, its amendment, curtailment or settlement, takes place to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.

The Group does not expect, that the amendments will have impact on the consolidated financial statements.

(all amounts in PLN thousands unless otherwise indicated) translation only

3. INTANGIBLE ASSETS

	Magazine titles	Goodwill	Licences and patents	Other	Internally generated intangible assets	Total
Cost as at 1 January 2017	**58,380**	**382,582**	**228,826**	**40,009**	**5,733**	**715,530**
Additions	-	-	23,588	6,698	2,718	33,004
Acquisitions	-	-	20,047	5,570	-	25,617
Transfer from assets under construction	-	-	3,607	1,077	-	4,684
Internal development	-	-	-	-	2,718	2,718
Reclassifications	-	-	(66)	51	-	(15)
Disposals	(3,000)	-	(3,865)	(255)	-	(7,120)
Sale	(3,000)	-	-	-	-	(3,000)
Liquidation	-	-	(3,865)	-	-	(3,865)
Sale of subsidiary (note 32)	-	-	-	(255)	-	(255)
Cost as at 31 December 2017	**55,380**	**382,582**	**248,549**	**46,452**	**8,451**	**741,414**

(all amounts in PLN thousands unless otherwise indicated) translation only

3. INTANGIBLE ASSETS – CONT.

	Magazine titles	Goodwill	Licences and patents	Other	Internally generated intangible assets	Total
Amortisation and impairment losses as at 1 January 2017	**35,022**	**63,265**	**129,677**	**23,892**	**893**	**252,749**
Amortisation charge for the period	-	-	18,463	2,651	1,370	22,484
Impairment losses (note 40)	10,994	23,483	103	73	366	35,019
Sale	(3,000)	-	-	-	-	(3,000)
Liquidation	-	-	(3,599)	-	-	(3,599)
Reclassifications	-	-	(169)	154	-	(15)
Sale of subsidiary (note 32)	-	-	-	(166)	-	(166)
Amortisation and impairment losses as at 31 December 2017	**43,016**	**86,748**	**144,475**	**26,604**	**2,629**	**303,472**
Carrying amounts						
As at 1 January 2017	23,358	319,317	99,149	16,117	4,840	462,781
As at 31 December 2017	12,364	295,834	104,074	19,848	5,822	437,942

(all amounts in PLN thousands unless otherwise indicated) translation only

3. INTANGIBLE ASSETS – CONT.

	Magazine titles	Goodwill	Licences and patents	Programming assets	Other	Internally generated intangible assets	Total
Cost as at 1 January 2016	**58,380**	**382,582**	**217,548**	**-**	**24,056**	**-**	**682,566**
Additions	-	-	26,667	3,933	17,832	5,733	54,165
Acquisitions	-	-	20,727	3,933	72	-	24,732
Transfer from assets under construction	-	-	1,460	-	1,300	-	2,760
Internal development	-	-	-	-	-	3,865	3,865
Acquisitions through business combinations	-	-	4,480	-	16,460	-	20,940
Reclassifications	-	-	-	-	-	1,868	1,868
Disposals	-	-	(15,389)	(3,933)	(1,879)	-	(21,201)
Sale	-	-	(104)	-	-	-	(104)
Liquidation	-	-	(155)	-	(1,859)	-	(2,014)
Reclassifications	-	-	(1,550)	-	-	-	(1,550)
Sale of subsidiary	-	-	(13,580)	(3,933)	(20)	-	(17,533)
Cost as at 31 December 2016	**58,380**	**382,582**	**228,826**	**-**	**40,009**	**5,733**	**715,530**

(all amounts in PLN thousands unless otherwise indicated) translation only

3. INTANGIBLE ASSETS – CONT.

	Magazine titles	Goodwill	Licences and patents	Programming assets	Other	Internally generated intangible assets	Total
Amortisation and impairment losses as at 1 January 2016	**35 022**	**63 265**	**114 112**	**-**	**22 103**	**-**	**234 502**
Amortisation charge for the period	-	-	16 556	-	3 254	521	20 331
Impairment losses	-	-	64	-	39	57	160
Sale	-	-	(104)	-	-	-	(104)
Liquidation	-	-	(155)	-	(1 503)	-	(1 658)
Reclassifications	-	-	(315)	-	-	315	-
Sale of subsidiary	-	-	(481)	-	(1)	-	(482)
Amortisation and impairment losses as at 31 December 2016	**35 022**	**63 265**	**129 677**	**-**	**23 892**	**893**	**252 749**
Carrying amounts							
As at 1 January 2016	23 358	319 317	103 436	-	1 953	-	448 064
As at 31 December 2016	23 358	319 317	99 149	-	16 117	4 840	462 781

Amortisation of intangibles is recognised in “cost of sales”, “selling expenses” and “administrative expenses”. Impairment losses are recognised in “other operating expenses” in the income statement. Reversals of impairment losses are recognised in “other operating income” in the income statement.

Other intangibles with the book value in the amount of PLN 13 thousand (2016: PLN 60 thousand) are pledged as security for bank loans of Helios S.A.

(all amounts in PLN thousands unless otherwise indicated) translation only

4. PROPERTY, PLANT AND EQUIPMENT

	Land	Perpetual usufruct of land	Buildings	Plant, machinery and equipment	Vehicles	Other	Assets under construction	Total
Cost as at 1 January 2017	**25,480**	**13,602**	**539,404**	**864,836**	**8,077**	**211,044**	**39,826**	**1,702,269**
Additions	-	-	6,953	15,212	1,557	5,291	57,381	86,394
Acquisitions	-	-	237	7,984	1,394	557	56,150	66,322
Transfer from assets under construction	-	-	6,710	7,228	163	4,710	-	18,811
Other	-	-	6	-	-	24	1,231	1,261
Disposals	-	(160)	(8,326)	(13,698)	(1,433)	(4,428)	(58,861)	(86,907)
Sale	-	-	(1,281)	(10,976)	(1,352)	(2,017)	(34,567)	(50,193)
Liquidation	-	-	(1,236)	(2,657)	(81)	(2,411)	(289)	(6,674)
Sold with the sale of a subsidiary (note 32)	-	-	-	(5)	-	-	-	(5)
Transfer from assets under construction	-	-	-	-	-	-	(23,495)	(23,495)
Reclassification to non-current assets held for sale (note 4c)	-	(160)	(5,809)	(60)	-	-	-	(6,030)
Other	-	-	-	-	-	-	(510)	(510)
Cost as at 31 December 2017	**25,480**	**13,442**	**538,031**	**866,350**	**8,201**	**211,907**	**38,346**	**1,701,757**

(all amounts in PLN thousands unless otherwise indicated) translation only

4. PROPERTY, PLANT AND EQUIPMENT – CONT.

	Land	Perpetual usufruct of land	Buildings	Plant, machinery and equipment	Vehicles	Other	Assets under construction	Total
Depreciation and impairment losses as at 1 January 2017	**-**	**7,632**	**231,040**	**674,767**	**5,371**	**152,717**	**3,232**	**1,074,759**
Depreciation charge for the period	-	79	20,638	46,079	880	12,847	-	80,523
Impairment losses (note 40)	-	-	4,620	46,986	676	688	1,017	53,987
Reversal of impairment losses	-	-	(44)	-	-	(66)	(4)	(114)
Sale	-	-	(1,263)	(9,059)	(1,166)	(1,899)	-	(13,387)
Liquidation	-	-	(1,148)	(2,646)	(10)	(1,197)	(6)	(5,007)
Sold with the sale of a subsidiary (note 32)	-	-	-	(5)	-	-	-	(5)
Reclassification to non-current assets held for sale (note 4c)	-	(41)	(2,874)	(50)	-	-	-	(2,965)
Depreciation and impairment losses as at 31 December 2017	**-**	**7,670**	**250,969**	**756,072**	**5,751**	**163,090**	**4,239**	**1,187,792**
Carrying amounts								
As at 1 January 2017	25,480	5,970	308,364	190,069	2,706	58,327	36,594	627,510
As at 31 December 2017	25,480	5,772	287,061	110,278	2,450	48,817	34,107	513,965

(all amounts in PLN thousands unless otherwise indicated) translation only

4. PROPERTY, PLANT AND EQUIPMENT – CONT.

	Land	Perpetual usufruct of land	Buildings	Plant, machinery and equipment	Vehicles	Other	Assets under construction	Total
Cost as at 1 January 2016	**25,480**	**27,818**	**542,518**	**846,428**	**8,634**	**211,220**	**33,897**	**1,695,995**
Additions	-	-	13,666	28,048	1,313	5,878	81,472	130,377
Acquisitions	-	-	197	12,095	1,078	692	79,674	93,736
Transfer from assets under construction	-	-	13,477	15,783	126	4,789	-	34,175
Acquisitions through business combinations	-	-	-	155	-	380	-	535
Reclassifications	-	-	(9)	-	-	-	9	-
Other	-	-	1	15	109	17	1,789	1,931
Disposals	-	(14,216)	(16,780)	(9,640)	(1,870)	(6,054)	(75,543)	(124,102)
Sale	-	(375)	(15,595)	(5,068)	(1,870)	(2,246)	(36,066)	(61,220)
Liquidation	-	-	(1,185)	(4,164)	-	(3,792)	(1,000)	(10,141)
Sold with the sale of a subsidiary	-	-	-	(209)	-	(16)	(397)	(622)
Reclassifications	-	-	-	-	-	-	(318)	(318)
Transfer from assets under construction	-	-	-	-	-	-	(36,935)	(36,935)
Reclassification to non-current assets held for sale	-	(13,841)	-	-	-	-	-	(13,841)
Other	-	-	-	(199)	-	-	(827)	(1,026)
Cost as at 31 December 2016	**25,480**	**13,602**	**539,404**	**864,836**	**8,077**	**211,044**	**39,826**	**1,702,269**

(all amounts in PLN thousands unless otherwise indicated) translation only

4. PROPERTY, PLANT AND EQUIPMENT – CONT.

	Land	Perpetual usufruct of land	Buildings	Plant, machinery and equipment	Vehicles	Other	Assets under construction	Total
Depreciation and impairment losses as at 1 January 2016	**-**	**10,810**	**225,044**	**638,665**	**6,300**	**142,962**	**2,525**	**1,026,306**
Depreciation charge for the period	-	191	19,319	44,577	774	12,996	-	77,857
Impairment losses	-	-	-	-	-	130	848	978
Reversal of impairment losses	-	-	-	-	-	-	(28)	(28)
Sale	-	(210)	(12,330)	(4,701)	(1,703)	(1,206)	-	(20,150)
Liquidation	-	-	(993)	(3,608)	-	(2,165)	(200)	(6,966)
Sold with the sale of a subsidiary	-	-	-	(7)	-	-	-	(7)
Reclassification to non-current assets held for sale	-	(3,159)	-	-	-	-	-	(3,159)
Other	-	-	-	(159)	-	-	87	(72)
Depreciation and impairment losses as at 31 December 2016	**-**	**7,632**	**231,040**	**674,767**	**5,371**	**152,717**	**3,232**	**1,074,759**
Carrying amounts								
As at 1 January 2016	25,480	17,008	317,474	207,763	2,334	68,258	31,372	669,689
As at 31 December 2016	25,480	5,970	308,364	190,069	2,706	58,327	36,594	627,510

Depreciation of property, plant and equipment is recognised in “cost of sales”, “selling expenses” and “administrative expenses”. Impairment losses are recognised in “other operating expenses” in the income statement. Reversals of impairment losses are recognised in “other operating income” in the income statement.

(all amounts in PLN thousands unless otherwise indicated) translation only

4. PROPERTY, PLANT AND EQUIPMENT – CONT.

a) Collateral for assets

The following property, plant and equipment are pledged as security for loan facility and finance lease agreements concerning Agora S.A. as well as bank loans and finance lease agreements concerning Helios S.A. (described in note 14):

No.	Assets	Net book value at 31 December 2017
1	Perpetual usufruct	4,281
2	Land	10,496
3	Buildings	132,264
4	Plant, machinery and equipment	38,712
5	Vehicles	408
6	Other fixed assets	9,326
	Total	**195,487**

b) Plant and equipment used on the basis of finance lease agreements.

The carrying values of property, plant and equipment used on the basis of finance lease agreements are shown in the table below:

	31 December 2017	31 December 2016
Plant, machinery and equipment	31,993	46,583
Vehicles	408	520
Other	8,344	15,992
Property, plant and equipment used on the basis of finance lease agreements	**40,745**	**63,095**
Property, plant and equipment purchased under finance lease agreements during the year	122	13,923

The information on the conditions and terms of finance lease agreements are shown in note 14 to the consolidated financial statements.

c) Property, plant and equipment held for sale as at the balance sheet date

As at 31 December 2017, non-current assets with the carrying amount of PLN 13,747 thousand (as at December 31, 2016: PLN 10,682 thousand) were presented as held for sale and comprised perpetual usufruct rights to a plot of land located at the Czerniakowska Street in Warsaw and properties located in Gdansk at the Tkacka 7/8 and Welniarska 19/20 streets. In the segment information provided in note 21 those assets are presented within reconciling positions.

The actions to sell the assets have already been initiated by the Group. The Management Board expects the sales to be completed within the period shorter than 12 months from the balance sheet date and estimates that the fair value less costs to sell of those assets is higher than their carrying amount.

In the current report of December 7, 2017, the Management Board of Agora S.A. informed, further to current reports no. 33/2016 and 25/2017, that by virtue of an Amendment to the Conditional Agreement of December 7, 2017, the sale of the right of perpetual usufruct of the undeveloped plot of land with a total surface area of 6,270 square meters at ul. Czerniakowska 85/87 ("Property") would take place by the end of February 2018 and not by the end of 2017, as previously informed. The Amendment concluded on December 7, 2017 to the Conditional Agreement concluded on October 27, 2017 did not affect the nature of the Conditional Agreement which remained a sale agreement with binding effects, concluded under the condition that the Mayor of the capital city of Warsaw does not exercise the right of first refusal to the right of perpetual usufruct of the Property ("Condition"). On February 26, 2017, since the condition for sales of the right of perpetual usufruct was fulfilled, the Company signed an agreement transferring the right of perpetual usufruct of the property. The total amount of the transaction is net PLN 19.0 million, and it shall positively impact the operating result of Agora Group by PLN 8.3 million in 1Q2018.

In the current report of January 22, 2018 The Management Board of Agora S.A. informed that the Company signed a conditional sale agreement of the usufruct right of two land properties located in Gdansk, including the ownership of the building set on the land properties. Detailed information are included in note 42.

d) Sale of property in Lodz

On October 27, 2016 Agora S.A. has entered into a conditional agreement with the sale of the right of perpetual usufruct of two properties of total area of ca. 4.2 thousand square meters located in Lodz, together with the ownership of the buildings erected on one of them, including a historic office building with covered area of ca. 1 thousand square meters (referred to collectively as "the Property"). The agreement was concluded under the condition that the Mayor of Lodz shall not exercise the right of first refusal to the Property vested in the Municipality of the City of Lodz.

The decision to sell the Property stems from the fact that the Company does not utilize effectively the entire Property for its operations. The Company believes that the optimal solution shall be to lease office space adapted to the current scale of operations of the Company in Lodz. Along with the conditional sale agreement, a conditional agreement was settled to lease office space, under which Agora will lease from the buyer office space located in the Property for the period of 5 years.

On December 2, 2016 the Company obtained information that the Mayor of Lodz will not exercise the pre-emotive right to the Property vested in the Municipality of the City of Lodz and consequently, on December 8, 2016 the agreement concerning transfer of the rights to the Property was executed.

The net selling price of the Property amounted to PLN 9,700 thousand and its impact on the other operating income of the Group gains in 2016 on disposal of non-financial non-current assets amounted to PLN 5,991 thousand.

e) Contractual investment commitments

Contractual investment commitments are disclosed in note 35.

(all amounts in PLN thousands unless otherwise indicated) translation only

5. INVESTMENTS

Investments include shares and loans granted to the unconsolidated companies.

	2017	2016
Balance as at beginning of the period	**83**	**98**
Shares	83	83
Loans granted	-	15
Additions	**-**	**-**
Disposals	**-**	**(15)**
Loans granted	-	(15)
- reclassifications	-	(15)
Balance as at end of the period	**83**	**83**
Shares	83	83

6. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Investments in associates and joint ventures accounted for using the equity method.

	2017	2016
Investments in associates	939	930
Investments in joint ventures	6,908	20,487
Total investments in equity accounted investees	**7,847**	**21,417**

	2017	2016
Balance as at beginning of the period	**21,417**	**19,938**
Additions	-	14,604
Initial recognition of shares in a company	-	14,604
Disposals	(13,570)	(13,125)
Share in net losses	(4,727)	(1,469)
Remeasurement of shares at the acqusition date	-	(5,536)
Reclassification to subsidiares at the acqusition date	-	(5,760)
Sale of shares (note 32)	(8,843)	-
Dividends received	-	(360)
Balance as at end of the period	**7,847**	**21,417**

Summarised financial information about associates and joint-ventures is presented in note 38.

(all amounts in PLN thousands unless otherwise indicated) translation only

7. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	31 December 2017	31 December 2016
Prepayments	2,871	2,238
Other	12,066	12,049
Total accounts receivable and prepayments	**14,937**	**14,287**

As at 31 December 2017 the Group had a deposit receivable of PLN 21.6 million (2016: PLN 21.6 million) resulting from a cash deposit provided by subsidiary AMS S.A. as a cash collateral securing the bank guarantees issued in relation to the concession contract for construction and utilization of bus shelters in Warsaw). As at 31 December 2017, part of the deposit receivable in the amount of PLN 10.8 million (2016: PLN 10.8 million) is presented within long-term receivables.

8. INVENTORIES

	31 December 2017	31 December 2016
Raw materials and consumables	23,132	25,345
Work in progress	7,822	288
Finished goods	1,245	4,422
Goods for resale	2,593	3,774
	34,792	**33,829**
Impairment losses recognised	8,958	8,591
Total inventories, gross	**43,750**	**42,420**

Finished goods and work in progres comprises mainly costs related to the production of own movies and publications.

The cost of inventories recognised as an expense amounted to PLN 139,850 thousand (2016: PLN 191,300 thousand) and is presented in "cost of sales" in the income statement.

Impairment losses and reversals of impairment losses are recognised in "cost of sales" in the income statement (in 2017 net loss in the amount of PLN 1,810 thousand, in 2016 net loss in the amount of PLN 1,448 thousand).

9. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	31 December 2017	31 December 2016
Trade receivables	182,023	184,760
Taxes, social security and similar	9,382	10,821
Prepayments	7,684	9,083
Other	44,717	49,690
	243,806	**254,354**
Impairment losses recognised	14,766	16,711
Total accounts receivable and prepayments, gross	**258,572**	**271,065**

Other receivables include mainly loans granted to employees from the Group's social fund of PLN 15,307 thousand (31 December 2016: PLN 17,058 thousand). Loans are granted for periods up to 10 years and are repayable in monthly instalments. Loans granted bear a fixed interest rate no greater than 2%. Other receivables also include the current part of the cash deposit provided by subsidiary AMS S.A. described in note 7 and receivables from the sale of property, plant and equipment.

(all amounts in PLN thousands unless otherwise indicated) translation only

Accounts receivable include receivables from related parties – details are presented in note 39.

Trade receivables are non-interest bearing and payment terms vary usually from 7 to 40 days.

Impairment losses are recognised in "other operating expenses" in the income statement. Reversals of impairment losses are recognised in "other operating income" in the income statement.

Ageing of trade receivables - net

	31 December 2017	31 December 2016
Current receivables	116,446	116,783
Overdue receivables within 1 month	41,129	48,587
Overdue receivables between 1 and 3 months	21,526	16,421
Overdue receivables between 3 and 6 months	1,648	1,468
Overdue receivables between 6 months and 1 year	939	1,061
Overdue receivables more than 1 year	335	440
	182,023	**184,760**

Impairment losses on accounts receivable

	2017	2016
Balance as at beginning of the period	**16,711**	**18,499**
Additions	3,955	4,457
Reversals	(2,345)	(1,407)
Used impairment losses	(3,555)	(4,838)
Balance as at end of the period	**14,766**	**16,711**

10. SHORT-TERM SECURITIES AND OTHER FINANCIAL ASSETS

	31 December 2017	31 December 2016
Certificates in investment funds	91,783	73,989
Loans granted	1,051	6,043
	92,834	**80,032**

The loans granted concern mainly transactions with related parties according to the information presented in note 39.

11. CASH AND CASH EQUIVALENTS

	31 December 2017	31 December 2016
Cash at bank and in hand	18,596	25,417
Short-term bank deposits	272	24,578
Other	330	202
	19,198	**50,197**

Included in cash and cash equivalents is cash in the amount of PLN 7,778 thousand representing cash held on behalf of the Group's social fund (31 December 2016: PLN 9,458 thousand).

(all amounts in PLN thousands unless otherwise indicated) translation only

12. SHARE CAPITAL

Registered share capital as at 31 December, 2017

Series	Type of shares	Type of preference	Amount of shares	Par value	Origin of capital
A	preference	voting	4,281,600	4,282	conversion
BiD	ordinary	none	43,383,826	43,383	conversion, share issue
			47,665,426	**47,665**	

The nominal value of each share amounts to PLN 1.

Each Registered A share carries five votes at general meetings.

All issued shares are fully paid.

Share Buyback Program in Agora S.A.

On June 21, 2017, the General Meeting of Shareholders adopted the resolutions concerning the authorisation of the Management Board of the Company to acquire Company's own shares for the purposes of their subsequent redemption and general terms of this process as well as the formation of a special-purpose reserve capital allocated for the acquisition of own shares for their redemption in the amount of PLN 23,833 thousand.

The offers to sell shares were accepted from the Company's shareholders from 2 October 2017 till 6 October 2017. All the transactions were settled on 10 October 2017. The Company had bought 1,084,595 of its own shares in total, thereby completing the Share Buyback Program. All the purchased shares were bearer shares listed on the Warsaw Stock Exchange, with a par value of PLN 1.0 each, and (as at 10 October 2017) corresponded to 2.28 percent of the Company's share capital and 1,084,595 votes at the General Meeting of the Company in total, i.e. 1.67 percent of the total votes at the General Meeting of the Company (the "Purchased Shares"). The purchase price was PLN 20.0 per Purchased Share and PLN 21,692 thousand for all the Purchased Shares. The total purchase price (including transaction costs) amounted to PLN 21,744 thousand.

The Purchased Shares were acquired off the regulated market, via Millenium Dom Maklerski S.A., in settlement of the offer to buy shares of Agora S.A. announced by the Company on 26 September 2017. The number of bearer shares offered by shareholders for sale under the Offer totalled 29,131,971. Shareholders did not offer any registered shares for sale. Since the total number of bearer shares offered by shareholders for sale under the Share Buyback Program exceeded the total number of shares which the Company had intended to buy under the Offer (i.e. 1,084,595 shares), the number of shares purchased from individual shareholders was calculated in accordance with the share offer reduction rules detailed in point 10 of the Offer. The average reduction rate applied to the pool of the bearer shares was 96.3 percent.

Before the purchase of the Purchased Shares under the Share Buyback Program, the Company did not have any own (treasury) shares. Now, the Company holds only the Purchased Shares.

In accordance with the applicable laws, the Company does not exercise shareholders' rights attached to its own shares. The Company plans to redempt the purchased shares at the next general meeting of shareholders.

(all amounts in PLN thousands unless otherwise indicated) translation only

13. RETAINED EARNINGS AND OTHER RESERVES

Dividends

Retained earnings may be distributed subject to regulations, stipulated in the commercial companies' code and according to dividend policy announced by the Company.

Frame dividend policy announced by the Company on 14 February of 2005 provides for return of excess cash to shareholders, depending on the Company's perspectives and market conditions, through annual dividend and through share repurchases for the purpose of their redemption.

In accordance with the resolution adopted by the General Meeting of Shareholders on June 21, 2017, the net loss of Agora S.A. for the financial year 2016 in the amount of PLN 52,754 thousand was covered from the reserve capital of the Company.

Besides, on June 21, 2017, the General Meeting of Shareholders adopted the resolutions concerning the authorisation of the Management Board of the Company to acquire Company's own shares for the purposes of their subsequent redemption. The share buyback program was described in note 12.

14. LONG-TERM AND SHORT-TERM BORROWINGS

	31 December 2017	31 December 2016
Long term bank loans	35,304	41,731
Finance lease liabilities	20,804	30,200
Total long term borrowings	**56,108**	**71,931**
Short term bank loans	19,723	22,556
Finance lease liabilities	9,446	16,432
Total short term borrowings	**29,169**	**38,988**

Bank loans

Debt repayment schedule:

	31 December 2017	31 December 2016
More than 1 and less than 3 years	33,927	34,939
Between 3 and 5 years	1,377	6,792
Total	**35,304**	**41,731**

On the basis of the Credit Line Agreement ("Agreement") with DNB Bank Polska S.A. signed on 25 May 2017 Agora S.A. received a non-renewable loan of PLN 25,000 thousand allocated for the repayment of the time credit in Bank Polska Kasa Opieki S.A., which shall be repaid in 12 quarterly instalments starting from 1 July 2018. Moreover, the Company was provided with a credit facility in the current account of up to PLN 75,000 thousand ("Overdraft 1") that may be used within 12 months after the date of signing the Agreement to e.g. finance or refinance acquisitions, investment expenditure and the working capital and after 12 months since the date of signing the Agreement will be automatically converted into a non-renewable loan repayable in quarterly instalments. The Company was also provided with a credit facility in the current account of up to PLN 35,000 thousand ("Overdraft 2") that can be used within 12 months after the date of signing the Agreement to finance the working capital and other corporate purposes of the Company including cash pooling facility.

According to the provisions of the Agreement, the Credit Limit is secured with, inter alia, the Company's declaration of voluntary submission to enforcement proceedings, a contractual mortgage established for the Bank on the real estate located in Warsaw at ul. Czerska 8/10, to which the Company has the right of perpetual usufruct and the right of ownership of the building erected on it, as well as the transfer of rights from the insurance policy for the above real estate.

(all amounts in PLN thousands unless otherwise indicated) translation only

In addition, the Company undertook to maintain specific parameters and financial ratios relating to its operations at the levels agreed with the Bank throughout the lending period. Furthermore, the Company undertook, within the deadline specified in the Agreement, to transfer a substantial part of transaction services to the Bank.

As at 31 December 2017, the Company has an outstanding debt related to the non-renewable loan of PLN 25,002 thousand and debt within its current account facility in the amount of PLN 4,471 thousand.

As at 31 December 2017, external debt of the Helios S.A. including bank loans and finance lease liabilities amounted to PLN 52,846 thousand. This amount consisted of:

- bank loans in the amount of PLN 22,780 thousand (including PLN 14,524 thousand presented in non-current part);
- finance lease liabilities in the amount of PLN 30,066 thousand (including PLN 20,664 thousand presented in non-current part) - connected mainly with finance leasing of the cinema equipment and cars.

Finance lease liabilities

	31 December 2017	31 December 2016
Future minimum lease payments	32,734	50,871
Future finance charges	(2,484)	(4,239)
Present value of finance lease liabilities, total	**30,250**	**46,632**

Present value of finance lease liabilities by payment period

	31 December 2017	31 December 2016
Within 1 year	9,446	16,432
Between 1 and 5 years	20,800	28,182
More than 5 years	4	2,018
Present value of finance lease liabilities, total	**30,250**	**46,632**

Future minimum lease payments by payment period

	31 December 2017	31 December 2016
Within 1 year	10,528	18,198
Between 1 and 5 years	22,202	30,607
More than 5 years	4	2,066
Future minimum lease payments, total	**32,734**	**50,871**

(all amounts in PLN thousands unless otherwise indicated) translation only

Creditor	Amount of agreement		Outstanding				Interest	Repayment schedule according to agreement	Collaterals	Other
	31 December 2017	31 December 2016	31 December 2017		31 December 2016					
			Long term	Short term	Long term	Short term				
Credits										
DNB Bank Polska S. A.	135,000	-	20,780	8,693	-	-	WIBOR 1 M or 3 M + bank margin	the non-renewable credit - quarterly 12 instalments from July 1, 2018 to April 1, 2021; credit facility in the current account - may be used by May 24, 2018.	mortgages on propertis in Warsaw (including perpetual usufruct and buildings located on them), pledge on insurance policies, pledges on Company's bank accounts	credit line granted to Agora S.A. (divided into parts: non-renewable credit and ready to use credit facility in the current account)
Bank Pekao S.A.	-	135,000	-	-	19,231	5,769	WIBOR 1 M or 3 M + bank margin	Credit in total repaid in 2017	mortgages on propertis in Warsaw (including perpetual usufruct and buildings located on them), pledge on insurance policies, pledges on Company's bank accounts	credit line granted to Agora S.A. (divided into parts: time credit ready to use and credit facility in the current account)
Bank Zachodni WBK S.A.	26,220	26,220	4,693	3,850	8,258	5,670	1M WIBOR + bank margin	monthly installments until June 24, 2024	mortgage on property in Białystok, Radom, Sosnowiec and Opole, registered pledge on cinema equipment, pledge on insurance policy, blank promissory note, patronage declaration from Agora S.A., subordinated loan from Agora S.A.	investment credit granted to Helios S.A.

(all amounts in PLN thousands unless otherwise indicated) translation only

Creditor	Amount of agreement		Outstanding				Interest	Repayment schedule according to agreement	Collaterals	Other
	31 December 2017	31 December 2016	31 December 2017		31 December 2016					
			Long term	Short term	Long term	Short term				
Raiffeisen Bank Polska S.A.	64,200	64,200	9,625	4,303	13,931	6,233	1M WIBOR + bank margin	monthly installments until October 29, 2021	registered pledge on cinema equipment, pledge on insurance policy, Bank`s right to settle liabilites arising from loan agreement against current account, blank promissory note with promissory note declaration, pledge on current account and other bank accounts managed by the Bank, mortgage on property in Opole, Bialystok, Sosnowiec and Radom, pledge on insurance policy, plegde on receivables from a contract on the basis of the agreement between the Bank and the Borrower	investment credit granted to Helios S.A.
Raiffeisen Bank Polska S.A.	1,500	1,500	207	103	310	103	1M WIBOR + bank margin	monthly installments until December 31, 2020	mortgage on property in Opole, registered pledge on cinema equipment, pledge on insurance policy, Bank`s right to settle liabilites arising from loan agreement against current account, blank promissory note with promissory note declaration	revolving credit granted to Helios S.A.
Alior Bank S.A.	1,952	1,952	-	-	-	305	3M WIBOR + bank margin	monthly installments until June 30, 2017	pledge on current account, mortgage on property in Radom	investment credit granted to Helios S.A.
mBank SA	8,000	8,000	-	2,775	-	4,475	WIBOR ON+ bank margin	credit facility in the current account until November 27, 2018	a statement on voluntary submission to enforcement	credit facility in the current account AMS S.A.
Finance lease liabilities										
RCI Leasing Polska Sp. z o.o.	232	110	140	43	75	20	lessors margin	repayment in installments till 2022	blank promissory note, leased equipment (cars)	lease agreement signed by Agora S.A.
BZ WBK LEASING S.A. (in the previous year, also contracts with BZ WBK Lease S.A.)	40,178	49,572	17,083	6,295	23,430	7,886	1M WIBOR + lessor`s margin	Final repayment in installments till 2023	blank promissory note, leased equipment (projectors 3D, cinema and bar equipment)	lease agreement signed by Helios S.A.

(all amounts in PLN thousands unless otherwise indicated) translation only

Creditor	Amount of agreement		Outstanding				Interest	Repayment schedule according to agreement	Collaterals	Other
	31 December 2017	31 December 2016	31 December 2017		31 December 2016					
			Long term	Short term	Long term	Short term				
mLeasing Sp. z o.o.	-	2,233	-	-	-	282	1M WIBOR + lessor`s margin	Final repayment in installments till 2017	blank promissory note, leased equipment (cars and cinema equipment)	lease agreement signed by Helios S.A.
Europejski Fundusz Leasingowy S.A.	1,887	22,088	-	346	346	5,078	1M WIBOR + lessor`s margin	Final repayment in installments till 2018	blank promissory note, leased equipment (cinema and bar equipment)	lease agreement signed by Helios S.A.
SG Equipment Leasing Polska Sp. z o.o.	452	452	89	78	174	74	1M WIBOR + lessor`s margin	Final repayment in installments till 2020	blank promissory note, leased equipment (cinema equipment in Legnica), gurantee deposit equal to 10% of financing amount	lease agreement signed by Helios S.A.
ING Lease Sp. z o.o.	11,184	11,184	93	1,722	1,819	2,172	1M WIBOR + lessor`s margin	Final repayment in installments till 2021	blank promissory note, leased equipment (projectors, cinema equipment)	lease agreement signed by Helios S.A.
PKO Leasing S.A. (last year Raiffeisen Leasing Polska S.A.)	6,343	6,343	3,399	961	4,356	921	1M WIBOR + lessor`s margin	Final repayment in installments till 2022	blank promissory note, leased equipment (projectors, cinema equipment)	lease agreement signed by Helios S.A.

(all amounts in PLN thousands unless otherwise indicated) translation only

15. DEFERRED INCOME TAXES

Deferred income taxes are calculated using a rate of 19% and 15% (2016: 19%). The tax rate of 15% applies to subsidiaries IM 40 Sp. z oo. and Optimizers Sp. z o.o., which in 2017 obtained the status of a small CIT taxpayer.

Deferred tax assets

	As at 1 January 2017	Recognised in the income statement	Recognised in other comprehensive income	Related to diposal of a subsidiary	As at 31 December 2017
Accruals	**15,665**	539	-	-	**16,204**
Financial assets and liabilities	**45**	(30)	-	-	**15**
F/X differences	**-**	25	-	-	**25**
Interests liabilities	**66**	22	-	-	**88**
Deferred revenues	**11,253**	(1,508)	-	-	**9,745**
Provisions	**1,832**	(868)	(51)	-	**913**
Accelerated depreciation and amortisation	**1,853**	3,439	-	(47)	**5,245**
Impairment losses for inventories	**1,739**	124	-	-	**1,863**
Impairment losses for accounts receivable	**897**	(76)	-	-	**821**
Tax losses	**348**	(173)	-	-	**175**
Other	**2**	(2)	-	-	**-**
	33,700	**1,492**	**(51)**	**(47)**	**35,094**

Deferred tax liabilities

	As at 1 January 2017	Recognised in the income statement	Recognised in other comprehensive income	Related to diposal of a subsidiary	As at 31 December 2017
Accelerated depreciation and amortisation	**39,166**	(11,092)	-	-	**28,074**
Financial assets and liabilities	**1,409**	(1,141)	-	-	**268**
F/x differences	**11**	(11)	-	-	**-**
Interest receivables	**91**	(63)	-	-	**28**
Finance leases	**3,139**	(885)	-	-	**2,254**
Other	**278**	(17)	-	-	**261**
	44,094	**(13,209)**	**-**	**-**	**30,885**

(all amounts in PLN thousands unless otherwise indicated) translation only

Deferred tax asset

	As at 1 January 2016	Recognised in the income statement	Recognised in other comprehensive income	Related to acquisition of subsidaries	Related to disposal of a subsidiary	As at 31 December 2016
Accruals	**16,563**	(883)	-	-	(15)	**15,665**
Financial assets and liabilities	**124**	(79)	-	-	-	**45**
F/X differences	**32**	(21)	-	-	(11)	**-**
Interests liabilities	**270**	(140)	-	-	(64)	**66**
Deferred revenues	**9,432**	1,821	-	-	-	**11,253**
Provisions	**792**	1,039	1	-	-	**1,832**
Accelerated depreciation and amortisation	**2,061**	(208)	-	-	-	**1,853**
Impairment losses for inventories	**1,562**	177	-	-	-	**1,739**
Impairment losses for accounts receivable	**880**	17	-	-	-	**897**
Tax losses	**16**	976	-	-	(644)	**348**
Other	**-**	2	-	-	-	**2**
	31,732	**2,701**	**1**	**-**	**(734)**	**33,700**

Deferred tax liabilities

Accelerated depreciation and amortisation	**39,932**	(4,057)	-	3,561	(270)	**39,166**
Financial assets and liabilities	**199**	1,210	-	-	-	**1,409**
F/x differences	**2**	10	-	-	(1)	**11**
Interests liabilities	**(65)**	157	-	-	(1)	**91**
Finance leases	**3,444**	(305)	-	-	-	**3,139**
Other	**359**	(81)	-	-	-	**278**
	43,871	**(3,066)**	**-**	**3,561**	**(272)**	**44,094**

(all amounts in PLN thousands unless otherwise indicated) translation only

Deferred tax assets and liabilities	Before offsetting	Offsetting	31 December 2017 Carrying amount
Assets	35,094	(18,557)	16,537
Liabilities	30,885	(18,557)	12,328

Deferred tax assets and liabilities	Before offsetting	Offsetting	31 December 2016 Carrying amount
Assets	33,700	(20,326)	13,374
Liabilities	44,094	(20,326)	23,768

Unrecognised tax assets

Due to uncertainty about the availability of future tax profits within the next five years the Group did not recognise certain deferred tax assets concerning some unused tax losses.

The amounts of unused tax losses available together with expiry dates for which a deferred tax asset has not been recognised are shown in the table below:

	31 December 2017	31 December 2016	Expiry date
Unused tax losses	119,449	71,619	up to 2024*
Other deductible temporary differences	-	8	unlimited

** taking into account the 3-year period of the existence of the Tax Capital Group ("TCG"), during which the utilisation of the tax losses arising before the establishment of the TCG is suspended.*

Tax Capital Group

On December 21, 2017, the Management Board of Agora S.A. adopted a resolution expressing the intention to establish a Tax Capital Group ("TCG") which shall include Agora and the its 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.

On February 15, 2018 , the Management Board of Agora S.A. received a decision issued by the Head of the Second Mazovian Tax Office in Warsaw on the registration of the contract on the establishment of Agora Tax Capital Group.

Agora Tax Capital Group will be established on March 1st, 2018, and each subsequent tax year will overlap with the calendar year. The agreement shall be in force till December 31st, 2020.

In the agreement on the establishment of the tax capital group, 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.

(all amounts in PLN thousands unless otherwise indicated) translation only

16. OTHER FINANCIAL LIABILITIES

	2017	2016
Long term		
Put option liabilities	30,605	24,707
	30,605	**24,707**
Short term		
Cash pooling liabilities	-	9,818
	-	**9,818**

Put option liabilities concern the estimated redemption amount of the put options granted to non-controlling shareholders.

As at December 31, 2017, its value amounted to:
- for non-controlling shareholders of Helios S.A. PLN 29,020 thousand (31 December 2016: PLN 23,195 thousand),
- for non-controlling shareholders of Goldenline Sp. z o.o PLN 1,585 thousand (31 December 2016: PLN 1,512 thousand).

As at December 31, 2016 other short - term financial liabilities in the amount of PLN 9,818 thousand included liabilities of Agora S.A. to jointly controlled entity – Green Content Sp. z o.o., resulting from the settlements within the cash pooling system functioning in Agora Group.

17. RETIREMENT SEVERANCE PROVISION

According to the Polish employment regulations, employees have the right to retirement severances payments. The amount provided as at 31 December 2017 amounted to PLN 3,102 thousand (31 December 2016: PLN 2,973 thousand), including longterm retirement severance provision of PLN 2,804 thousand (31 December 2016: PLN 2,745 thousand).

(all amounts in PLN thousands unless otherwise indicated) translation only

18. PROVISIONS

	Provision for restructuring	Provision for penalties, interests and similar	Provision for onerous contracts	Provision for the cost of compensation and severances for the former Management Board Members	Provision for legal claims	Other	**Total**
As at 1 January 2017	**5,730**	**1,327**	**927**	**-**	**154**	**99**	**8,237**
Additions	-	752	-	1,320	13	425	2,510
Set up of provisions	-	752	-	1,320	13	425	2,510
Disposals	(5,713)	-	(232)	(844)	(25)	(98)	(6,912)
Provisions used during the period	(5,564)	-	-	(844)	-	-	(6,408)
Unused provisions reversed	(149)	-	(232)	-	(25)	(98)	(504)
As at 31 December 2017	**17**	**2,079**	**695**	**476**	**142**	**426**	**3,835**
Long term	**-**	**-**	**464**	**75**	**-**	**-**	**539**
Short term	**17**	**2,079**	**231**	**401**	**142**	**426**	**3,296**

(all amounts in PLN thousands unless otherwise indicated) translation only

(i) Provision for restructuring

In the fourth quarter of 2016, in connection with the announcement of a collective dismissal in Agora SA, a provision was established for costs related to this process in the amount of PLN 6,906 thousand. As at 31 December 2017, the total provision outstanding for usage amounted PLN 17 thousand.

(ii) Provision for penalties, interests and similar

Provision for penalties, interests and similar includes mainly penalties for putting advertising panels on the waysides by the companies of the AMS group.

(iii) Provision for onerous contracts

Provision for onerous contracts was recognised by the subsidiary Helios S.A. based on the analysis of the settlement of a long-term operating lease contract concerning one of the cinema locations within the Helios network.

(iv) Provision for legal claims

The Group is a defendant in court cases. As at 31 December 2017 the Group evaluated the risk of loss and payment of indemnities in those cases. The amount of indemnities was determined based on consultation with Group's lawyers taking into account the present status of those cases and information available. Additionally, the companies of the Group are a party of legal disputes in the amount of PLN 2,410 thousand (as at December 31, 2016: PLN 3,080 thousand), in cases when the Management Board estimates the probability of loss for less than 50%. Such disputes are contingent liabilities.

19. NON-CURRENT AND CURRENT DEFERRED REVENUES AND ACCRUALS

	31 December 2017	31 December 2016
Non-current		
Deferred revenues	**1,398**	**1,517**
- grants for financing property, plant and equipment	40	18
- other	1,358	1,499
Other non-current liabilities	**2,587**	**3,025**
- related to purchase of non-current assets	1,351	1,624
- other	1,236	1,401
	3,985	**4,542**
Current		
Accruals	**78,193**	**74,157**
- holiday leave pay provision	9,509	9,747
- employee incentive plan	9,445	9,761
- accrual for Incentive Plans (note 27)	2,013	1,457
- payroll accrual	9,239	9,269
- accrual for costs	47,987	43,923
Deferred revenues	**16,460**	**17,948**
- grants for financing property, plant and equipment	135	103
- prepayments for advertising services and subscriptions	7,677	7,126
- sale of coupons to cinemas	5,209	4,997
- court costs to be recovered	456	553
- other (1)	2,983	5,169
	94,653	**92,105**

(1) as at 31 December 2017 and as at 31 December 2016 the amount included prepayment related to sale of perpetual usufruct rights to an undeveloped plot of land located at the Czerniakowska Street in Warsaw in the amount of PLN 2,500 thousand.

(all amounts in PLN thousands unless otherwise indicated) translation only

20. TRADE AND OTHER PAYABLES

	31 December 2017	31 December 2016
Trade payables	85,155	93,611
Other taxes and social security	15,902	26,249
Other	15,853	14,197
Special Fund	23,471	26,824
	140,381	**160,881**

Trade payables are non-interest bearing and are normally settled usually within 14 - 60 days.

Taxes and social security payables are non-interest bearing and are usually settled monthly.

Accounts payable include payables to related parties – details are presented in note 39.

21. REVENUE AND OPERATING SEGMENT INFORMATION

(a) Operating segment information

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

For management purposes, the Group is organized into business units based on their products and services.

The Group activities are divided into six reportable operating segments as follows:

1) the *Movies and Books* segment includes the Group's activities within the cinema management of Helios S.A., film distribution and production activities of Next Film Sp. z o.o. and Next Script Sp. z o.o. as well as the activities of Agora`s Special Projects Department (including Agora`s Publishing House and film production until 31 March 2017),

2) the *Press* segment includes the Group's activities related to publishing of the daily *Gazeta Wyborcza* (until mid-October 2016 the free daily *Metrocafe.pl* was also published), special editions of *Gazeta Wyborcza* magazinesas well as publishing of the magazines within Agora's Magazine Department,

3) the *Outdoor* segment includes the activities within the AMS Group, which provides advertising services on different forms of outdoor advertising panels,

4) the *Internet* segment includes the following Group's activities: the Internet and multi-media products and services within the Agora's Internet department, Trader.com (Polska) Sp. z o.o., Yieldbird Sp. z o.o., Sir Local Sp. z o.o. (until 31 March 2017), GoldenLine Sp. z o.o. and Optimizers Sp. z o.o.;

5) the *Radio* segment includes the Group's activities within local radio stations, super-regional *TOK FM* radio and Agora's Radio Department,

6) the *Print* segment includes the Group's activities related to printing services within the Agora's Printing Department and Agora Poligrafia Sp. z o.o.

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

Data within each reportable segment are consolidated pro-forma. The Management Board monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Press segment operating costs associated with the production of *Gazeta Wyborcza* are settled on the basis of the allocation of costs from the Print segment. Since the first quarter of 2017 the production costs are settled by allocation of printing services according to a card rate set on the market basis. In previous years the production costs were settled by allocation of direct and indirect costs (including D&A) related to its production. The presentation of data for the comparative periods was adjusted accordingly. Segment performance is evaluated based on operating profit or loss.

Operating results of reportable segments do not include:
a) revenues and total cost of cross-promotion of Agora’s different media if such promotion is executed without prior reservation between segments of the Agora Group; the direct variable cost of campaigns carried out on advertising panels is the only cost that is included above; it is allocated from the *Outdoor* segment to other segments,
b) amortisation recognised on consolidation (described below).

Group financing (including finance costs and finance revenue) and income tax are managed on a Group level and are not allocated to operating segments. Transfer prices between operating segments are set on the market basis in the manner similar to transactions with third parties.

Reconciling positions show data not included in particular segments, inter alia: operating costs and the result on other operating activities of Agora’s support divisions (centralized IT, administrative, HR functions, etc.), the Management Board and Agora TC Sp. z o.o. , intercompany eliminations and other matching adjustments, which reconcile the data presented in the management reports to the consolidated financials of the Agora Group. In case of equity accounted investees, the reconciling positions include the investment in Stopklatka S.A. and in Green Content Sp. z o.o. (until 31 August 2017).

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

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

Amount of investment in associates and joint ventures accounted for by the equity method include the amount of acquired shares adjusted by the Group`s share of net results of those entities accounted for by the equity method. The financials presented for the year 2017 and for the year 2016 relate to Online Technologies HR Sp. z o.o, Instytut Badan Outdooru Sp. z o.o., Stopklatka S.A., Hash.fm Sp. z o.o. and Green Content Sp. z o.o. (from 1 December 2016 until 31 August 2017).

Capital expenditure consists of additions based on the invoices booked in the reported period connected to purchases of intangible and fixed assets. In case of Movies and Books segment capital expenditure do not include outlays related to the cinema fit-out works to the extent in which those outlays are reimbursed by the owners of the premises, in which those cinemas are located.

The Agora Group does not present geographical reporting segments, because its business activities are carried out mainly in Poland.

(all amounts in PLN thousands unless otherwise indicated) translation only

(a) Operating segment information, continued

	Twelve months ended 31 December 2017							
	Movies and books	Press	Outdoor	Internet	Radio	Print	Reconciling positions	Total
Revenues from external customers	398,453	225,648	161,470	163,209	110,034	100,117	6,548	1,165,479
Intersegment revenues (2)	17,776	9,865	1,572	5,393	3,957	1,592	(40,155)	-
Total revenues	**416,229**	**235,513**	**163,042**	**168,602**	**113,991**	**101,709**	**(33,607)**	**1,165,479**
Total operating cost (1), (2), (3), (4)	**(386,482)**	**(235,615)**	**(134,785)**	**(171,132)**	**(97,336)**	**(165,064)**	**(48,101)**	**(1,238,515)**
Operating profit / (loss) (1)	**29,747**	**(102)**	**28,257**	**(2,530)**	**16,655**	**(63,355)**	**(81,708)**	**(73,036)**
Net finance income and cost							2,547	2,547
Share of results of equity accounted investees (3)	-	-	-	56	-	-	(4,783)	(4,727)
Income tax							(4,077)	(4,077)
Net loss								**(79,293)**

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

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

(3) reconciling positions show data not included in particular segments, inter alia: other cost and the result on other operating activities of Agora's support divisions (centralized IT, administrative, HR functions, etc.) and the Management Board and Agora TC Sp. z o.o. (PLN 93,122 thousand), intercompany eliminations and other matching adjustments which reconcile the data presented in the management reports to the consolidated financials of the Agora Group. In case of equity accounted investees, the reconciling positions include the investment in Stopklatka S.A. and Green Content Sp. z o.o. (until 31 August 2017);

(4) the amounts include impairment losses described in table below.

(all amounts in PLN thousands unless otherwise indicated) translation only

(a) Operating segment information, continued

	Twelve months ended 31 December 2017							
	Movies and books	Press	Outdoor	Internet	Radio	Print	Reconciling positions	Total
Operating depreciation and amortisation	(34,679)	(1,758)	(17,783)	(4,625)	(3,406)	(20,735)	(17,022)	(100,008)
Amortisation recognised on consolidation (1)	(517)	-	-	(2,736)	-	-	254	(2,999)
Impairment losses	(520)	(14,399)	(2,896)	(22,517)	(487)	(51,756)	(1,100)	(93,675)
including non-current assets (4)	*(20)*	*(13,193)*	*(1,694)*	*(21,754)*	-	*(51,580)*	*(765)*	*(89,006)*
Reversals of impairment losses	372	450	380	787	193	273	4	2,459
including non-current assets	-	-	*114*	-	-	-	-	*114*
Equity-settled share-based payments	-	-	-	(604)	-	-	-	(604)
Capital expenditure (2)	16,386	622	19,380	4,159	8,173	1,452	6,874	57,046

	As at 31 December 2017							
	Movies and books	Press	Outdoor	Internet	Radio	Print	Reconciling positions (3)	Total
Property, plant and equipment and intangible assets	263,899	58,114	273,421	42,506	86,553	84,287	156,874	965,654
Investments in associates and joint ventures accounted for by the equity method	-	-	-	1,898	-	-	5,949	7,847

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

(2) based on invoices booked in the period;

(3) reconciling positions include mainly Company's headquarter (PLN 103,957 thousand) and other property, plant and equipment and intangible assets of Agora's support divisions and Agora TC Sp. z o.o. not included in particular segments and intercompany eliminations. In case of equity accounted investees, the reconciling positions include the investment in Stopklatka S.A., reconciling positions include also non-current assets, which as at 31 December 2017 were presented in the balance sheet as non-current assets held for sale according to the description provided in note 4c;

(4) the amounts include impairment losses on non-current assets, which in 2017 concern mainly the press title „Cztery Katy" in Press segment, goodwill of Trader.com. (Polska) Sp. z o.o. in Internet segment and non-current assets in Print segment.

(all amounts in PLN thousands unless otherwise indicated) translation only

(a) Operating segment information, continued

	Twelve months ended 31 December 2016							
	Movies and books	Press	Outdoor	Internet	Radio	Print	Reconciling positions	Total
Revenues from external customers	345,992	256,693	165,856	161,844	107,975	153,910	6,162	1,198,432
Intersegment revenues (2)	17,986	11,202	2,182	6,040	5,436	1,598	(44,444)	-
Total revenues	**363,978**	**267,895**	**168,038**	**167,884**	**113,411**	**155,508**	**(38,282)**	**1,198,432**
Total operating cost (1), (2), (3)	**(337,012)**	**(270,738)**	**(143,097)**	**(144,902)**	**(100,625)**	**(163,186)**	**(22,190)**	**(1,181,750)**
Operating profit/(loss) (1)	**26,966**	**(2,843)**	**24,941**	**22,982**	**12,786**	**(7,678)**	**(60,472)**	**16,682**
Net finance income and cost							(15,018)	(15,018)
Share of results of equity accounted investees (3)	-	-	-	232			(1,701)	(1,469)
Income tax							(13,379)	(13,379)
Net loss								**(13,184)**

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

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

(3) reconciling positions show data not included in particular segments, inter alia: other cost and the result on other operating activities of Agora's support divisions (centralized IT, administrative, HR functions, etc.), the Management Board and Agora TC Sp. z o.o. (PLN 81,653 thousand), as well as activity of Green Content Sp. z o.o. (till November 30,2016), intercompany eliminations and other matching adjustments which reconcile the data presented in the management reports to the consolidated financials of the Agora Group. In case of equity accounted investees, the reconciling positions include the investment in Stopklatka S.A. and in Green Content Sp. z o.o. (since December 1, 2016).

(all amounts in PLN thousands unless otherwise indicated) translation only

(a) Operating segment information, (continued)

	Twelve months ended 31 December 2016							
	Movies and books (3)	**Press**	**Outdoor**	**Internet**	**Radio**	**Print**	**Reconciling positions**	**Total**
Operating depreciation and amortisation	(30,333)	(1,901)	(15,828)	(4,891)	(3,146)	(22,777)	(16,313)	(95,189)
Amortisation recognised on consolidation (1)	(517)	-	-	(2,736)	-	-	254	(2,999)
Impairment losses	(562)	(1,339)	(2,062)	(1,408)	(501)	(212)	(1,272)	(7,356)
including non-current assets	*(32)*	*(22)*	*(978)*	*(56)*	*(14)*	-	*(35)*	*(1,137)*
Reversals of impairment losses	27	755	86	254	164	139	9	1,434
including non-current assets	-	-	*28*	-	-	-	-	*28*
Cost of group lay-offs	-	(5,831)	-	(442)	-	(163)	(470)	(6,906)
Capital expenditure (2)	31,942	1,420	24,736	6,146	3,660	4,154	11,700	83,758

	As at 31 December 2016							
	Movies and books	**Press**	**Outdoor**	**Internet**	**Radio**	**Print**	**Reconciling positions (4)**	**Total**
Property, plant and equipment and intangible assets	280,238	72,230	275,855	67,670	81,786	157,644	165,550	1,100,973
Investments in associates and joint ventures accounted for by the equity method	-	-	-	1,842	-	-	19,575	21,417

(1) is not presented in operating result of the Group's segments;
(2) based on invoices booked in the period;
(3) capital expenditure include lease property, plant and equipment in the amount of PLN 13,813 thousand;
(4) reconciling positions include mainly Company's headquarter (PLN 108,993 thousand) and other property, plant and equipment and intangible assets of Agora's support divisions and Agora TC Sp. z o.o. not included in particular segments and intercompany eliminations. In case of equity accounted investees, the reconciling positions include the investment in Stopklatka S.A. and in Green Content Sp. z o.o., reconciling positions include also non-current assets, which as at 31 December 2016 were presented in the balance sheet as non-current assets held for sale according to the description provided in note 4c.

(all amounts in PLN thousands unless otherwise indicated) translation only

(b) Revenue

	2017	2016
Advertising services	547,294	561,621
Ticket sales	222,213	194,173
Copy sales	134,261	135,689
Sales of goods for resale	101,667	92,389
Printing services	94,020	147,730
Other sales	66,024	66,830
	1,165,479	**1,198,432**

Revenue includes barter sales of PLN 38,392 thousand (2016: PLN 39,421 thousand).

22. EXPENSES BY NATURE

	2017	2016
Depreciation of property, plant and equipment (note 4)	80,523	77,857
Amortisation of intangibles (note 3)	22,484	20,331
Raw materials, energy and consumables	170,816	221,043
Advertising and promotion costs	74,693	83,490
Property operating lease rentals	63,496	59,169
Outdoor location lease rentals	41,213	47,288
Taxes and similar charges	7,872	11,251
Other external services rendered	363,461	349,954
Staff costs (note 25)	327,648	330,143
Total expenses by nature	**1,152,206**	**1,200,526**
Change in the balance of products	239	277
Cost of production for in-house use	(198)	(258)
Total operating expenses	**1,152,247**	**1,200,545**
Selling expenses	(206,142)	(226,123)
Administrative expenses	(131,440)	(125,186)
Cost of sales	**814,665**	**849,236**

23. OTHER OPERATING INCOME

	2017	2016
Gain on disposal of non-financial non-current assets (1)	2,225	7,792
Grants received	5,056	2,497
Reversal of impairment losses for receivables	2,345	1,407
Reversal of impairment losses for non-financial non-current assets	114	28
Reversal of provisions	356	600
Donations received	319	248
Liabilities written off	577	1,258
Gain on disposal of subsidiary (2)	-	10,478
Gain on a bargain purchase (3)	-	2,228
Other	3,342	3,305
	14,334	**29,841**

(1) in 2016 gain on disposal of non-financial non-current assets includes inter alia gain on sale of property in Lodz (note 4d);
(2) gain on disposal of subsidiary relates to the sales of shares in Green Content Sp. z o.o. in the fourth quarter of 2016;
(3) gain on a bargain purchase relates to the acquisition of GoldenLine Sp. z o.o. in the first quarter of 2016.

(all amounts in PLN thousands unless otherwise indicated) translation only

24. OTHER OPERATING EXPENSE

	2017	2016
Impairment losses recognised for receivables	3,955	4,457
Impairment losses recognised for non-financial non-current assets (note 3, 4)	89,006	1,137
Donations	761	736
Provisions recognised	2,510	146
Liquidation of fixed assets including dismantling panels	1,002	1,320
Other	3,368	3,250
	100,602	**11,046**

25. STAFF COSTS

	2017	2016
Wages and salaries	277,057	273,141
Social security costs	50,591	50,096
Cost of group lay-offs (note 18)	-	6,906
	327,648	**330,143**
Average number of persons employed	**2,882**	**3,013**

The headcount figure include employees of Agora S.A. and of the companies consolidated using the full consolidation method (see note 38).

26. MANAGEMENT BOARD AND SUPERVISORY BOARD REMUNERATION

The remuneration of the Management Board members is based on three elements – fixed remuneration (base salary), variable component (motivation plans and discretionary bonuses) and non-wage benefits, whose scope is determined by the Supervisory Board.

Remuneration paid to Management Board members for the period of holding the post of a Management Board member is presented in the table below:

	2017	base salary	variable component	other benefits
Management Board				
Bartosz Hojka	1,643	804	836	3
Tomasz Jagiello	745	240	505	-
Agnieszka Sadowska (1)	560	283	272	5
Grzegorz Kania (2)	90	90	-	-
Anna Krynska - Godlewska (2)	90	90	-	-
Grzegorz Kossakowski (3)	908	400	505	3
Robert Musial (4)	606	100	505	1
	4,642	**2,007**	**2,623**	**12**

(all amounts in PLN thousands unless otherwise indicated) translation only

	2016	base salary	variable component (including Three Year Incentive Plan)	other benefits
Management Board				
Bartosz Hojka	2,612	804	1,807	1
Grzegorz Kossakowski	2,148	600	1,547	1
Robert Musial	2,085	594	1,487	4
Tomasz Jagiello	1,727	240	1,487	-
	8,572	**2,238**	**6,328**	**6**

(1) Agnieszka Sadowska was appointed to Managment Board on March 1, 2017;

(2) Anna Krynska – Godlewska and Grzegorz Kania were appointed to Managment Board on November 8, 2017;

(3) Grzegorz Kossakowski held the position of Management Board Member until September 5, 2017;

(4) Robert Musial performed the function of a Member of the Management Board until February 28, 2017.

Tomasz Jagiello received also remuneration as the President of the Management Board of Helios S.A. in the amount of PLN 356 thousand (in 2016: in the amount of PLN 356 thousand) and Agnieszka Sadowska received as remuneration as the Member of the Management Board of Stopklatka S.A. in the amount of PLN 253 thousand. The other members of Agora's Management and Supervisory Board did not receive any remuneration for serving as board members in subsidiaries, joint-ventures and associates.

The impact on staff costs of the incentive plan for the Management Board of Agora S.A. based on financial instruments is described in note 27.

The information related to liabilities to formerly Management Board members is described in note 18.

Remuneration paid to Supervisiory Board members comprised fixed salary and is presented in the table below:

Supervisory Board	2017	2016
Andrzej Szlezak	108	108
Wanda Rapaczynski	72	72
Tomasz Sielicki	72	72
Dariusz Formela	72	72
Slawomir S. Sikora (1)	-	35
Paweł Mazur (1)	-	35
Anna Krynska - Godlewska (2)	62	37
Andrzej Dobosz	72	37
Wisniewski Maciej (3)	10	-
	468	**468**

(1) Slawomir S. Sikora and Pawel Mazur were Members of Supervisory Board till June 23, 2016;

(2) Anna Krynska – Godlewska was a Member of Supervisory Board till November 8, 2017;

(3) Maciej Wisniewski is a Member of Supervisory Board from November 9, 2017.

(all amounts in PLN thousands unless otherwise indicated) translation only

27. INCENTIVE PLANS BASED ON FINANCIAL INSTRUMENTS

a) Incentive Plan for years 2016-2017

Starting from the second quarter 2016, Management Board members of the Company participate in an incentive program ("Incentive Plan"), on the basis of which, they are eligible to receive an annual bonus based on two components described below:

(i) the stage of realisation of the target based on the EBITDA of the Agora Group ("the EBITDA target"). The EBITDA target is specified as the EBITDA result (being the sum of operating profit/loss and amortization and depreciation) to be reached in the given financial year determined by the Supervisory Board. The amount of potential bonus depends on the stage of the EBITDA target fulfillment and will be determined on the basis of the audited consolidated financial statements of the Agora Group for the given financial year;

(ii) the percent of Company's share price increase ("the Target of Share Price Increase"). The amount of potential reward in this component of the Incentive Plan will depend on the percent of Company's share price increase in the future. The share price increase will be calculated as a difference between the average of the quoted closing Company's share prices in the first quarter of the financial year commencing after the financial year for which the bonus is calculated ("the Average Share Price IQ") and the average of the quoted closing Company's share prices in the fourth quarter of the financial year preceding the financial year for which the bonus is calculated ("the Average Share Price IVQ"). If the Average Share Price IQ will be lower than the Average Share Price IVQ, the Target of Share Price Increase is not satisfied and the bonus in this component of the Incentive Plan will not be granted.

The bonus from the Incentive Plan depends also on the fulfillment of a non-market condition, which is the continuation of holding the post of the Management Board member within the period, for which the bonus is calculated.

The rules, goals, adjustments and conditions for the Incentive Plan fulfillment for the Management Board members are specified in the Supervisory Board resolution.

As at 31 December 2017, the value of potential reward from the fulfillment of the EBITDA target has been calculated on the basis of the best estimate of the expected fulfillment value of the EBITDA target for 2017 and was charged to the Income Statement.

As at 31 December 2017, the value of the potential reward concerning the realization of the Target of Share Price Increase, was estimated on the basis of the Binomial Option Price Model (Cox, Ross, Rubinstein model), which takes into account – inter alia – actual share price of the Company (as at the balance sheet date of the current financial statements) and volatility of the share price of Company during the last 12 months preceding the balance sheet date. That value was charged to the Income Statement in proportion to the vesting period of this component of the Incentive Plan.

The basic parameters of the Binomial Option Price Model used for calculation of the fair value of the potential reward from the realization of the Target of Share Price Increase are described below:

the share price of Agora S.A. as at the current balance sheet date	PLN	14.44
volatility of the share price of Agora S.A. during the last twelve months	%	29.65
the Average Share Price IVQ	PLN	11.13
risk-free rate	%	1.19-1.52 (at the maturity dates)

(all amounts in PLN thousands unless otherwise indicated) translation only

Total impact of the Incentive Plan on the consolidated financial statements of the Agora Group is presented below:

	2017	2016
Income statement –increase/(decrease) staff cost *	3,052	1,457
Income statement - deferred income tax	(580)	(277)
Liabilities - accruals - as at the end of the period	2,013	1,457
Deferred tax asset - as at the end of the period	382	277

* *the total cost of the plan in the reporting period includes costs of the plan for year 2017 and partial cost of the share price component of the plan for year 2016, which was settled in May 2017.*

The cost of the Incentive Plan concerning the Management Board of Agora S.A.:

	2017	2016
Bartosz Hojka	1,103	521
Tomasz Jagiello	631	312
Agnieszka Sadowska (1)	423	-
Grzegorz Kania (2)	62	-
Anna Krynska - Godlewska (2)	62	-
Grzegorz Kossakowski (3)	495	312
Robert Musial (4)	276	312
TOTAL	**3,052**	**1,457**

(1) Agnieszka Sadowska was appointed to Managment Board on March 1, 2017;

(2) Anna Krynska – Godlewska and Grzegorz Kania were appointed to Managment Board on November 8, 2017;

(3) Grzegorz Kossakowski held the position of Management Board Member until September 5, 2017;

(4) Robert Musial performed the function of a Member of the Management Board until February 28, 2017.

b) Equity - settled incentive plan based on shares of a subsidiary

Starting from the third quarter 2017, the eligible employees of a subsidiary Yieldbird Sp. z o.o. participate in an equity-settled incentive program. On the basis of the plan, the eligible employees are entitled to receive shares in the company. The grant of shares is dependent on the fulfillment of a non-market condition, which is the continuation of employment within the agreed vesting period.

The rules, goals and conditions of the incentive plan were approved by the Agora S.A. Management Board resolution on 12 July 2017.

The fair value of the shares granted is recognised in staff costs over the vesting period with a corresponding increase in equity.

The fair value of shares was determined at the grant date by applying a valuation model based on discounted cash flows of the company and by using a discount rate at the level of 9.8%. The model assumes that the eligible employees are entitled to receive dividends during the vesting period.

(all amounts in PLN thousands unless otherwise indicated) translation only

Additional information concerning the incentive plan are presented in the table below:

	Incentive plan based on shares of a subsidiary
Total number of shares granted	75
Fair value of one share measured at the grant date	PLN 44.63 thousand
Vesting period	
Tranche 1 (25 shares)	July 2017 – June 2019
Tranche 2 (25 shares)	July 2017 – June 2020
Tranche 3 (25 shares)	July 2017 – June 2021

The impact of the incentive plan on the consolidated financial statements of the Agora Group is presented in the table below:

	2017
Income statement – staff costs	604
Equity - non-controlling interest	604

28. FINANCE INCOME

	2017	2016
Interests on loans and similar items	165	196
Other interest and income from short-term financial assets	2,790	2,735
Gain on sale of financial assets (1)	10,158	-
Reversal of impairment losses for financial assets	249	386
Valuation of put options	-	297
Other	24	39
	13,386	**3,653**

(1) concerns the sale of shares in jointly controlled entity Green Content Sp. z o.o. (note 32).

29. FINANCE COST

	2017	2016
Interest on loans payable, lease liabilities and similar items	4,150	3,900
Other interest	372	1,444
Remeasurement of shares at the acqusition date	-	5,537
Valuation of put options	5,898	7,432
F/x losses	418	201
Other	1	157
	10,839	**18,671**

(all amounts in PLN thousands unless otherwise indicated) translation only

30. INCOME TAXES

Income tax recognised in the consolidated income statement

	2017	2016
Current tax expense		
Current year	(19,100)	(19,362)
Adjustments for prior periods	322	216
	(18,778)	**(19,146)**
Deferred tax expense		
Origination and reversal of temporary differences	14,873	4,592
Utilization of tax loss	(162)	(16)
Origination of tax loss	-	348
The amount of benefit from a temporary difference of a prior period	-	843
The adjustment of deferred tax related to tax losses	(10)	-
	14,701	**5,767**
Total tax expense recognised in the income statement	**(4,077)**	**(13,379)**

Income tax expense recognised in other comprehensive income

	2017	2016
Actuarial gains/(losses) on defined benefit plans	(51)	1
Total tax expense recognised in other comprehensive income	**(51)**	**1**

Current tax receivables and liabilities are expected to be recovered or settled within one year.

(all amounts in PLN thousands unless otherwise indicated) translation only

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate ruling in the particular year 19% as follows:

	2017	2016
Profit before tax	**(75,216)**	**195**
Tax calculated at a rate of 19% (2016: 19%)	**14,291**	**(499)**
Share of results of equity accounted investees	(898)	(279)
Other non-taxable revenues	777	712
Other non-deductible expenses	(4,587)	(4,459)
Impairment loss recognised for goodwill	(4,044)	-
Temporary differences for which deferred tax was not recognised	-	40
Utilisation of tax losses for which deferred tax was not recognised	13	-
Tax losses for which deferred tax was not recognised	(10,929)	(9,898)
Recognition of deferred tax for temporary differences from previous period	-	843
Adjustment of deferred tax at disposal of joint venture	1,268	-
Other	32	161
Tax calculated at an effective rate of 5.4% (2016: 6861%)	**(4,077)**	**(13,379)**

31. EARNINGS PER SHARE

In calculating earnings per share the following variables were used:
as numerators – net profits attributable to equity holders of the Company for the respective years,
as denominators - the average number of shares in the current year which is 47,421,764 for 2017 (2016: 47,665,426).

Weighted average number of shares

	2017	2016
At the beginning of the period	**47,665,426**	47,665,426
Effect of own shares buy-back	(243,662)	-
At the end of the period	**47,421,764**	**47,665,426**

There are no dilutive factors.

32. BUSINESS COMBINATIONS

Disposal of shares in a subsidiary Sir Local Sp. z o.o.

On April 21, 2017, Agora S.A. signed an agreement to sell 2,110 shares in the share capital of Sir Local Sp. z o.o., each of the nominal value amounting to PLN 50 and their total nominal value amounting to PLN 105.5 thousand, to the benefit of the minority shareholder of this company, for the amount of PLN 10 thousand. The transfer of ownership to the shares occurred as of April 24, 2017. As a result of the transaction, Agora S.A. ceased to be a shareholder of the company.

On December 12, 2017, Agora S.A., has received from the partner of the company Sir Local Sp. o.o. ("Shareholder") notification of the sale of that company's shares to an external investor. In accordance with the terms of the contract for the sale of shares of 21 April 2017 concluded between the Agora S.A. and the Shareholder ("Agreement"). This transaction resulted in the responsibility of the Shareholder to pay the company Agora S.A. an additional price for the sale of shares Sir Local Sp. z o.o. In accordance with the provisions of the Agreement, Agora S.A. has received from the Shareholder payment on January 3, 2018 by title „additional price, the contract sale of shares Sir Local Sp. z o.o." of PLN 30 thousand.

Information on the net assets disposed of and the calculated gain on disposal of the company are disclosed in the table below:

	PLN thousand
	Carrying value as at disposal date
Assets	
Intangible assets	(89)
Deferred tax assets	(47)
Accounts receivable and prepayments	(64)
Cash and cash equivalents	(23)
	(223)
Liabilities	
Trade and other payables	89
Net assets disposed of	**(134)**
Cash consideration received*	40
Non-controlling interests	(35)
Loss on disposal of subsidiary**	**(129)**

** including PLN 30 thousand received after the balance sheet date;*
*** recognised in other operating costs of the Agora Group.*

Disposal of shares in a jointly controlled company Green Content sp. z o.o.

On September 1, 2017, the Management Board of Agora S.A. received a notification of the exercise of the option to buy 51.06% of shares in Green Content Sp. z o.o. by Discovery Polska Sp. z o.o. Moreover, the Management Board of Agora informed the public that the Company's bank account had been credited with PLN 19,000 thousand, being the selling price of the shares in Green Content. As a result of the exercise of the option, effective from 1 September 2017, Discovery Polska Sp. z o.o. became the holder of 100 percent of shares in Green Content Sp. z o.o. and Agora ceased to be a shareholder of the company.

Agora Group recorded a financial income from the sale of shares in a jointly controlled entity in the amount of PLN 10,158 thousand and the impact of the transaction on the net profit of the Group amounted to PLN 11,426 thousand.

Other changes in related companies

On March 2, 2017, Agora S.A. sold to Agora TC Sp. z o.o. for a total price of PLN 18 thousand, shares in the following companies: (i) 400 shares in Joy Media Sp. z o.o. with the nominal value amounting to PLN 20 thousand, comprising 100% of the company's share capital; (ii) 400 shares in PTA Sp. z o.o. with the nominal value amounting to PLN 20 thousand, comprising 100% of the company's share capital; (iii) 1,100 shares in TV Zone Sp. z o.o. with the nominal value amounting to PLN 55 thousand, comprising 100% of the company's share capital. As a result of the above transaction, Agora TC Sp. z o.o. became the sole shareholder of these companies.

On March 13, 2017, Agora TC Sp. z o.o. sold to Next Film Sp. z o.o. for PLN 4,500, shares in Joy Media Sp. z o.o. with the nominal value amounting to PLN 20 thousand, comprising 100% of the company's share capital. As a result of the above transaction, Next Film Sp. z o.o. became the sole shareholder of this company.

On April 13, 2017, the extraordinary general meeting of Joy Media Sp. z o.o. adopted a resolution to increase the share capital of the company from the amount of PLN 20 thousand to the amount PLN 240 thousand, by issuing 4,400 new shares, each of the nominal value amounting to PLN 50 and their total nominal value amounting to PLN 220 thousand. As a result of this transaction, Next Film Sp. z o.o. held 4,800 shares in Joy Media Sp. z o.o., comprising 100% of the company's share capital and granting the right to 4,800 votes, comprising 100% votes during the Meeting. On April 25, 2017, the extraordinary general meeting of Joy Media Sp. z o.o., with its registered office in Warsaw, adopted another resolution to increase the share capital of the company from PLN 240 thousand to PLN 320 thousand, by issuing 1,600 new shares, each of the nominal value amounting to PLN 50 and their total nominal value amounting to PLN 80 thousand. The newly issued shares were allocated to the two new shareholders, each receiving 800 shares. The above-mentioned change was registered by the District Court for the Capital City of Warsaw in Warsaw, XIII Economic Division of the National Court Register, on May 29, 2017. On the same day, the District Court for the Capital City of Warsaw in Warsaw, XIII Economic Division of the National Court Register, registered the amendment of the Statutes of Joy Media Sp. z o.o. that involved the change of the business name of the company into Next Script Sp. z o.o. Next Film Sp. z o.o. currently holds 4,800 shares in the share capital of Next Script Sp. z o.o., comprising 75% of the company's share capital and granting the right to 4,800 votes, comprising 75% votes during the Meeting.

On May 29, 2017, Agora TC Sp. z o.o. ("Acquiring Company"), PTA Sp. z o.o. ("Acquired Company 1") and TV Zone Sp. z o.o. ("Acquired Company 2") filed requests at the District Court for the Capital City of Warsaw in Warsaw, XIII Economic Division of the National Court Register, to change data in the Register of Entrepreneurs in respect of the acquisition under Art. 492 § 1 Point 1 of the Commercial Companies Code, by transferring all the assets of the Acquired Company 1 and of the Acquired Company 2 upon the Acquiring Company. On 30 June 2017, the District Court for the Capital City of Warsaw in Warsaw, XIII Economic Division of the National Court Register, registered the above-mentioned change.

On July 21, 2017, the extraordinary general meeting of shareholders of Next Film Sp. z o.o. ("Next Film") adopted the resolution increasing the share capital by issuing 500 new shares with nominal value of PLN 1,000 per share and total nominal value of PLN 500 thousand. The extraordinary general meeting of shareholders of Next Film decided to allocate newly issued shares to the sole shareholder of Next Film, i.e. Helios S.A. Helios S.A. will receive 500 newly issued shares in return for cash contribution in the amount of PLN 8,000 thousand, of which amount of PLN 500 thousand will be allocated to the share capital of Next Film, and amount of PLN 7,500 thousand will be recognized as agio and allocated to the reserve capital of Next Film. On November 14, 2017, the District Court for Lodz-Srodmiescie in Lodz entered the above change in the register of entrepreneurs of the National Court Register. At present, the share capital of Next Film Sp. z o.o. amounts to PLN 1,000 thousand and consists of 1,000 shares with a nominal value of PLN 1,000 each, of which Helios S.A. holds 1,000 shares in the company's share capital, representing 100% of the share capital and 100% of votes at the general meeting of shareholders.

On 9 August 2017, the Extraordinary Meeting of Shareholders of Yieldbird Sp. z o.o. ("Yieldbird") adopted a resolution to increase the share capital through the creation of 75 new shares with a par value of PLN 50 each and total par value of PLN 3,750. The Extraordinary Meeting of Shareholders of Yieldbird Sp. z o.o. decided that the newly created shares would be acquired by three minority shareholders of Yieldbird, in such a way as to allot 30 shares each to two of them and 15 shares to one of them. On 11 October 2017, the District Court for the Capital City of Warsaw in Warsaw, entered the above change in the business register of the National Court Registry. Currently, the company's share capital stands at PLN 47,550 and it is divided into 951 shares with a par value of PLN 50 each, of which Agora S.A. holds

738 shares, corresponding to 77.60 percent of the share capital and 77.60 percent of the votes at a shareholders' meeting.

On December 14, 2017, Agora S.A., as the sole shareholder, established Plan A Sp. z o.o., with its registered seat in Warsaw. On December 21, 2017, the District Court for the capital city of Warsaw in Warsaw, XIII Commercial Division of the National Court Register, entered the aforementioned company in the register of entrepreneurs of the National Court Register. Agora S.A. currently holds 100 shares in the share capital of Plan A Sp. z o.o., with a value of PLN 50 each, which have been taken up by Agora S.A. 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.

Call for the repurchase of shares in a subsidiary

On March 29, 2016, a minority shareholder ("Minority Shareholder") of Helios S.A., holding 320,400 shares of Helios S.A., constituting 2.77% of the share capital ("Shares"), submitted a call to Helios S.A., based on Article 418 (1) of the Commercial Companies Code ("CCC"), for convening the general meeting of shareholders of Helios S.A. and placement on the agenda of an item regarding adoption of a resolution on Shares compulsory sell-out ("Call").

As a result of: (i) the Call, (ii) further calls, submitted pursuant to Article 418 (1) of CCC by the Minority Shareholder and others minority shareholders of Helios S.A., who purchased a portion of the Shares from the Minority Shareholder and (iii) resolutions adopted by the General Meetings of Shareholders of Helios S.A. held on May 10, 2016 and June 13, 2016, there are currently two ongoing sell-out procedures (pursuant to Article 418 (1) of CCC) and one ongoing squeeze-out procedure (pursuant to Article 418 of CCC), aiming at the acquisition by the two shareholders of Helios S.A., including Agora S.A., of the Shares held by the Minority Shareholder and other minority shareholders.

(i)Sell-out procedure

In connection with the ongoing sell-out procedures, as of June 30, 2016 Agora S.A. transferred the amount of PLN 2,938 thousand to Helios S.A., as the sell-out price, calculated based on Article 418 (1) § 6 of CCC. As of December 31, 2016 Agora Group recognised in its balance sheet a liability to acquire the shares from the minority shareholders of Helios S.A. in the total amount of PLN 3,185 thousand. The above mentioned amount included amount of PLN 2,938 thousand, which Agora S.A. transferred to Helios S.A. (with a corresponding increase in the Group equity in line Retained earnings and other reserves) and the total amount transferred by the second shareholder of Helios S.A. in connection with the ongoing sell-out procedures.

In the execution of sell out procedure, on June 2, 2017 Helios S.A. transferred the amount of PLN 3,171 thousand to Minority Shareholder as sell-out price for 318,930 shares. At the same day, Helios S.A. ordered money transfers in the total amount of PLN 14 thousand for others minority shareholders of Helios S.A., as sell-out price for 1,460 shares. As a result of above mentioned transactions, Agora Group fulfilled the obligation to purchase shares subject to sell-out procedure, which was recognised in its balance sheet.

As a result of above, Agora S.A. increased the block of Helios S.A. shares from the amount of 10,277,800 shares to the amount 10,573,352 shares i.e. 295,552 shares. Agora S.A. currently owns 91.44% of Helios S.A. shares.

The shareholders, whose shares are subject of sell-out procedures, haven't agreed on sell-out price calculated based on Article 418 (1) § 6 of CCC and based on Article 418 (1) § 7 of CCC, applied to the registry court for appointment of expert in order to determine the price of sell-out shares by the court.

The final evaluation of Shares, which are subject to the sell-out procedure, will be calculated by an expert appointed by the registry court having the jurisdiction over the registered office of Helios S.A. Possibly change of price will effect change of sell-out price of shares. As of the date of publication of this report, Helios S.A. he has not yet received the decision to appoint an expert.

(ii)Squeeze-out procedure

The squeeze-out procedure, which entered into force on July 14, 2016, concerns 10 shares. The owner of the mentioned shares, didn't respond to a Company's call, announced in the Court and Commercial Gazette, directed at the minority shareholders holding the above mentioned shares, to lodge the share certificates with the Company within two weeks from the date of announcement of the call, under pain of invalidation thereof. In connection with the above, on April 7, 2017 the Management Board of Helios S.A. adopted a resolution on cancelling the aforementioned shares. The above information was published in the Court and Commercial Gazette on 8 May 2017. An expert appointed by the court is currently preparing a valuation of the shares.

As of the date of publication of this report, the compulsory sell-out and squeeze-out procedures have not been completed.

On January 10, 2018 the claim, submitted by Minority Shareholder, was delivered to Helios S.A. for repeal resolutions no. 2/2016 and no. 24/2016 of the Ordinary General Meeting of the Company of June 13, 2016 regarding: (i) adoption of the agenda (No. 2/2016), (ii) compulsory purchase of shares of minority shareholders (24/2016). The company responded to the claim, requesting dismissal of the claim as unfounded.

33. FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments:

- credit risk,
- liquidity risk,
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Management Board has overall responsibility for the establishment and oversight of the Group's risk management framework. The Policy of Risk Management functions within the Group that determines the rules and the framework of risk management process as well as establishes the responsibilities of its participants.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Company Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Company Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, granted loans and investment securities.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The biggest customers (in respect of the turnover) are press distributors (companies unrelated to Agora S.A.). Because the value of transactions with none of distributors of the Group has exceeded 10% of the total revenue of the Group, a significant concentration of customers does not exist. As a result, the Group's credit risk is limited due to a great number and diversification of customers.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Based on historic default rates, the Group do not create impairment allowances for receivables from related companies, trade receivables that are past due by up to 90 days or for barter receivables; around 90 % of the balance, which includes the amount owed by the Group's most significant customers relates to customers that have a good payment record.

The ageing of overdue trade receivables as at balance sheet date is presented in note 9.

Investments

The Group limits its exposure to credit risk by diversification of its investments in investment funds, which invest in different classes of debt instruments. The Group does not acquire securities directly, but only through investment funds. At the same time, the Company invest only in liquid securities.

Collaterals

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

The information related to collaterals held is described in note 34.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. In addition, as at December 31, 2017, the Group maintains a credit facility in DNB Bank Polska S. A. described in note 14.

In addition, the Company has implemented a liquidity management system, which functions within the Group ("the Cash Pooling Agreement"). The agreement was signed on May 25, 2017 between DNB Bank Polska S.A. on the one side and Agora S.A. and selected subsidiaries companies from the group from the other side. The Cash Pooling Agreement aims to optimize cash liquidity and the most efficient management of cash for entities participating in the cash pooling system. Agora S.A. acts as a cash pool leader within the system. In accordance with this agreement, the Company may use the funds collected by other participants of the cash pooling system up to PLN 80,000 thousand. Intra-group balances and transactions related to cash pooling agreemet are eliminated in the consolidated financial statements.

Payment deadlines concerning trade payables are described in note 20 and bank loans in note 14. Future estimated cash flows related to financial liabilities are described in note 34.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return rate.

Foreign currency risk

Foreign exchange risk is related to sales of printing and advertising services to foreign customers, purchases of newsprint which is contracted in EURO, fixed asset purchases and rent of premises, which are also partly contracted in foreign currencies, mainly EURO and USD.

Cash nad cash equivalents denominated in foreign currency amounted to PLN 2,199 thousand as at balance sheet date (31 December 2016: PLN 1,653 thousand), mainly in EURO and USD.

Accounts receivable in foreign currency amounted to PLN 7,087 thousand as at balance sheet date (31 December 2016: PLN 6,263 thousand), principally in EURO,USD and GBP.

Accounts payable requiring settlement in foreign currency amounted to PLN 1,991 thousand as at balance sheet date (31 December 2016: PLN 3,010 thousand), payable principally in EURO and USD.

The Group does not hedge against exchange rate risk by entering into long-term hedging contracts. However, the Group may still enter into short term forward currency contracts with maturity up to 6 months.

In 2017, Agora S.A. was not engaged in any currency option instruments or other derivatives (used for hedging or speculative ones).

Interest rate risk

The Group invests in short-term deposits and short-term securities with variable interest rates. All the deposits and securities mature within one year.

Additionally, the Group has interest bearing bank loans and finance lease aggrements with interest at a floating rate based on WIBOR 1M or 3M.

Sensitivity analysis

a) Interest rate risk

The Group has many financial instruments (including bank deposits, credits and loans). Their fair values and the fair value of future cash flows connected with them may fluctuate due to changes in interest rates. As at 31 December 2017, assuming a +/- 1pp change in interest rates, the impact of changes in fair value of financial instruments is estimated at the level of net loss/profit of PLN 527 thousand (as at December 31, 2016: PLN 525 thousand).

b) Foreign currency risk

The Group has many financial instruments (including bank deposit, receivables, payables). Their fair values and the fair value of future cash flows connected with them may fluctuate due to changes in interest rates. As at 31 December 2017, assuming the appreciation/depreciation of Polish zloty by 10%, the fair value of financial instruments that will fluctuate, is estimated to impact the net profit/loss in the amount of PLN 591 thousand (as at December 31, 2016: PLN 391 thousand).

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Further growth of the Group is the Management Board's overarching priority and the Group plans to use its capital in order to achieve that objective, building its long term value through acquisitions and greenfield projects. The Management Board monitors the ratio levels: ROCE and the paid dividend per share. Each decision concerning dividend payments or share repurchases is made after conducting proper analyses of the Company's financial position, investment capacity at the time, the balance sheet structure and the Company's share price quoted on the stock exchange and is approved by the General Meeting of Shareholders.

In the reported period there were no changes in the capital management policy.

The Management Board focuses on keeping the balance between possibility to reach higher rate on return ratio (if the debt level is higher) and advantages and security reached at the stable capital level.

Neither the Company nor its subsidiaries are obligated to obey externally defined capital rules.

(all amounts in PLN thousands unless otherwise indicated) translation only

34. FINANCIAL INSTRUMENTS

1) General information

	Short-term financial assets	Bank deposits	Loans granted	Bank loans received
a) Classification	Certificates in investment funds – financial asset at fair value through profit or loss	Loans and receivables	Loans and receivables	Financial liability
b) Nature of the instrument	Short-term low risk investments	Short-term low risk investments	long- and short-term loans	Bank loans
c) Carrying value of the instrument	2017: PLN 91,783 thousand 2016: PLN 73,989 thousand	2017: PLN 272 thousand 2016: PLN 24,578 thousand	2017: PLN 1,051 thousand 2016: PLN 6,043 thousand	2017: PLN 55,027 thousand 2016: PLN 64,287 thousand
d) Value of the instrument in foreign currency, if applicable	n/a	n/a	n/a	n/a
e) Purpose of the instrument	Investing of cash surpluses	Investing of cash surpluses	Financing of related companies and entities co-operating with the Group	Bank loan – investment needs Bank overdraft – operating needs
f) Amount on which future payments are based	Total value of investments	Total value of deposits	Face value	Face value
g) Amount and timing of future cash receipts or payments	Interest depending on maturity	Interest depending on maturity	Interest depending on maturity	Bank loans - Interests paid monthly
h) Date of repricing, maturity, expiry or execution	Liquid	Liquid – overnight or within 3 months	According to agreements	Payment terms for all loans are described in note 14
i) Early settlement option	Any time	Any time	Possible	Possible
j) Execution price or range of prices	Market value	Face value plus interests	Face value plus interests	Face value plus interests
k) Option to convert or exchange instrument to other asset or liability	None	None	None	None
l) Stated rate or amount of interest, dividend or other periodic return and the timing of payments	According to valuation of certificates, based on currency market instruments Timing of payments– at maturity, on the basis of the Group's decision	WIBID minus margin Timing of payments – at maturity	WIBOR + margin Timing of payments– instalments or at maturity date	Bank loans – WIBOR + bank margin Timing of payments - monthly
m) Collateral held or pledged	None	None	None	Collaterals are described in note 14

	Short-term financial assets	Bank deposits	Loans granted	Bank loans received
n) Other conditions	None	None	None	Financial ratios; Debt Service Coverage Ratio and Net Debt Ratio. Breaking each of them causes a breach of the Loan Agreement
o) Type of risk associated with the instrument	Interest rate, credit risk of financial institution	Interest rate, credit risk of financial institution	Interest rate, credit risk of subsidiaries and associates	Interest rate
p) Fair value of the instrument	Equal to carrying value	Close to carrying value	Close to carrying value	Close to carrying value
q) Method of fair value determination	Market quotations	Discounted cash flow	Discounted cash flow	Discounted cash flow

Interest rate risk

r) Description of the risk	Due to floating rate	Due to floating rate	Due to floating rate	Due to floating rate
s) Contractual repricing or maturity date	See point h)	See point h)	See point h)	See point h)
t) Effective interest rate	Close to nominal	Close to nominal	Close to nominal	Close to nominal

Credit risk

	Short-term financial assets	Bank deposits		Loans received
u) Description of the risk	Depending on the creditworthiness of the financial institution	Depending on the creditworthiness of the bank	Depending on the creditworthiness of the borrowers	None
w) Maximum credit risk exposure	Amount deposited	Amount deposited less amount from BFG	Amount deposited	n/a

The information about trade receivables is included in note 9 and about trade payables in note 20.

(all amounts in PLN thousands unless otherwise indicated) translation only

2) Detailed information on financial instruments

	2017	2016
Interest income on financial assets		
Bank deposits	207	178
Short-term financial assets (investment certificates)	2,258	1,441
Loans granted	165	196
Other	308	383
Interest and commissions expense on financial liabilities		
Bank loans	(2,552)	(2,101)
Finance lease liabilities	(1,598)	(1,799)
Cash pooling	(29)	(14)
Other	(118)	(454)

3) Fair value hierarchy for financial instruments

The Group applies the following hierarchy for disclosing information about fair value of financial instruments – by valuation technique:

- level 1: quoted prices in active markets (unadjusted) for identical assets or liabilities;
- level 2: valuation techniques in which inputs that are significant to fair value measurement are observable, directly or indirectly, market data;
- level 3: valuation techniques in which inputs that are significant to fair value measurement are not based on observable market data.

The table below shows financial instruments measured at fair value at the balance sheet date:

	31 December 2017	Level 1	Level 2	Level 3
Certificates in investment funds	91,783	-	91,783	-
Financial assets measured at fair value	**91,783**	**-**	**91,783**	**-**
Put option liabilities	30,605	-	-	30,605
Financial liabilities measured at fair value	**30,605**	**-**	**-**	**30,605**

	31 December 2016	Level 1	Level 2	Level 3
Certificates in investment funds	73,989	-	73,989	-
Financial assets measured at fair value	**73,989**	**-**	**73,989**	**-**
Put option liabilities	24,707	-	-	24,707
Financial liabilities measured at fair value	**24,707**	**-**	**-**	**24,707**

(all amounts in PLN thousands unless otherwise indicated) translation only

The table below shows a reconciliation from the beginning balance to the ending balance for financial instruments in Level 3 of the fair value hierarchy:

	31 December 2017	31 December 2016
Opening balance	**24,707**	**20,879**
Additions resulting from initial recognition	-	1,760
Remeasurement recognised in profit or loss , incl.:	5,898	7,136
- finance income	-	296
- finance cost	(5,898)	(7,432)
Exercise of the put option (1)	-	(791)
Settlement of the contingent payment (2)	-	(4,277)
Closing balance	**30,605**	**24,707**

(1) in 2016 relates to a call to purchase 0.38% shares of Helios S.A. exercised on 4 August 2016 by a non-controlling shareholder pursuant to the provisions of an option agreement dated August 31, 2010;

(2) relates to a call to pay an additional price for the shares exercised on 3 August 2016 by a former non-controlling shareholder of Helios S.A. pursuant to the provisions of a share sale agreement dated December 11, 2014.

Key assumptions that are most significant to the fair value measurement of financial instruments in Level 3 of the fair value hierarchy include: estimated level of the operating result EBIT during the period specified in put option conditions and discount rate. In the fourth quarter of 2017 Agora S.A. and non-controlling shareholders of Helios S.A. signed Annexes to the option agreements dated March 30, 2010 and October 29, 2010. According to the signed Annexes, the option formula, which constitutes the basis for estimating the future option exercise price, was amended by replacing the EBITDA multiple with the EBIT multiple. This amendment was included in the measurement of the put option liability at the balance sheet date.

In case of the put option granted to the non-controlling shareholders of Helios S.A., an increase of the estimated EBIT level over the period specified in put option conditions by 10%, would cause an increase of put option liability by ca PLN 3,280 thousand, while an increase of the discount rate by 1pp, would cause a decrease of the liability by ca PLN 1,450 thousand.

(all amounts in PLN thousands unless otherwise indicated) translation only

4) Cash flows related to financial liabilities

The future estimated undiscounted cash flows related to financial liabilites based on contractual maturities at the balance sheet date are presented below:

31 December 2017	Contractual cash flows	6 months or less	between 6 and 12 months	between 1 and 2 years	between 2 and 5 years	more than 5 years
Bank loans	57,893	12,141	8,794	16,931	20,027	-
Finance lease liabilities	32,734	5,804	4,724	8,221	13,981	4
Trade payables	85,155	85,155	-	-	-	-
Put option liabilities	44,036	-	-	1,760	-	42,276
Liabilities related to purchase of non-current assets	15,691	13,743	361	375	1,212	-
Total	**235,509**	**116,843**	**13,879**	**27,287**	**35,220**	**42,280**

31 December 2016	Contractual cash flows	6 months or less	between 6 and 12 months	between 1 and 2 years	between 2 and 5 years	more than 5 years
Bank loans	68,247	13,583	10,565	17,796	26,303	-
Finance lease liabilities	50,871	9,359	8,839	10,534	20,073	2,066
Trade payables	93,611	93,611	-	-	-	-
Cash pooling liabilities	9,818	9,818	-	-	-	-
Put option liabilities	33,545	-	-	-	1,760	31,785
Liabilities related to purchase of non-current assets	11,860	9,565	346	361	1,169	419
Total	**267,952**	**135,936**	**19,750**	**28,691**	**49,305**	**34,270**

5) Changes in liabilities arising from financing activities

The changes in liabilities arising from financing activities (including changes arising from cash flows and non-cash changes) are presented in table below:

		Cash flow		**Non cash changes**		
	As at 31 December 2016	Capital	Interests and commissions	Purchased property, plant and equipment under finance lease	Interests and commissions (accounted)	As at 31 December 2017
Credits	64,287	(9,311)	(2,388)	-	2,439	55,027
Leasing	46,632	(16,506)	(1,598)	122	1,600	30,250
Cash pooling	9,818	(9,804)	(43)	-	29	-

35. CONTRACTUAL INVESTMENT COMMITMENTS

Contractual investment commitments related to fixed assets existing at the balance sheet date amounted to PLN 29,538 thousand (31 December 2016: PLN 25,236 thousand) and to intangible assets amounted to PLN 1,280 thousand (31 December 2016: 846 PLN thousand).

The commitments for the purchase of property, plant and equipment include also future liabilities resulting from the signed agreements related to the realization of the concession contract for the construction and utilization of 1,580 bus shelters in Warsaw and 600 shelters in Cracow. The investment process in Warsaw has commenced in 2014 and shall be completed in 2018. The estimated total cost of the bus shelter construction in Warsaw amounts to ca PLN 80 million. The investment process in Cracow has commenced in 2015 and shall last 10 years.

Moreover, according to the medium term development plans of the Agora Group announced in March 2014, the subsidiary Helios S.A., plans to open new cinema facilities. Since March 2014 till the end of 2018 the investment outlays related to this process may amount to ca PLN 80 million. In years 2014-2017 the number of new facilities, by which the Helios network enlarged was 14.

36. CONTINGENCIES, GUARANTEES AND OTHER COLLATERALS

As of 31 December 2017 and 31 December 2016, the Company had contingencies, guarantees and other collaterals arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, other than those noted below:

Benefiting party	Debtor	Valid till	As at 31 December 2017	As at 31 December 2016	Scope of collateral
Guarantees provided by Agora S.A.					
Bank Pekao S.A.	Agora's employees	05 Feb 2018 - 30 Oct 2020	233	307	loans for the purchase of photographic equipment
Bank Pekao S.A.	Doradztwo Mediowe Sp. z o.o.	30 Jun 2017	-	14,400	cash pooling agreement
Bank Pekao S.A.	Optimizers Sp. z o.o.	30 Jun 2017	-	1,200	cash pooling agreement
Bank Pekao S.A.	Optimizers Sp. z o.o.	25 Sep 2017	-	375	credit cards
Bank Pekao S.A.	Green Content Sp. z o.o.	25 Sep 2017	-	375	credit cards
Guarantees provided by AMS S.A.					
Tejbrant Polska Sp. z o.o.	Adpol Sp. z o.o.	30 Jun 2017	-	3,000	contract for delivery and installation of bus shelters
Guarantees provided by Adpol Sp. z o.o.					
mBank S.A.	AMS S.A.	2 Mar 2020 - 24 Apr 2020	32,400	32,400	bank guarantees related to the contract for the construction of bus shelters in Warsaw
Bills of exchange issued by AMS S.A. and Adpol Sp. z o.o.					
Gmina Miasto Szczecin	AMS S.A.	indefinite period	90	90	rent agreements on advertising panels
mBank S.A.	AMS S.A.	8 Sep 2018 - 30 Nov 2019	53	1,844	bank guarantees

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Benefiting party	Debtor	Valid till	As at 31 December 2017	As at 31 December 2016	Scope of collateral
Zarzad Drog Miejskich Warszawa	Adpol Sp. z o.o.	1 Jan 2022	200	200	contract for construction and exploitation of MSI panels

The total amount of the contingencies, guarantees and other collaterals is smaller than 10% of the Group's equity.

Additionally, Helios S.A. issued blank promissory notes as collaterals for bank loan agreements and finance lease agreements and guarantees on rent agreements.

Moreover, AMS S.A. provided to the bank cash deposits as a cash collateral securing the bank guarantees issued in relation to the concession contract for construction and utilization of bus shelters in Warsaw. In the third quarter of 2016 AMS S.A. fulfilled the conditions giving entitlement to the reduction of the cash deposits and the cash in the amount of PLN 8.0 million was returned to the company. Consequently, as at 31 December 2017 the deposit receivable amounts to PLN 21.6 million (out of which PLN 10.8 million is presented within long-term receivables).

Information on contingent liabilities related to legal disputes is described in note 18.

Advertising panels dismantling costs

Majority of lease agreements for rent of space for advertising panels includes an obligation to remove panels and restore the space to its previous condition. Agreements are usually concluded for finite periods, shorter than the useful life of the panels. Despite provisions of the agreements, the necessity to uninstall the panel will depend on future decisions taken at the end of the lease period. Based on the experience of AMS S.A., the majority of the agreements are prolonged without any expenditures on restoration. Taking into account these uncertainties, AMS SA decided to recognize expenditures on restoration when incurred or when the decision to restructure the panels is taken (including restoration). The restoration costs amounted to PLN 393 thousand in 2017 and PLN 673 thousand in 2016.

37. COMMITMENTS UNDER OPERATING LEASES

The future minimum lease payments under non-cancellable operating leases (including the lease of outdoor locations for advertising panels, Helios cinemas, buildings and other) are summarised as follows:

	31 December 2017	31 December 2016
Within one year	86,764	90,572
Between one and five years	221,461	236,113
More than five years	204,989	265,731
Total	**513,214**	**592,416**

The amounts disclosed above include VAT that the Group will be able to recover. The value of net minimum lease payments denominated in EURO amounted to EUR 83,793 thousand (2016: EUR 91,345 thousand).

Annual payments of the Group related to the perpetual usefruct of land amount to PLN 1,320 thousand (2016: PLN 1,357 thousand).

The amount of minimum lease payments recognised as costs (connected with outdoor operation lease rentals, Helios cinemas and other rentals) in the income statements is shown in note 22.

(all amounts in PLN thousands unless otherwise indicated) translation only

38. GROUP COMPANIES

Basic information about the companies composing the Agora Group as at 31 December 2017 are presented in the tables below:

		31 December 2017							
		% of shares held (effectively)	Assets		Liabilities		Revenue	Net result	Other comprehensive income
	Companies consolidated (1)		Non-current	Current	Non-current	Current			
1	Agora Poligrafia Sp. z o.o., Tychy	100.0%	38,086	10,133	77	24,173	42,956	(16,433)	(3)
2	AMS S.A., Warsaw	100.0%	197,672	103,721	7,926	85,052	165,582	25,309	29
3	IM 40 Sp. z o.o., Warsaw (2)	72.0%	503	2,760	-	262	3,722	1,424	-
4	Grupa Radiowa Agory Sp. z o.o. (GRA) Sp. z o.o., Warsaw	100.0%	60,555	15,788	118	9,742	48,088	8,310	(6)
5	Adpol Sp. z o.o., Warsaw (3)	100.0%	12,997	45,273	28	2,541	20,840	1,184	4
6	Inforadio Sp. z o.o., Warsaw (2)	66.1%	3,125	7,189	1,380	1,341	14,647	3,049	(3)
7	Agora TC Sp. z o.o., Warsaw	100.0%	204	1,640	26	675	6,985	394	(2)
8	Doradztwo Mediowe Sp. z o.o., Warsaw (2)	100.0%	3,293	28,403	96	27,668	107,961	3,880	(3)
9	Trader.com (Polska) Sp. z o.o., Warsaw	100.0%	952	2,490	122	899	10,470	864	(1)
10	Helios S.A., Lodz	91.4%	226,824	32,354	40,422	75,288	352,989	19,832	(14)
11	Next Film Sp. z o.o., Warsaw (4)	91.4%	2,651	13,513	5	3,968	31,584	1,745	-
12	Yieldbird Sp. z o.o., Warsaw	77.6%	2,519	14,032	4	9,707	68,773	4,041	-
13	Next Script (previously Joy Media)Sp. z o.o., Warsaw (5)	68.6%	-	292	-	-	-	(15)	-
14	Optimizers Sp. z o.o., Warsaw	100.0%	42	515	7	590	2,503	(361)	-
15	Goldenline Sp. z o.o., Warsaw	92.7%	3,359	5,506	296	4,833	18,625	531	-
16	Plan A Sp. z o.o., Warsaw (6)	100.0%	-	5	-	-	-	-	-

(1) the presented data are before elimination of intergroup transactions;
(2) indirectly through GRA Sp. z o.o;
(3) indirectly through AMS S.A.;
(4) indirectly through Helios S.A., on 22 February 2018, the company changed its seat from Lodz to Warsaw;
(5) indirectly through Next Film Sp. z o.o.;
(6) company set up in 14 December 2017.

(all amounts in PLN thousands unless otherwise indicated) translation only

		31 December 2016							
		% of shares held (effectively)	Assets		Liabilities		Revenue	Net result	Other comprehensive income
	Companies consolidated (1)		Non-current	Current	Non-current	Current			
1	Agora Poligrafia Sp. z o.o., Tychy	100.0%	56,859	15,879	64	32,268	63,261	511	6
2	AMS S.A., Warsaw	100.0%	197,528	112,588	15,758	84,577	172,245	26,705	(29)
3	IM 40 Sp. z o.o., Warsaw (2)	72.0%	590	2,640	-	359	3,868	1,294	-
4	Grupa Radiowa Agory Sp. z o.o. (GRA) Sp. z o.o., Warsaw	100.0%	55,174	20,527	96	9,462	51,204	6,653	(7)
5	Adpol Sp. z o.o., Warsaw (3)	100.0%	20,623	37,717	29	3,123	22,370	673	(1)
6	Inforadio Sp. z o.o., Warsaw (2)	66.1%	3,549	4,514	1,647	1,576	10,732	293	(1)
7	Agora TC Sp. z o.o., Warsaw	100.0%	231	2,999	21	1,481	7,538	981	(2)
8	Doradztwo Mediowe Sp. z o.o., Warsaw (2)	100.0%	3,426	37,772	79	41,063	108,214	3,290	4
9	Trader.com (Polska) Sp. z o.o., Warsaw	100.0%	1,208	1,790	131	1,310	10,822	759	4
10	Helios S.A., Lodz	88.9%	235,164	54,107	64,833	84,384	311,626	25,108	12
11	Next Film Sp. z o.o., Lodz (4)	88.9%	371	4,555	-	2,413	8,076	(1,352)	-
12	Yieldbird Sp. z o.o. (previously AdTaily Sp. z o.o.), Warsaw (5)	84.3%	1,933	13,241	4	9,999	44,385	2,981	-
13	Sport4People Sp. z o.o. in liquidation, Cracow	100.0%	-	-	-	-	68	(43)	-
14	Sir Local Sp. z o.o. , Warsaw	78.4%	383	81	-	65	419	(253)	-
15	TV Zone Sp. Z o.o., Warsaw	100.0%	-	11	-	-	-	(13)	-
16	Joy Media Sp. z o.o., Warsaw	100.0%	-	7	-	-	-	(10)	-
17	PTA Sp. z o.o., Warsaw	100.0%	-	7	-	-	-	(10)	-
18	Optimizers Sp. z o.o., Warsaw (6)	100.0%	57	851	8	582	2,974	(124)	-
19	Goldenline Sp. z o.o., Warsaw	92.7%	3,335	6,146	565	5,709	19,861	757	-

(1) the presented data are before elimination of intergroup transactions;
(2) indirectly through GRA Sp. z o.o.;
(3) indirectly through AMS S.A.;
(4) indirectly through Helios S.A.;
(5) on December 28, 2016, the National Court Register registered the change of the company`s name from AdTaily Sp. z o.o. to Yieldbird Sp. z o.o.;
(6) company set up in March 2016.

(all amounts in PLN thousands unless otherwise indicated) translation only

38. GROUP COMPANIES, CONTINUED

		31 December 2017							
			Assets		Liabilities				
Joint ventures and associates accounted for using the equity method (1)		% of shares held (effectively)	Non-current	Current	Non-current	Current	Revenue	Net result	Other comprehensive income
1	Online Technologies HR Sp. z o.o., Szczecin	46.2%	972	419	-	602	2,782	102	-
2	Instytut Badan Outdooru IBO Sp. z o.o., Warsaw (2), (3)	40,0%	130	2,847	-	2,641	10,470	1,214	-
3	Stopklatka S.A., Warsaw	41.1%	16,943	5,711	6,408	8,293	28,096	(992)	-
4	Hash.fm Sp. z o.o., Warsaw	49.5%	38	1,741	-	1,084	3,853	18	-
5	Green Content Sp. z o.o., Warsaw (4)	0.0%	-	-	-	-	3,886	(8,569)	-

		31 December 2016							
			Assets		Liabilities				
Joint ventures and associates accounted for using the equity method (1)		% of shares held (effectively)	Non-current	Current	Non-current	Current	Revenue	Net result	Other comprehensive income
1	Online Technologies HR Sp. z o.o., Szczecin	46.2%	940	207	-	460	1,497	157	-
2	Instytut Badan Outdooru IBO Sp. z o.o., Warsaw (2), (5)	40,0%	8,356	739	-	9,975	13	(529)	-
3	Stopklatka S.A., Warsaw	41.1%	21,021	9,406	7,805	13,678	29,845	(766)	-
4	Hash.fm Sp. z o.o., Warsaw	49.5%	2	1,000	-	325	2,835	324	-
5	Green Content Sp. z o.o., Warsaw (6)	51.1%	20,841	13,370	11,305	7,497	321	(2,716)	-

(1) the presented data are after consolidation adjustmets;
(2) indirectly through AMS S.A.;
(3) in 2017 the Group did not recognise its share of profit in the company, as a result of accounting for the unrecognised losses from prior periods and eliminating the investor's share in the upstream sales of assets from the associate to its significant investor;
(4) on September 1, 2017, shares in the company were sold, the presented income statement data include period from 1 January 2017 till 31 August 2017;
(5) in 2016 the Group did not recognise its share of loss in the company, because the Group had no obligation to cover this loss;
(6) the company accounted for using the equity method since 1 December 2016, the presented income statement data include period for December 2016.

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38. GROUP COMPANIES, CONTINUED

Stopklatka S.A. and Online Technologies HR Sp. z o.o. are companies classified as joint ventures, due to the fact that, on the basis of the investment agreements and company agreements, decisions about the relevant activities in these companies require the unanimous consent of the both main investors sharing control.

Additional information related to joint venture Stopklatka S.A. are presented below:

	31 December 2017	31 December 2016
Cash and cash equivalents	1,555	3,645
Financial liabilites	9,740	13,002
Depreciation and amortisation expense	(9,698)	(9,141)
Interest income	7	17
Interest expense	(88)	(159)

As at 31 December 2017, financial liabilities (excluding trade payables and other) included short-term loans in the amount of PLN 2,044 thousand (2016: PLN 4,133 thousand) and liabilities related to the purchase of broadcasting licence with the book value of PLN 7,696 thousand (2016: PLN 8,869 thousand), out of which the long-term part amounted to PLN 1,288 thousand (2016: PLN 7,696 thousand).

The company Stopklatka S.A. is listed on the ASO NewConnect market (alternative trading system organized by the Warsaw Stock Exchange). Based on the closing price of shares at the balance sheet date, which reached PLN 7.45 per share, the fair value of the investment in the company amounted to PLN 34,242 thousand (2016: PLN 45,962 thousand).

As at 31 December 2017, based on the investment agreement related to the acquistion of shares in Stopklatka S.A., the Group has unrecognised commitments to contribute additional funding to the company in the amount of PLN 1,593 thousand (2016: PLN 1,593 thousand).

Additional information related to joint venture Green Content sp. z o.o. are presented below:

	31 December 2017 (1)	31 December 2016 (2)
Cash and cash equivalents	-	61
Financial liabilites	-	12,880
Deprecation and amortisation expense	(6,515)	(694)
Interest income	29	-
Interest expense	(51)	(35)
Income tax recognised in the income statement	2,006	636

(1) on September 1, 2017, shares in the company were sold, the presented income statement data include period till 31 August 2017;
(2) the company accounted for using the equity method since 1 December 2016, the presented income statement data include period for December 2016.

As at 31 December 2016, financial liabilities (excluding trade payables and other) included finance lease liabilities in the amount of PLN 320 thousand, out of which the long-term part amounted to PLN 153 thousand and liabilities related to the purchase of broadcasting licence with the book value of PLN 12,560 thousand, out of which the long-term part amounted to PLN 11,152 thousand.

(all amounts in PLN thousands unless otherwise indicated) translation only

Information concerning the non-controlling interests in subsidiaries is presented in the table below:

	31 December 2017				
Company	% of shares held by non-controlling interests as at 31 December 2017	Accumulated amount of non-controlling interests as at 31 December 2017	Net profit/(loss) allocated to non-controlling interests in 2017	Other comprehensive income allocated to non-controlling interests in 2017	Dividends paid to non-controlling shareholders in 2017
IM 40 Sp. z o.o.	28.0%	840	398	-	362
Inforadio Sp. z o.o.	33.9%	2,576	1,034	(1)	99
Helios S.A.	8.6%	12,669	1,960	-	1,405
Next Film Sp. z o.o.	8.6%	273	194	-	-
Yieldbird Sp. z o.o.	15.7%	1,368	732	-	668
Next Script (previously Joy Media) Sp. z o.o.	31.4%	90	(2)	-	-
Sir Local Sp. z o.o.	0.0%	0	(8)	-	-
Goldenline Sp. z o.o.	7.3%	1,249	(60)	-	-
Total		**19,065**	**4,248**	**(1)**	**2,534**

	31 December 2016				
Company	% of shares held by non-controlling interests as at 31 December 2016	Accumulated amount of non-controlling interests as at 31 December 2016	Net profit/(loss) allocated to non-controlling interests in 2016	Other comprehensive income allocated to non-controlling interests in 2016	Dividends paid to non-controlling shareholders in 2016
IM 40 Sp. z o.o.	28.0%	804	361	-	422
Inforadio Sp. z o.o.	33.9%	1,642	99	-	325
Helios S.A.	11.1%	15,579	2,796	-	-
Next Film Sp. z o.o.	11.1%	193	(150)	-	-
Yieldbird Sp. z o.o.	15.7%	695	465	-	104
Sir Local Sp. z o.o.	21.6%	(27)	(54)	-	-
Goldenline Sp. z o.o.	7.3%	1,309	(65)	-	-
Total		**20,195**	**3,453**	**-**	**852**

The effect of transactions with non-controlling interests on the equity attributable to owners of the parent are presented in the table below:

	31 December 2017	31 December 2016
The change in the equity attributable to owners of the parent resulting from:		
- acquistion of additional shares from non-controlling shareholders (1)	3,579	160
- increase of share capital in a subsidiary	-	662
- subscription for shares by non-controlling shareholders	(13)	(98)
Net impact on the equity attributable to owners of the parent	**3,566**	**724**

(1) the change in 2017 relates to the acquisition of shares from non-controlling shareholders of Helios S.A. in the sell-out procedure described in note 32.

(all amounts in PLN thousands unless otherwise indicated) translation only

39. RELATED-PARTY TRANSACTIONS

Table below presents total investments and the balances with related parties:

	31 December 2017	31 December 2016
Joint ventures		
Shares	6,908	20,487
Current loans granted	1,022	2,066
Trade receivables	149	895
Cash pooling liabilities	-	9,818
Trade liabilities	104	204
Other liabilities	125	110
Associates		
Shares	939	930
Current loans granted	30	3,963
Trade receivables	31	21
Trade liabilities	-	1
Other liabilities	961	-
Major shareholder		
Trade receivables	-	5
Management Board of the Company		
Receivables	3	3
Put option liabilities (1)	24,440	19,440
Management Boards of group companies		
Receivables	12	70
Put option liabilities (1)	3,290	2,698
Other liabilities	7	1

(1) concerns put options linked to shares in Helios S.A.

(all amounts in PLN thousands unless otherwise indicated) translation only

Table below presents total transactions with related parties during the year:

	2017	2016
Joint ventures		
Sales	1,976	1,536
Purchases	(807)	(912)
Other operating expenses	(1)	-
Interests on loans granted	43	82
Finance cost	(29)	(14)
Associates		
Sales	38	89
Purchases	(158)	(110)
Interests on loans granted	122	114
Dividends received	-	360
Major shareholder		
Sales	53	63
Other operating revenues	300	162
Management Board of the Company		
Sales	2	2
Finance costs - remeasurment of put options (1)	(5,000)	(6,172)
Management Boards of group companies		
Sales	2	2
Finance costs - remeasurment of put options (1)	(592)	(855)

(1) concerns put options linked to shares in Helios S.A.

Following types of transactions occur within the Agora Group:

- advertising and printing services,
- rent of machinery, office and other fixed assets,
- providing various services: legal, financial, administration, trade, sharing market research results, outsorcing,
- grant and repayment of loans and interest revenues and costs,
- dividend distribution,
- cash pooling settlements.

Transactions within the Agora Group are carried out on arm's length basis and are within the normal business activities of companies.

(all amounts in PLN thousands unless otherwise indicated) translation only

40. ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and assumptions are continually evaluated and based on historical experience and best knowledge of the Group as at the date of the estimation. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities concern impairment tests for goodwill, intangibles with indefinite useful life (magazine titles) and non-current assets related to activities in Print segment as a result of the ongoing decrease in revenues from sales of printing services in the coldset technology in which Agora Group's printing plants specialize. In order to determine their recoverable amounts the value in use for the relevant cash generating units was determined on the basis of long-term cash flow projections.

The Group points out that the value of revenue included in the cash flow projections depends 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. Changes in factors such as GDP dynamics, unemployment rate, amounts of remuneration or level of consumption may influence the purchasing power of the Group`s customers and consumers of its services and goods. Polish economy is sensitive to the country political situation and a looping risk of abrupt legislative changes, whose full impact on the conditions of running business activity in Poland is hard to foresee. Moreover, advertising revenues depend also on the readership figures and shares in radio and television audience. 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. The estimated recoverable amount of the assets is also affected by the discount rate and the applied growth rate after the period of detailed forecast in the so-called residual period.

The Group identified two key assumptions, which have the most significant impact on the estimated recoverable amount of the assets:

1) estimated rate of real free cash flow to firm after the period of detailed forecast in the residual period and

2) pre-tax discount rate.

Basic information about the method applied is summarized below:

	Goodwill related to activities in Trader.com (Polska) - Internet	Goodwill and rights related to activities in particular magazine titles	Goodwill related to radio activities	Goodwill related to activities in outdoor segment	Goodwill related to activities in cinema market	Goodwill allocated to activities in press segment	Non-current assets related to activities in Print segment
Carrying amount as at 31 December 2017	PLN 2,461 thousand	PLN 12,542 thousand	PLN 63,667 thousand	PLN 140,944 thousand	PLN 39,096 thousand	PLN 43,375 thousand	PLN 84,287 thousand
Assumptions	Financial forecasts and projections of the market for next years based on the best knowledge of the market, available market data and expierence.						
Detailed forecast period	5 years	5 years	5 years	5 years	5 years	5 years	10 years
Years:	Estimated rate of free cash flow to firm in the period of detailed forecast (pre-tax)						
2018	(21%)	(29%)	(46%)	(1%)	10%	(75%)	(56%)
2019	61%	(10%)	105%	(11%)	(9%)	52%	(40%)
2020	12%	10%	(27%)	(28%)	(5%)	11%	(16%)
2021	(11%)	1%	9%	20%	4%	6%	(19%)
2022	15%	(13%)	3%	47%	(9%)	3%	(32%)

(all amounts in PLN thousands unless otherwise indicated) translation only

2018-2022	Discount rate for the years (pre-tax)						
	7.0%	8.2%	6.2%	6.9%	8.1%	9.3%	7.0%
	The long-term growth rate after the period covered by the forecast						
	0.5%	0.0%	0.5%	0.5%	0.5%	(2.1%)	*

** in case of financial projection related to printing activities a 10-year detailed forecast period was assumed and residual value of assets at the end of the forecast period was estimated.*

According to the impairment tests carried out, the impairment losses were recognised in relation to goodwill of Trader.com (Polska) in the amount of PLN 21,285 thousand, in relation to press title "Cztery Katy" in the amount of PLN 13,192 thousand (including the amounf of PLN 2,198 thousand related to goodwill of purchased magazines titles) and in relation to the non-current assets assigned to Print segment in the amount of PLN 36,145 thousand (the amount including: PLN 51,529 thousand related to property, plant and equipment and the remaining amount of PLN 51 thousand related to intangible assets). Disadvantageous change of key assumptions would result in further impairment losses.

In 2016 there were no impairment losses connected with the investments mentioned in the table above.

To key estimates and assumptions, that may cause a significant adjustment to the amounts recognised in financial statements of the Group, belongs also the recognition of deferred tax assets on unused tax losses. Information on those estimates and judgments was described in note 15.

41. SELECTED CONSOLIDATED FINANCIAL DATA TOGETHER WITH TRANSLATION INTO EURO

	PLN thousand		EURO thousand	
	2017	2016	2017	2016
Revenue	1,165,479	1,198,432	274,573	273,883
Operating profit/(loss)	(73,036)	16,682	(17,206)	3,812
Profit/(loss) before income taxes	(75,216)	195	(17,720)	45
Net loss for the period attributable to equity holders of the parent	(83,541)	(16,637)	(19,681)	(3,802)
Net cash from operating activities	77,262	96,994	18,202	22,167
Net cash used in investing activities	(41,232)	(28,691)	(9,714)	(6,557)
Net cash used in financing activities	(67,029)	(49,269)	(15,791)	(11,260)
Net increase / (decrease) in cash and cash equivalents	(30,999)	19,034	(7,303)	4,350
Total assets	1,395,888	1,569,382	334,673	354,743
Non-current liabilities	106,369	128,389	25,503	29,021
Current liabilities	274,836	323,675	65,894	73,163
Equity attributable to equity holders of the parent	995,618	1,097,123	238,706	247,993
Share capital	47,665	47,665	11,428	10,774
Weighted average number of shares	47,421,764	47,665,426	47,421,764	47,665,426
Earnings per share (in PLN / in EURO)	(1.76)	(0.35)	(0.42)	(0.08)
Book value per share (in PLN / in EURO)	20.99	23.02	5.03	5.20

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

- income statement and cash flow statement figures for 2017 (for 2016) using the arithmetic average of exchange rates published by NBP and ruling on the last day of each month for four quarters. For the 2017 EURO 1 = PLN 4.2447 (EURO 1 = 4.3757 PLN).
- balance sheet figures using the average exchange rates published by NBP and ruling as at the balance sheet date. The exchange rate as at 31 December 2017 – EURO 1 = 4.1709 PLN; as at 31 December 2016 – EURO 1 = 4.4240 PLN .

42. EVENTS AFTER THE BALANCE SHEET DATE

Sale of property

On January 22, 2018, the Company informed about entered into a conditional sale agreement of the usufruct right of two land properties of 347 square meters, total, in 19/20 Welniarska Street and 7/8 Tkacka Street in Gdansk, including the ownership of the building set on the land properties of net 1,508 square meters ("Property").

On February 20, 2018, the Company signed an annex to above-mentioned preliminary sale agreement. By virtue of the signed annex, the deadline for conclusion of the final Sales Agreement was changed. Originally, the signing of the Agreement was scheduled until February 20th, 2018. The new deadline for concluding the new contract was scheduled until February 27th, 2018.

On February 27, 2018, the Company signed an agreement for sale of the above-mentioned property. The decision to sell the property stems from the fact that the Company does not utilize effectively the entire property for its operations. The Company believes that the optimal solution shall be to lease office space adapted to the current scale of operations of the Company in Gdansk.The total sale price of the Property amounted to PLN 8.65 million net, and its impact on the operating result of the Agora Group in 1Q2018 shall amount to ca PLN 5.6 million.

Moreover, **on February 26, 2018**, since the condition for sales of the right of perpetual usufruct was fulfilled, the Company signed an agreement transferring the right of perpetual usufruct of undeveloped property with the total area of 6,270 square meters in 85/87 Czerniakowska Street in Warsaw. The total amount of the transaction is net PLN 19.0 million, and it shall positively impact the operating result of Agora Group by PLN 8.3 million in 1Q2018.

Group layoffs in Print segment

On February 7, 2018 The Management Board of Agora S.A informed about:

(i) concluding on February 7th, 2018 a trilateral agreement ("Agreement") with trade unions operating at the Company (which fulfills the provisions of article 3, Section 1 of the Act of March 13th, 2003 on Special Rules for Termination of Employment for Reasons Not Attributable to Employees) and with work council in the Company (which constitutes an agreement in accordance with the Act of April 7th, 2006 on informing and consulting employees),

(ii) adopting by the Management Board of the Company on February 7th, 2018 resolution to execute collective redundancies in the Print segment of the Agora Group, in accordance with the provisions of the Agreement.

The collective redundancies shall be executed from February 15th, 2018 until March 16th, 2018, and shall affect up to 53 employees of the Print segment of the Agora Group, i.e. ca 16.3% of all employees of the segment.

In accordance with the agreement, the laid-off employees will be provided by the Company with a wider range of supportive measures than required by law. The redundancy payment estimated according to law regulations shall be increased by indemnity in the amount equal to one additional monthly salary. The laid-off employees shall be supported by additional protective measures provided by the Company, inter alia, help in searching for new job or reskilling. Employees who will remain employed in the Print segment will have their basic remuneration increased, inter alia, due to the changed scope of duties. The Company, in accordance with requirements of law, shall submit an appropriate set of information, together with the signed Agreement, to a relevant Labor Office.

The estimated amount of provision for collective redundancies which will be charged to the Agora Group's result in 1Q2018, shall amount to approximately PLN 1.6 million. The Agora Group estimates that the restructuring measures my result in the annual savings may amount to approximately PLN 2.0 – PLN 2.5 million.

The final amounts will be provided in the finacial report for the first quarter of 2018.

The reason for the planned restructuring measures, including restrictions on employment, is the ongoing decrease of revenues from sales of print services in the coldset technology in which Agora Group's printing plants specialize. This trend mainly results from the condition of the press market in Poland - the main client of the Company's coldset printing plants. Services commissioned by clients from other market segments, including those realized in the heatset technology, present a significantly smaller share in the Group's print activity; due to infrastructural constraints, they never were, nor are able to compensate the decrease of revenues from coldset printing services.

Considering the current condition of the press market as well as negative forecasts regarding the prospects for its further development and progressive digitization of the media, it is not possible to stop the downward trend in the coldset printing business. Therefore, the Management Board of the Company decided that it is necessary to take decisive restructuring measures aimed at reducing operating costs of the printing plants and optimizing the operational processes so as to limit the negative impact of decrease of the number of volumes of print on the financial condition of the Print segment, i.a. by adjusting the employment structure to the current volume of services provided by Agora's printing plants.

Tax Capital Group

On February 15, 2018 the Management Board of Agora S.A. received a decision issued by the Head of the Second Mazovian Tax Office in Warsaw on the registration of the contract on the establishment of Agora Tax Capital Group ("TCG"), which is to include: 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.

In the agreement establishing the Tax Capital Group, Agora has been appointed the representative company for the tax group within the scope of obligations resulting from the Corporate Income Tax Act and from the provisions of Tax Ordinance.

Agora Tax Capital Group will be established on March 1st, 2018, and each subsequent tax year will overlap with the calendar year. The agreement shall be in force till December 31st, 2020.

The Company estimates that the establishment of the tax capital group may result in lower tax charges of tax group, as provided for by law, by approximately PLN 5.0 million annually in the period of tax group's operation.

Gastronomic activity in a subsidiary

On March 6, 2018, Helios S.A., an Agora's subsidiary, signed an Investment Agreement with two individual investors: Piotr Grajewski and Piotr Komór. The subject of the Investment Agreement is to establish a new company and co-operation between parties under the Agreement. The aim of the company is to design the concept, create, manage and develop (mainly via establishing own brands) a network of 45 eateries located in Poland: in shopping centers or as independent premises.

When establishing the company, Helios S.A. shall take up 90% of shares (which corresponds to 90% of votes at the meeting of shareholders) and shall invest in it PLN 5.0 million. Helios S.A. estimates that the total amount of investment shall not exceed PLN 10.0 million. The individual investors shall jointly take up 10% in the company (5% each). The Investment Agreement allows for them to increase their involvement up to 30% in total, provided that the company meets defined financial targets.

As of the day of publication of these consolidated financial statements, the District Court for the capital city of Warsaw did not enter the aforementioned company in the register of entrepreneurs of the National Court Register.

Other information

On February 28, 2018, Agora S.A., as the sole shareholder, established Agora Finanse Sp. z o.o., with its registered seat in Warsaw and holds 100 shares in the share capital of Agora Finanse Sp. z o.o., with a 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 March 7, 2018, Agora S.A. and Kino Polska TV S.A. ("Kino Polska") signed a letter of intent ("Letter of Intent") regarding the potential purchase of all of Agora's shares in Stopklatka S.A. by Kino Polska ("Transaction"). According to the Letter of Intent, Agora and Kino Polska shall negotiate about the rules and conditions of the potential Transaction. The Letter of Intent does not constitute a binding commitment of Agora and Kino Polska to carry out the Transaction. The Letter of Intent is valid until June 30, 2018.

Warsaw, March 8, 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

Signature of the person responsible for keeping the accounting records

Ewa Kuzio – Chief Accountant	Signed on the Polish original