AGORA S.A.

Unconsolidated financial statements

as at 31 December 2018 and for the year ended thereon

March 7, 2019

CONTENTS

(all amounts in PLN thousands unless otherwise indicated) translation only

UNCONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2018

	Note	As at 31 December 2018	As at 31 December 2017 adjusted *	1 January 2017 adjusted *
ASSETS				
Non-current assets:				
Intangible assets	3	37,695	40,390	58,286
Property, plant and equipment	4	173,076	181,947	244,373
Long-term financial assets	5	542,031	540,089	577,848
Receivables and prepayments	6	608	539	353
Deferred tax assets	15	2,415	831	-
		755,825	**763,796**	**880,860**
Current assets:				
Inventories	7	22,408	20,041	21,353
Accounts receivable and prepayments	8	107,758	130,551	162,438
Income tax receivable		-	-	7
Short-term securities and other financial assets	9	91,503	70,848	37,875
Cash and cash equivalents	10	7,041	9,398	11,964
		228,710	**230,838**	**233,637**
Non-current assets held for sale	4	-	13,747	10,682
		228,710	**244,585**	**244,319**
Total assets		**984,535**	**1,008,381**	**1,125,179**

** the adjustments to comparative amounts were described in note 2.*

Accompanying notes are an integral part of these unconsolidated financial statements.

(all amounts in PLN thousands unless otherwise indicated) translation only

UNCONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2018 (CONTINUED)

	Note	As at 31 December 2018	As at 31 December 2017 adjusted *	1 January 2017 adjusted *
Equity nad liabilities				
Equity				
Share capital	11	46,581	47,665	47,665
Treasury shares	11	-	(21,744)	-
Share premium		147,192	147,192	147,192
Other reserves		121,382	122,164	119,867
Retained earnings and other reserves	12	509,557	537,335	607,546
		824,712	**832,612**	**922,270**
Non-current liablilities				
Deferred tax liabilities	15	-	-	8,407
Long-term borrowings	13	12,555	20,920	19,306
Retirement severance provision	16	1,996	2,021	2,057
Provisions	17	1,084	75	-
Accruals and other liabilities	18	90	121	109
Contract liabilities	19	17	538	268
		15,742	**23,675**	**30,147**
Current liabilities:				
Retirement severance provision	16	151	216	187
Trade and other payables	18	103,324	112,165	129,805
Income tax liabilities		3,910	-	-
Short-term borrowings	13	9,226	8,736	5,789
Other financial liabilities	14	21,525	26,668	27,715
Provisions	17	603	745	5,884
Contract liabilities	19	5,342	3,564	3,382
		144,081	**152,094**	**172,762**
Total equity and liabilities		**984,535**	**1,008,381**	**1,125,179**

** the adjustments to comparative amounts were described in note 2.*

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(all amounts in PLN thousands unless otherwise indicated) translation only

UNCONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018	2017 adjusted *
Revenue	20	423,003	492,520
Cost of sales	21	(261,998)	(332,618)
Gross profit		**161,005**	**159,902**
Selling expenses	21	(140,892)	(143,779)
Administrative expenses	21	(87,309)	(83,644)
Other operating income	22	16,138	5,217
Other operating expenses	23	(4,136)	(54,194)
Impairment losses for receivables - net	23	(20,675)	(655)
Operating loss		**(75,869)**	**(117,153)**
Finance income	27	98,017	66,069
Finance cost	28	(11,169)	(26,325)
Profit/(loss) before income taxes		**10,979**	**(77,409)**
Income tax expense	29	4,190	9,287
Profit/(loss) for the period		**15,169**	**(68,122)**
Basic/diluted earnings per share (in PLN)	30	0.33	(1.44)

** the adjustments to comparative amounts were described in note 2.*

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(all amounts in PLN thousands unless otherwise indicated) translation only

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
Net profit/(loss) for the period	**15,169**	**(68,122)**
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Actuarial gains/(losses) on defined benefit plans	274	257
Income tax effect	(52)	(49)
	222	208
Items that will be reclassified to profit or loss	-	-
Other comprehensive income for the period	222	208
Total comprehensive income/(loss) for the period	**15,391**	**(67,914)**

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(all amounts in PLN thousands unless otherwise indicated) translation only

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital	Treasury shares	Share premium	Other reserves	Retained earnings	Total equity
Year ended 31 December 2018						
As at 31 December 2017	**47,665**	**(21,744)**	**147,192**	**122,164**	**537,335**	**832,612**
Total comprehensive income for the period						
Net profit for the period	-	-	-	-	15,169	15,169
Other comprehensive income	-	-	-	222	-	222
Total comprehensive income for the period	**-**	**-**	**-**	**222**	**15,169**	**15,391**
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Redemption of own shares (note 11)	(1,084)	21,744	-	1,084	(21,744)	-
Reserve capital for share buy-back	-	-	-	(2,088)	2,088	-
Dividends declared	-	-	-	-	(23,290)	(23,290)
Other	-	-	-	-	(1)	(1)
Total transactions with owners	**(1,084)**	**21,744**	**-**	**(1,004)**	**(42,947)**	**(23,291)**
As at 31 December 2018	**46,581**	**-**	**147,192**	**121,382**	**509,557**	**824,712**

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(all amounts in PLN thousands unless otherwise indicated) translation only

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018 CONTINUED

	Share capital	Treasury shares	Share premium	Other reserves	Retained earnings	Total equity
Year ended 31 December 2017						
As at 31 December 2016	**47,665**	**-**	**147,192**	**119,867**	**607,546**	**922,270**
Total comprehensive income for the period						
Net loss for the period	-	-	-	-	(68,122)	(68,122)
Other comprehensive income	-	-	-	208	-	208
Total comprehensive income for the period	**-**	**-**	**-**	**208**	**(68,122)**	**(67,914)**
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Reserve capital for share buy-back	-	-	-	23,833	(23,833)	-
Repurchase of own shares	-	(21,744)	-	(21,744)	21,744	(21,744)
Total transactions with owners	**-**	**(21,744)**	**-**	**2,089**	**(2,089)**	**(21,744)**
As at 31 December 2017	**47,665**	**(21,744)**	**147,192**	**122,164**	**537,335**	**832,612**

Accompanying notes are an integral part of these unconsolidated financial statements.

(all amounts in PLN thousands unless otherwise indicated) translation only

UNCONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018	2017 adjusted *
Cash flows from operating activities			
Profit/(loss) before income taxes		**10,979**	**(77,409)**
Adjustments for:			
Depreciation of property, plant and equipment		19,439	29,981
Amortization of intangible assets		7,311	7,785
Interest, net		(718)	413
(Profit) / loss on investing activities		(23,631)	62,956
Dividend income		(74,302)	(52,962)
(Increase) / decrease in inventories		(4,922)	1,312
(Increase) / decrease in receivables		25,059	15,621
(Decrease) / increase in payables		(8,671)	(18,623)
(Decrease) / increase in provisions		777	(5,071)
(Decrease) / increase in contract liabilities		1,257	452
Other adjustments		761	670
Cash generated from operations		**(46,661)**	**(34,875)**
Income taxes paid		(524)	-
Net cash from operating activities		**(47,185)**	**(34,875)**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment, and intangibles		30,938	15,972
Disposal of subsidiaries, associates and jointly controlled entities	35	32,111	19,028
Dividends received		74,302	53,990
Repayment of loans granted		3,530	3,500
Interest received		1,598	981
Disposal of short-term securities		59,939	82,995
Purchase of property, plant and equipment, and intangibles		(14,082)	(10,575)
Acquisition of subsidiaries, associates and jointly controlled entities	5	(22,073)	(5)
Outflows from cash pooling		(71,715)	-
Acquisition of short-term securities		(12,000)	(105,000)
Net cash used in investing activities		**82,548**	**60,886**

(all amounts in PLN thousands unless otherwise indicated) translation only

	Note	2018	2017 adjusted *
Cash flows from financing activities			
Proceeds from borrowings		1,172	32,412
Proceeds from cash pooling		-	25,344
Repurchase of own shares		-	(21,744)
Dividends paid		(23,290)	-
Repayment of borrowings		(8,998)	(27,972)
Outflows from cash pooling		(5,122)	(35,344)
Payment of finance lease liabilities		(44)	(34)
Interest paid		(989)	(848)
Other		(449)	(391)
Net cash used in financing activities		**(37,720)**	**(28,577)**
Net increase / (decrease) in cash and cash equivalents		**(2,357)**	**(2,566)**
Cash and cash equivalents			
At start of period		9,398	11,964
At end of period		7,041	9,398

** the adjustments to comparative amounts were described in note 2.*

Accompanying notes are an integral part of these unconsolidated financial statements.

(all amounts in PLN thousands unless otherwise indicated) translation only

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2018 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 Company 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 Company 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 Company also engages in projects related to production and co-production of movies through the company Next Film Sp. z o.o. and in food service activity through the company Foodio Concepts Sp.z o.o. Until 14 June 2018 the Group was also present in TV segment by holding shares in Stopklatka S.A.

As at 31 December 2018 Agora S.A. controlled 18 subsidiaries, held shares in two jointly controlled entities: Online Technologies HR Sp. z o.o. and Instytut Badan Outdooru IBO Sp. z o.o. (indirectly through AMS S.A.) and held shares in two associates: Hash.fm Sp. z o.o. and ROI Hunter a.s.

The Company operates in all major cities in 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 unconsolidated financial statements, the Management Board of Agora S.A. comprised the following members:

Bartosz Hojka	President	for the whole year
Tomasz Jagiello	Member	for the whole year
Agnieszka Sadowska	Member	for the whole year
Anna Krynska-Godlewska	Member	for the whole year
Grzegorz Kania	Member	for the whole year

(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
Maciej Wisniewski	Member	for the whole year

(g) Information about the financial statements

Agora S.A. is a parent company and prepares consolidated financial statements of the Agora Group ("Group") which is published on www.agora.pl.

The unconsolidated financial statements were authorised for issue by the Management Board on 7 March 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These unconsolidated financial statements are prepared in accordance with International Financial Reporting Standard (IFRS) applicable 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 (ac).

(b) Basis of preparation

The financial statements are presented in Polish zloty, which is functional currency of the Company, rounded to the nearest thousand (unless otherwise indicated). They are prepared on the historical cost basis except that financial instruments are stated at their fair value.

The financial statements of the Company were prepared with the assumption that the Company would continue their business activities in the foreseeable future. There are no threats that would prevent the Company from continuing their business operations.

In the preparation of these unconsolidated financial statements, the Company has followed the same accounting policies as used in the Unconsolidated Financial Statements as at 31 December 2017, except for the changes described below.

For the Company's financial statements for the year started with January 1, 2018 the following amendments to existing standards, which were endorsed by the European Union, are effective:

1) IFRS 15 *Revenue from Contracts with Customers;*
2) IFRS 9 *Financial Instruments;*
3) Amendments to IFRS 4 *Insurance contracts;*
4) Amendments to IFRS 2 *Share-based Payments;*
5) Amendments to IAS 40 *Investment Property;*
6) Amendments to IFRS - *Improvements 2014-2016;*
7) IFRIC 22 *Foreign Currency Transactions and Advance Consideration.*

The application of the amendments had no significant impact on the unconsolidated financial statements except for changes in the presentation of selected line items within the balance sheet as a result of the initial application of IFRS 15, change in the presentation of impairment losses in the income statement as a result of the application of IFRS 9 and application of additional disclosures required for year ended financial statements.

Application of IFRS 9

In case of IFRS 9 *Financial Instruments*, the Company concluded that the application of the new standard had no material impact on the methods of measurement of financial instruments. In particular, the Company did not identify any significant changes in classification of financial assets, which would result in a change in their measurement. In respect of credit risk assessment, the Company performed an analysis of its current methodology for calculating impairment losses of receivables, which takes into account an individual loss component and a collective loss component determined on the basis of historical payment statistics, and concludes that the initial application of the standard had no material impact on the value of receivables.

In accordance with the new standard, on initial recognition, the Company classifies financial assets 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.

Additional information about classification of financial assets and applied accounting policy are presented in note 2g) and 2h).

As a result of application of IFRS 9 and the related change in IAS 1 the Company separated new line item in the income statement related to the impairment losses for receivables that were previously presented within other operating income and expenses. The comparative amounts were adjusted accordingly.

Application of IFRS 15 and other presentation adjustments

In case of IFRS 15 *Revenue from Contracts with Customers,* The Company conducted the process of assessing the impact that the application of the main provisions of the new standard may have on the financial statements, in particular in relation to multiple-element arrangements, licence agreements, customer rebates and services provided with the engagement of subcontractors. On the basis of the analysis, the Company concluded that the initial application of the standard had no material impact on the timing, amount and nature of revenue presented in the financial statements.

In accordance with the new standard the Company recognises revenue when (or as) it transfers control of promised goods or services to a customer at the amount of the transaction price to which it expects to be entitled with respect to any variable amounts such as rebates granted and sales with a right of return. Depending on whether certain criteria are met, revenue is recognised 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.

Additional information about applied accounting policy are presented in note 2s).

As a result of applying IFRS 15, the Group implemented changes in the presentation of selected balance sheet line items and introduced additional disclosures required for year ended financial statements. In case of balance sheet, there was a change in presentation of returns liability, which previously was recognised as a decrese in the line item "*Accounts receivable and prepayments*" and now is recognised in the line item „*Trade and other payables*". The above change increased the balance sheet total.

Additionally, due to the application of the new standard, the Company separated from the previous line item „*Deferred revenues and accruals*" a new line item *"Contract liabilities",* which comprises advance consideration received for goods and services, which were not transferred to customers at the balance sheet date and will be realized in future accounting periods. Simultaneously, the other balances within the line item „*Deferred revenues and accruals*" (including mainly cost accruals) were reclassified to the line item „*Trade and other payables*". The above change impacts only the presentation of line items within liabilities and does not impact the balance sheet total.

The Company applied the standard retrospectively in accordance with paragraph IFRS 15.C3a). The comparative amounts in the unconsolidated balance sheet and unconsolidated cash flow statement were adjusted accordingly.

The summary of changes to comparative amounts is presented in the tables below (detailed line items within non-current assets and equity were omitted).

(all amounts in PLN thousands unless otherwise indicated) translation only

Balance sheet as at 31 December 2017

	As at 31 December 2017 (as reported)	Application of IFRS15	Other adjustments	As at 31 December 2017 (as adjusted)
Assets				
Non-current assets:	**763,796**	**-**	**-**	**763,796**
Current assets:				
Inventories	20,041	-	-	20,041
Accounts receivable and prepayments	120,756	9,795	-	130,551
Short-term securities and other financial assets	70,848	-	-	70,848
Cash and cash equivalents	9,398	-	-	9,398
	221,043	**9,795**	**-**	**230,838**
Non-current assets held for sale	13,747	-	-	13,747
	234,790	**9,795**	**-**	**244,585**
Total assets	**998,586**	**9,795**	**-**	**1,008,381**

	As at 31 December 2017 (as reported)	Application of IFRS15	Other adjustments	As at 31 December 2017 (as adjusted)
Equity and liabilities				
Equity:	**832,612**	**-**	**-**	**832,612**
Non-current liabilities:				
Long-term borrowings	20,920	-	-	20,920
Retirement severance provision	2,021	-	-	2,021
Provisions	75	-	-	75
Deferred revenues and accruals	579	(538)	(41)	-
Other liabilities	80	-	(80)	-
Accruals and other liabilities	-	-	121	121
Contract liabilities	-	538	-	538
	23,675	**-**	**-**	**23,675**
Current liabilities:				
Retirement severance provision	216	-	-	216
Trade and other payables	68,070	9,795	34,300	112,165
Short-term borrowings	8,736	-	-	8,736
Other financial liabilities	26,668	-	-	26,668
Provisions	745	-	-	745
Deferred revenues and accruals	37,864	(3,564)	(34,300)	-
Contract liabilities	-	3,564	-	3,564
	142,299	**9,795**	**-**	**152,094**
				-
Total equity and liabilities	**998,586**	**9,795**	**-**	**1,008,381**

(all amounts in PLN thousands unless otherwise indicated) translation only

Balance sheet as at 1 January 2017

	As at 1 January 2017 (as reported)	Application of IFRS15	Other adjustments	As at 1 January 2017 (as adjusted)
Assets				
Non-current assets:	**880,860**	**-**	**-**	**880,860**
Current assets:				
Inventories	21,353	-	-	21,353
Accounts receivable and prepayments	152,490	9,948	-	162,438
Income tax receivable	7	-	-	7
Short-term securities and other financial assets	37,875	-	-	37,875
Cash and cash equivalents	11,964	-	-	11,964
	223,689	**9,948**	**-**	**233,637**
Non-current assets held for sale	10,682	-	-	10,682
	234,371	**9,948**	**-**	**244,319**
Total assets	**1,115,231**	**9,948**	**-**	**1,125,179**

	As at 1 January 2017 (as reported)	Application of IFRS15	Other adjustments	As at 1 January 2017 (as adjusted)
Equity and liabilities				
Equity:	**922,270**	**-**	**-**	**922,270**
Non-current liabilities:				
Deferred tax liabilities	8,407	-	-	8,407
Long-term borrowings	19,306	-	-	19,306
Retirement severance provision	2,057	-	-	2,057
Deferred revenues and accruals	286	(268)	(18)	-
Other liabilities	91	-	(91)	-
Accruals and other liabilities	-	-	109	109
Contract liabilities	-	268	-	268
	30,147	**-**	**-**	**30,147**
Current liabilities:				
Retirement severance provision	187	-	-	187
Trade and other payables	81,150	9,948	38,707	129,805
Short-term borrowings	5,789	-	-	5,789
Other financial liabilities	27,715	-	-	27,715
Provisions	5,884	-	-	5,884
Deferred revenues and accruals	42,089	(3,382)	(38,707)	-
Contract liabilities	-	3,382	-	3,382
	162,814	**9,948**	**-**	**172,762**
				-
Total equity and liabilities	**1,115,231**	**9,948**	**-**	**1,125,179**

(all amounts in PLN thousands unless otherwise indicated) translation only

Cash flow statement – operating activities

	Twelve months ended 31 December 2017 (as reported)	Application of IFRS15	Other adjustments	Twelve months ended 31 December 2017 (as adjusted)
Cash flows from operating activities				
Profit before income taxes	**(77,409)**	**-**	**-**	**(77,409)**
Adjustments for:				
Depreciation of property, plant and equipment	29,981	-	-	29,981
Amortization of intangible assets	7,785	-	-	7,785
Interest, net	413	-	-	413
(Profit) / loss on investing activities	62,956	-	-	62,956
Dividend income	(52,962)	-	-	(52,962)
(Increase) / decrease in inventories	1,312	-	-	1,312
(Increase) / decrease in receivables	15,468	153	-	15,621
(Decrease) / increase in payables	(14,086)	(153)	(4,384)	(18,623)
(Decrease) / increase in provisions	(5,071)	-	-	(5,071)
(Decrease) / increase in deferred revenues and accruals	(3,932)	(452)	4,384	-
(Decrease) / increase in contract liabilities	-	452	-	452
Other adjustments	670	-	-	670
Cash generated from operations	**(34,875)**	**-**	**-**	**(34,875)**
Income taxes (paid)/received	-	-	-	-
Net cash from operating activities	**(34,875)**	**-**	**-**	**(34,875)**

(c)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 u).

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	3 - 20 years
Motor vehicles	3 - 7 years
Other equipment	3 - 20 years

Land is not depreciated.

Repairs and renewals are charged to the income statement when the expenditure is incurred; major improvements are capitalised when incurred, providing that they increase the future economic benefits embodied in the item of property, plant and equipment.

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.

(d) Intangible assets

Goodwill arising on business combination 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 from point u). Goodwill is tested annually for impairment or more often if there are indications of impairment.

Other intangible assets, except for the acquired magazine titles, that are acquired by the Company are stated at cost less accumulated amortisation and impairment losses, if any (see accounting policy from point u).

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 15 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 from point u).

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 u.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, cash in transit and demand deposits.

(f) Derivative financial instruments

Derivative financial instruments are recognized initially and subsequently measured at fair value. The Company 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 Company 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 income statement, 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.

(g) Financial assets measured at amortized cost

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

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

The Company`s category financial assets measured at amortized cost includes cash and cash equivalents, loans granted, trade receivables, cash pooling receivables and other receivables.

The Company recognises a loss allowance for expected credit losses on financial assets that are classified to financial assets measured at amortized cost or financial assets measured at fair value through other comprehensive income. If the credit risk on a financial instrument has increased significantly since initial recognition, the Company measures the loss allowance for expected credit losses for that financial instrument at an amount equal to the lifetime expected credit losses. If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for expected credit losses for that financial instrument at an amount equal to 12-month expected credit losses. Trade receivables of the Company do not contain a significant financing component and the loss allowance for them is measured at an amount equal to lifetime expected credit losses.

The Company measures expected credit losses of a financial instrument in a way that reflects:

(a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
(b) the time value of money; and
(c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Company estimates the expected credit losses related to trade receivables by applying an individual loss assessment and a collective loss assessment determined on the basis of historical payment statistics. The Company regularly reviews its methodology and assumptions used for estimating expected credit losses to reduce any differences between estimates and actual credit loss experience.

Changes in impairment losses are recognized in the profit and loss respectively in other operating expenses or financial costs, depending on the type of receivables to which the impairment loss relates. The Group creates loss allowance for doubtful interest in the same period in which the interest is accrued.

Interest income is recognised in the period to which it relates using the effective interest rate method.

(h) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are those that the Company 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 (finance income or cost).

The Company`s category financial assets measured at fair value through profit or loss includes short- term investments in securities, including certificates in investment funds.

(i) The investments in subsidiaries, associates and joint -ventures

The investments in subsidiaries, associates and joint-ventures are stated at cost less impaired losses recognised.

Dividend income is recognized in the period in which the Company has estabilished rights to receive them.

(j) Derecognition of financial instruments

Financial assets are derecognised, when the contractual rights to the cash flows from the financial asset have expired or the Company 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.

(k) Foreign currency

Functional and presentation currency for Agora S.A. 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 Company – 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 published by the National Bank of Poland as on the date before the transaction 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 recognized as financial income or expense in the 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.

(l) 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.

(m) Equity

(i)Share capital

The share capital of the company 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 Company's initial public offering ("IPO") during 1999 and is presented net of the IPO costs, decreased by the tax shield on the costs.

(iv) Other reserves

Other reserves includes mainly the equivalent of costs of share-based payments recognised in accordance with the provisions of IFRS 2 in relation to the share incentive plans based on Agora S.A.'s shares, which ended in the first half of 2013 and actuarial gains and losses on defined benefit plans recognised in accordance with the policy described in point (p). Other reserves includes also the amount of redemption of share capital from the Share Buyback Program completed in 2018 and 2015.

(v) Retained earnings

Retained earnings represent accumulated net profits / losses, including reserve capital accumulated from prior years profits.

(n) 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 or other comprehensive income, in which case it is recognised in equity or in other comprehensive income.

Current tax expense is calculated according to tax regulations, including mutual settlements of benefits between companies included in the Tax Capital Group described in note 15.

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 Company set off for the presentation proposes deferred income tax assets against deferred income tax liabilities.

(o) Provisions

A provision is recognised in the balance sheet when the Company 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 Company 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.

(p) Retirement severance provision

The Company makes contributions to the Government's retirement benefit scheme. The state plan is funded on a pay-as-you-go basis, i.e. the Company is obliged to pay the contributions as they fall due and if the Company 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 Company 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 Company does not exclude assets that might serve in the future as a source of settling liabilities resulting from retirement payments. The Company creates provision for future liabilities in order to allocate costs to the periods they relate to. The Company'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.

(q) 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.

(r) Trade and other payables

Trade and other payables are stated at amortised cost.

(s) Revenue recognition

The Company recognises revenue when (or as) it transfers control of promised goods or services to a customer at the amount of the transaction price to which it expects to be entitled with respect to any variable amounts such as rebates granted and sales with a right of return. Depending on whether certain criteria are met, revenue is recognised 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.

Revenue is disaggregated into the following main categories based on the nature of transferred goods and services:

- Advertising revenue - revenue is recognised in the period in which the service is provided to the customer i.e. during the advertising campaign period. The level of fulfillment of the obligation to provide the service is measured in proportion to the duration of the service provided.
- Copy sales - in case of paper editions revenue is recognised when the good is transferred to the customer and in case of paid access to digital subscription during the period of the content avaible.
- Printing services - revenue is recognised in the period in which the service is provided to the customer.
- Film distribution and production sales - revenue is recognised during the period of film distribution, in case of the sale of film licences revenue is recongnised when the customer aquires the right to use the licences.
- Other sales - revenue is recognised when the good is transferred to the customer.

Revenue from advertising services, film distribution and from selling a digital access to internet services of *Gazeta Wyborcza* represent revenue recognised over time, because advertising campaigns, film distribution and access to digital subscription represent services performed throughout the specified time agreed in contracts with customers. Revenue from other goods and services of the Company usually represent revenue recognised at a point in time, when control of the goods or services is transferred to the customer, which is at the moment, when the service is completed or goods are delivered to a customer.

Advance consideration received for goods and services, which were not transferred to customers at the balance sheet date and will be realized in future accounting periods are presented in the balance sheet in the line item "*Contract liabilities*".

Sale with a right of return

In the area of press sales (Gazeta Wyborcza and magazines) and copy sales, the Company sells its goods with the right to return goods during the period agreed with the customers. The Company recognises the refaund liability (returns liability) in the amount of consideration which, in line with expectations, will be refundable by adjusting the amount of revenue recognised. The returns liability is estimated using the expected value method based on past experience and on-going monitoring of sales of individual press and book titles. Due to the nature of goods which can be returned and taking into account the decrease in their value, the Company does not recognise a returns asset.

Customer rebates

In accordance with its trade policy, the Company provides its clients with commercial rebates, including annual rebates dependent on turnover, which can be determined by amount or as a percentage of turnover. The Company estimates the value of the refund liability (rebates liability) based on the terms of signed agreements and the forecasted turnover of individual clients. The final value of customer rebates is known after the end of a financial year and may differ from the estimates recognised during the year.

(t) Operating segment reporting

The segment presentation is prepared at the Agora Group level in accordance with the management approach and is presented in 'Consolidated financial statements as at December 31, 2018 and for the year ended thereon'.

(u) Impairment losses

The carrying amount of the Company's assets, other than inventories (see accounting policy from point l), and deferred tax assets (see accounting policy from point n) 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 Company 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.

v) 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.

(w) Finance lease

In the financial statements of lessees

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. Assets acquired under finance lease agreements are initially recognised at fair value or, if lower, the present value of the minimum lease payments. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be 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 (c).

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. Finance charge is recognised as an expense during the lease period.

In the financial statements of lessors

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. Assets transferred under finance lease are stated at the amount equal to the net investment in the lease. Lease payments are apportioned between the finance income and the reduction of the net investment. The finance income is calculated using constant internal rate of return. Finance income is recognised in the income statement during the lease period.

(x) 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 capitalized.

(y) Share-based payments

There are incentive plans carried out in the Company, described in note 26, in which one of the components is accounted for in accordance with IFRS 2. These are cash-settled plans with rules based on - inter alia - share price quotations and appreciation. In this plans, 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.

(z) 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 recognised in the balance sheet and credited to the income statement as other operating income proportionately over the useful life of the respective assets.

(aa) Dividend distribution

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

(ab) Related parties

For the purposes of these unconsolidated financial statements, related parties comprise significant shareholders, subsidiaries, joint ventures, associates, and members of the Management and Supervisory Boards of Agora S.A., their immediate family and entities under their control.

(ac) New accounting standards and interpretations of International Financial Reporting Interpretations Committee (IFRIC)

The Company 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 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 recognising 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 Company is in the process of assessing the impact that the application of the new standard may have on the unconsolidated financial statements. On the basis of the current analysis, the Company assesses that a part of the operating lease contracts (including in particular the lease of office space and the rights of perpetual usufruct of land) will be classified as lease contracts under IFRS 16. As a result, the initial application of the standard starting on 1 January 2019, will result in increasing assets and liabilities in the balance sheet and increasing costs of depreciation and interest expense in the income statement while decreasing the rent costs. 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.

On the basis of the current analysis the Company assesses that on the date of initial application of the standard (i.e. as at 1 January 2019) will recognise additional right-of-use assets and corresponding lease liabilities in the amount of approx. PLN 26 million (including approx amount of PLN 22 million which relates to right of perpetual usufruct of land held by the Company). The Company plans to apply the extemptions for short term leases and leases of low value assets. For the adoption of the IFRS 16 the Company will use retrospective approach with the cumulative effect of its adopting recognised on the date of initial application, without adjustments to comparative amounts.

In 2019 the analysis of the impact of IFRS 16 will be continued and the Company's final estimates may change.

2) 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 Company does not expect, that the amendments will have impact on the unconsolidated financial statements.

3) 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 Company does not expect, that the amendments will have impact on the unconsolidated financial statements.

4) 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 Company does not expect, that the amendments will have impact on the unconsolidated financial statements.

Standards and interpretations awaiting on endorsement by the European Union:

1) 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 unconsolidated financial statements.

2) 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 Company does not expect, that the amendments will have impact on the unconsolidated financial statements.

3) 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 Company does not expect, that the amendments will have impact on the unconsolidated financial statements.

4) Amendments to IFRS 3 *Business Combinations* (Effective for annual periods beginning on or after 1 January 2020)

The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business.

The Company does not expect, that the amendments will have impact on the unconsolidated financial statements.

5) Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (Effective for annual periods beginning on or after 1 January 2020)

The amendments clarify and align the definition of ‘material’ and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

The Company does not expect, that the amendments will have impact on the unconsolidated financial statements.

6) 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 unconsolidated 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 2018	**55,380**	**3,262**	**111,902**	**14,492**	**6,187**	**191,223**
Additions	-	-	1,603	444	5,998	8,045
Acquisitions	-	-	338	144	-	482
Transfer from assets under construction	-	-	1,265	300	-	1,565
Internal development	-	-	-	-	5,832	5,832
Reclassifications	-	-	-	-	166	166
Disposals	(9,666)	-	(72)	-	(236)	(9,974)
Sale	(9,666)	-	-	-	-	(9,666)
Liquidation	-	-	(72)	-	(236)	(308)
Cost as at 31 December 2018	**45,714**	**3,262**	**113,433**	**14,936**	**11,949**	**189,294**
Amortisation and impairment losses as at 1 January 2018	**43,015**	**3,041**	**87,997**	**14,279**	**2,501**	**150,833**
Amortisation charge for the period	-	-	5,116	368	1,827	7,311
Impairment losses (note 37)	2,182	103	-	-	-	2,285
Sale	(8,758)	-	-	-	-	(8,758)
Liquidation	-	-	(72)	-	-	(72)
Amortisation and impairment losses as at 31 December 2018	**36,439**	**3,144**	**93,041**	**14,647**	**4,328**	**151,599**
Carrying amounts						
As at 1 January 2018	12,365	221	23,905	213	3,686	40,390
As at 31 December 2018	9,275	118	20,392	289	7,621	37,695

(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
Cost as at 1 January 2017	**58,380**	**3,262**	**110,134**	**14,492**	**4,910**	**191,178**
Additions	-	-	1,768	850	1,277	3,895
Acquisitions	-	-	1,274	-	-	1,274
Transfer from assets under construction	-	-	494	850	-	1,344
Internal development	-	-	-	-	1,277	1,277
Disposals	(3,000)	-	-	(850)	-	(3,850)
Sale	(3,000)	-	-	(850)	-	(3,850)
Cost as at 31 December 2017	**55,380**	**3,262**	**111,902**	**14,492**	**6,187**	**191,223**
Amortisation and impairment losses as at 1 January 2017	**35,021**	**843**	**82,256**	**13,880**	**892**	**132,892**
Amortisation charge for the period	-	-	5,647	894	1,244	7,785
Impairment losses	10,994	2,198	94	70	365	13,721
Sale	(3,000)	-	-	(565)	-	(3,565)
Amortisation and impairment losses as at 31 December 2017	**43,015**	**3,041**	**87,997**	**14,279**	**2,501**	**150,833**
Carrying amounts						
As at 1 January 2017	23,359	2,419	27,878	612	4,018	58,286
As at 31 December 2017	12,365	221	23,905	213	3,686	40,390

Amortisation of intangibles is recognised “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.

Contractual commitments connected to intangible assets are disclosed in note 33.

(all amounts in PLN thousands unless otherwise indicated) translation only

4.PROPERTY, PLANT AND EQUIPMENT

	Land	Perpetual usefruct of land	Buildings	Plant, machinery and equipment	Vehicles	Other	Assets under construction	Total
Cost as at 1 January 2018	**7,704**	**13,634**	**243,659**	**519,908**	**4,472**	**20,368**	**1,108**	**810,853**
Additions	-	-	681	8,513	-	540	3,684	13,418
Acquisitions	-	-	69	5,933	-	193	3,684	9,879
Transfer from assets under construction	-	-	612	25	-	347	-	984
Other	-	-	-	2,555	-	-	-	2,555
Disposals	-	-	(116)	(8,488)	(265)	(1,226)	(2,724)	(12,819)
Sale	-	-	(101)	(3,479)	(265)	(165)	-	(4,010)
Liquidation	-	-	(15)	(5,009)	-	(1,061)	(9)	(6,094)
Reclassifications	-	-	-	-	-	-	(166)	(166)
Transfer from assets under construction	-	-	-	-	-	-	(2,549)	(2,549)
Cost as at 31 December 2018	**7,704**	**13,634**	**244,224**	**519,933**	**4,207**	**19,682**	**2,068**	**811,452**
Depreciation and impairment losses as at 1 January 2018	**-**	**7,862**	**107,009**	**492,138**	**3,423**	**18,474**	**-**	**628,906**
Depreciation charge for the period	-	79	7,292	11,382	323	363	-	19,439
Sale	-	-	(100)	(3,472)	(153)	(164)	-	(3,889)
Liquidation	-	-	(15)	(5,006)	-	(1,059)	-	(6,080)
Depreciation and impairment losses as at 31 December 2018	**-**	**7,941**	**114,186**	**495,042**	**3,593**	**17,614**	**-**	**638,376**
Carrying amounts								
As at 1 January 2018	7,704	5,772	136,650	27,770	1,049	1,894	1,108	181,947
As at 31 December 2018	7,704	5,693	130,038	24,891	614	2,068	2,068	173,076

(all amounts in PLN thousands unless otherwise indicated) translation only

4.PROPERTY, PLANT AND EQUIPMENT – CONT.

	Land	Perpetual usefruct of land	Buildings	Plant, machinery and equipment	Vehicles	Other	Assets under construction	Total
Cost as at 1 January 2017	**7,704**	**13,794**	**249,172**	**519,215**	**4,128**	**20,246**	**1,110**	**815,369**
Additions	-	-	595	5,357	1,231	402	2,445	10,030
Acquisitions	-	-	2	5,357	1,231	212	2,445	9,247
Transfer from assets under construction	-	-	593	-	-	190	-	783
Disposals	-	(160)	(6,108)	(4,664)	(887)	(280)	(2,447)	(14,546)
Sale	-	-	-	(3,034)	(887)	-	(320)	(4,241)
Liquidation	-	-	(298)	(1,570)	-	(280)	-	(2,148)
Transfer from assets under construction	-	-	-	-	-	-	(2,127)	(2,127)
Reclassification to non-current assets held for sale	-	(160)	(5,810)	(60)	-	-	-	(6,030)
Cost as at 31 December 2017	**7,704**	**13,634**	**243,659**	**519,908**	**4,472**	**20,368**	**1,108**	**810,853**

(all amounts in PLN thousands unless otherwise indicated) translation only

4.PROPERTY, PLANT AND EQUIPMENT – CONT.

	Land	Perpetual usefruct of land	Buildings	Plant, machinery and equipment	Vehicles	Other	Assets under construction	Total
Depreciation and impairment losses as at 1 January 2017	**-**	**7,824**	**101,894**	**439,566**	**3,285**	**18,427**	**-**	**570,996**
Depreciation charge for the period	-	79	7,522	21,722	343	315	-	29,981
Impairment losses	-	-	765	35,493	600	12	-	36,870
Sale	-	-	-	(3,032)	(805)	-	-	(3,837)
Liquidation	-	-	(298)	(1,561)	-	(280)	-	(2,139)
Reclassification to non-current assets held for sale	-	(41)	(2,874)	(50)	-	-	-	(2,965)
Depreciation and impairment losses as at 31 December 2017	**-**	**7,862**	**107,009**	**492,138**	**3,423**	**18,474**	**-**	**628,906**
Carrying amounts								
As at 1 January 2017	7,704	5,970	147,278	79,649	843	1,819	1,110	244,373
As at 31 December 2017	7,704	5,772	136,650	27,770	1,049	1,894	1,108	181,947

Depreciation of property, plant and equipment is recognised “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.

In 2018 the Company didn’t purchase vehicles under finance lease agreements. In 2017 the Company purchased vehicles under finance lease agreements in the amount of PLN 122 thousand. Their carrying value as at 31 December 2018 amounted to PLN 135 thousand (as at 31 December 2017: PLN 181 thousand).

The information on the conditions and terms of finance lease agreements are described in note 13.

(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 constitute a collateral for the credit line and finance lease agreement described in note 13:

Assets	Net book value at 31 December 2018
Perpetual usufruct	4,221
Buildings	89,313
Plant, machinery and equipment	5,510
Vehicles	135
Total	**99,179**

b) Property, plant and equipment held for sale as at the balance sheet date

a) Property, plant and equipment held for sale as at the balance sheet date

As at 31 December 2018 there was no non-current assets held for sale. As at 31 December 2017, non-current assets with the carrying amount of PLN 13,747 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. The assets above were sold in the first quarter of 2018.

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 was net PLN 19.0 million and it positively impacted the operating result of the Company amounted to PLN 8.3 million.

On February 27, 2018, the Company signed an agreement for sale of the properties located in Gdansk at the Tkacka 7/8 and Welniarska 19/20 streets. The decision to sell the properties stems from the fact that the Company did 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 positive impact on the operating result of the Company amounted to PLN 5.6 million.

c) Contractual commitments

Contractual commitments are disclosed in note 33.

5. LONG-TERM FINANCIAL ASSETS

Long-term financial assets include primarily shares and loans granted in related companies.

	2018	2017
Balance as at beginning of the period	**540,089**	**577,848**
Shares	540,089	572,801
Loans granted	-	5,047

(all amounts in PLN thousands unless otherwise indicated) translation only

Additions	**22,073**	**185**
Shares	22,073	5
- acquisitions (note 35)	11,623	5
- increase of share capital (note 35)	10,450	-
Loans granted	-	180
- interests charged	-	180
Disposals	**(20,131)**	**(37,944)**
Shares	(20,131)	(32,717)
- sale of shares	(10,593)	(8,026)
- impairment losses (note 37)	(9,538)	(24,691)
Loans granted	-	(5,227)
- repayment of loans	-	(2,717)
- reclassifications	-	(2,510)
Balance as at end of the period	**542,031**	**540,089**
Shares	542,031	540,089
Loans granted	-	-

Basic information on subsidiaries, joint ventures and associates of the Company is set out in note 35.

6. NON-CURRENT RECEIVABLES AND PREPAYMENTS

	31 December 2018	31 December 2017
Other long term receivables	553	406
Long term prepayments	55	133
	608	**539**

7. INVENTORIES

	31 December 2018	31 December 2017
Raw materials and consumables	17,817	15,644
Work in progress	2,815	3,290
Finished goods	1,655	913
Goods for resale	121	194
	22,408	**20,041**
Impairment losses recognised	9,785	8,739
Total inventories, gross	**32,193**	**28,780**

The cost of inventories recognised as an expense amounted to PLN 74,116 thousand (2017: PLN 81,082 thousand) and is presented in "cost of sales" in the income statement.

Impairment losses and reversals of impairment losses were recognised in "cost of sales" in the income statement (in 2018 impairment losses in the net amount of PLN 1,694 thousand (in 2017: PLN 1,421 thousand).

(all amounts in PLN thousands unless otherwise indicated) translation only

8. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	31 December 2018	As at 31 December 2017 adjusted*	As at 1 January 2017 adjusted *
Trade receivables (net of impairment losses)	83,761	106,093	110,500
Taxes, social security and similar	1,413	1,487	2,998
Prepayments	1,253	1,922	4,534
Dividend receivables	-	-	1,028
Other	21,331	21,049	43,378
	107,758	**130,551**	**162,438**
Impairment losses recognised (1)	28,679	9,417	11,080
Total accounts receivable and prepayments, gross	**136,437**	**139,968**	**173,518**

** the adjustments to comparative amounts were described in note 2.*

(1) In 2018 the amount includes an impairment allowance for receivables from Ruch S.A., which are burdened with a probability of being uncollectible in the amount of PLN 20,292 thousand and fully covered under the accelerated arrangement procedure.

Other receivables include i.a. loans granted to employees from the social fund of PLN 12,686 thousand (31 December 2017: PLN 14,048 thousand, 1 January 2017: 15,822 thousand). Loans are granted for periods up to 10 years and are repayable in monthly instalments. Loans granted bear a fixed interest rate of 2%.

As at 31 December 2018 other receivables include also intercompany receivables related to settlement with subsidiaries within Tax Capital Group in the amount of PLN 7,046 thousand.

Additionaly, as at 31 December 2017 other receivables included also the remaining outstanding current part of receivables related to the sale of the printing machines to the subsidiary Agora Poligrafia Sp. z o.o. in the amount of PLN 5,847 thousand (1 January 2017: PLN 17,299 thousand).

Accounts receivable include receivables from related parties – details are presented in note 36.

Trade receivables are non-interest bearing and payment terms vary usually from 7 to 40 days.

(all amounts in PLN thousands unless otherwise indicated) translation only

Analysis of credit risk exposure on the basis of ageing of trade receivables

	31 December 2018		
	Gross value	Impairment losses	Net value
Current receivables	65,241	162	65,079
Overdue receivables within 1 month	11,823	54	11,769
Overdue receivables between 1 and 3 months	6,838	1,859	4,979
Overdue receivables between 3 and 6 months	8,857	7,577	1,280
Overdue receivables between 6 months and 1 year	12,868	12,366	502
Overdue receivables more than 1 year	6,813	6,661	152
	112,440	**28,679**	**83,761**

Changes in impairment losses on accounts receivable

	2018	2017
Balance as at beginning of the period	**9,417**	**11,080**
Additions	21,702	2,054
Reversals	(1,027)	(1,399)
Used impairment losses	(1,413)	(2,318)
Balance as at end of the period	**28,679**	**9,417**

9. SHORT-TERM SECURITIES AND OTHER FINANCIAL ASSETS

	31 December 2018	31 December 2017
Certificates in investment funds	-	47,667
Loans granted	-	3,531
Cash pooling receivables (note 31)	91,503	19,650
	91,503	**70,848**

As at 31 December 2017 the loans granted concern transactions with related parties according to the information presented in the note 36.

10. CASH AND CASH EQUIVALENTS

	31 December 2018	31 December 2017
Cash at bank and in hand	6,696	9,020
Short-term bank deposits	203	271
Other	142	107
	7,041	**9,398**

Included in cash and cash equivalents is cash in the amount of PLN 5,795 thousand representing cash held on behalf of the social fund (31 December 2017: PLN 7,351 thousand).

(all amounts in PLN thousands unless otherwise indicated) translation only

11. SHARE CAPITAL

Registered share capital

Capital registered at 31 December 2018.

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	42,299,231	42,299	conversion, issued
			46,580,831	**46,581**	

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.

Redemption of the Company's own shares

On June 20, 2018, the Ordinary General Meeting of Shareholders it adopted of resolutions of on the redemption of the Company's own shares repurchased under the own share buyback program adopted by Resolution No. 19 of the Ordinary General Meeting of the Company dated June 21, 2017 and reduce the Company's share capital by the amount of PLN 1,084 thousand. The redemption of shares was take place upon the reduction of the Company's share capital. On August 23, 2018 the District Court for the Capital City of Warsaw in Warsaw, XIII Commercial Division of the National Court Register, registered the amendments to the Statute of the Company related to a decrease in the Company's share capital.

(all amounts in PLN thousands unless otherwise indicated) translation only

12. 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 20, 2018, the net loss of Agora S.A. for the financial year 2017 in the amount of PLN 68,122 thousand was covered from the reserve capital of the Company.

Besides, in accordance with the resolution No.7 on June 20, 2018, the General Meeting hereby decided to earmark PLN 23,290 thousand from the Company's supplementary capital for paying a dividend to the Company's shareholders. The dividend amount per share of the Company was PLN 0.50. The shareholders which were vested with the Company's shares on July 13, 2018 were eligible to receive a dividend. The dividend payment date was August 2, 2018.

13. LONG TERM AND SHORT-TERM BORROWINGS

	31 December 2018	31 December 2017
Long term bank loans	12,462	20,780
Finance lease liabilities	93	140
Total long term borrowings	**12,555**	**20,920**
Short term bank loans	9,179	8,693
Finance lease liabilities	47	43
Total short term borrowings	**9,226**	**8,736**

Bank loans

Debt repayment schedule:

	31 December 2018	31 December 2017
More than 1 and less than 3 years	12,462	20,780
Total	**12,462**	**20,780**

On May 18, 2018, Agora S.A. signed Annex No. 1 to the Credit Line Agreement ("Agreement") concluded with DNB Bank Polska S.A. on May 25, 2017, according to which the Company has a credit limit of PLN 110,000 thousand, which may be used until May 23, 2019 on the same terms as set out in the Agreement. According to the Agreement, the Company has an open credit limit in the current account up to PLN 75,000 thousand ("Overdraft 1") that may be used to e.g. finance or refinance acquisitions, investment expenditure and the working capital and after the contractual period, it is automatically converted into a non-renewable loan repayable in quarterly instalments and credit facility in the current account of up to PLN 35,000 thousand ("Overdraft 2") that can be used during the contractual period to finance the working capital and other corporate purposes of the Company including cash pooling facility. On February 20, 2019 r. Agora S.A. used the avaiable credit limit from Overdraft 1 in connection with the aquisition of shares in Eurozet Sp. z o.o. (additional information about the transaction is presented in note 39 relating to events after the balance sheet date).

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As at 31 December 2018, the Company has an outstanding debt related to the non-renewable loan of PLN 20,861 thousand and debt within its current account facility in the amount of PLN 780 thousand.

Finance lease liabilities

	31 December 2018	31 December 2017
Future minimum lease payments	152	205
Future finance charges	(12)	(22)
Present value of finance lease liabilities, total	**140**	**183**

Present value of finance lease liabilities by payment period

	31 December 2018	31 December 2017
Within 1 year	47	43
Between 1 and 5 years	93	140
Present value of finance lease liabilities, total	**140**	**183**

Future minimum lease payments by payment period

	31 December 2018	31 December 2017
Within 1 year	53	53
Between 1 and 5 years	99	152
Future minimum lease payments, total	**152**	**205**

(all amounts in PLN thousands unless otherwise indicated) translation only

Creditor	Amount to agreement		Outstanding				Interest	Repayment schedule	Collaterals	Other
			31 December 2018		31 December 2017					
	31 December 2018	31 December 2017	longterm	shortterm	longterm	shortterm				
Credits and loans										
DNB Bank Polska S. A.	135,000	135,000	12,462	9,179	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 23, 2019.	mortgages on propertis in Warsaw (including perpetual usufruct and buildings located on them), pledge on insurance policies, pledges on Company's bank accounts, guaratee provided by Agora Finanse Sp. z o.o.	credit line granted to Agora S.A. (divided into parts: non-renewable credit and ready to use credit facility in the current account)
Finance lease liabilities										
RCI Leasing Polska Sp. z o.o.	232	232	93	47	140	43	lessors margin	repayment in installments till 2022	blank promissory note, subject of leasing (cars)	lease agreement signed by Agora S.A.

(all amounts in PLN thousands unless otherwise indicated) translation only

14. OTHER FINANCIAL LIABILITIES

	31 December 2018	31 December 2017
Short-term		
Cash pooling liabilities	21,525	26,668
	21,525	**26,668**

As at December 31,2018 and as at December 31,2017 other short - term financial liabilities include liabilities of Agora S.A. to related companies resulting from settlements related to the cash pooling system functioning within Agora Group.

15. DEFERRED INCOME TAXES

Deferred income taxes are calculated using a rate of 19% (2017: 19%).

Deferred tax assets

	2018	2017
Balance as at beginning of the period	**13,420**	**16,063**
Accruals	5,895	6,738
Financial assets and liabilities	-	45
F/x differences	4	-
Interests liabilities	19	8
Deferred revenues	4,899	5,716
Provisions	554	1,499
Impairment losses for inventories	1,661	1,601
Impairment losses for accounts receivable	388	456
Recognised in the income statement	**87**	**(2,594)**
Accruals	412	(843)
Financial assets and liabilities	-	(45)
F/x differences	(4)	4
Interests liabilities	(8)	11
Deferred revenues	(608)	(817)
Provisions	218	(896)
Impairment losses for inventories	199	60
Impairment losses for accounts receivable	(122)	(68)
Recognised in other comprehensive income	**(52)**	**(49)**
Provisions	(52)	(49)

(all amounts in PLN thousands unless otherwise indicated) translation only

Balance as at end of the period	**13,455**	**13,420**
Accruals	6,307	5,895
F/x differences	-	4
Interests liabilities	11	19
Deferred revenues	4,291	4,899
Provisions	720	554
Impairment losses for inventories	1,860	1,661
Impairment losses for accounts receivable	266	388

Deferred tax liabilities

	2018	2017
Balance as at beginning of the period	**12,589**	**24,470**
Accelerated depreciation and amortisation	12,430	24,264
Financial assets and liabilities	98	-
F/x differences	-	9
Interests receivable	6	24
Other	55	173
Recognised in the income statement	**(1,549)**	**(11,881)**
Accelerated depreciation and amortisation	(1,430)	(11,834)
Financial assets and liabilities	(98)	98
F/x differences	2	(9)
Interests receivable	25	(18)
Other	(48)	(118)
Balance as at end of the period	**11,040**	**12,589**
Accelerated depreciation and amortisation	11,000	12,430
Financial assets and liabilities	-	98
F/x differences	2	-
Interests receivable	31	6
Other	7	55

	31 December 2018	31 December 2017
Deferred tax assets	13,455	13,420
Deferred tax liabilities	(11,040)	(12,589)
Tax assets / (liabilities) net	**2,415**	**831**

Unrecognised tax assets

The Company did not recognise deferred tax assets related to temporary differences related to the impairment of investments in subsidiaries due to the long term nature of these investments. Additionally, due to uncertainty about the availability of future tax profits within the next five years, the Company did not recognise deferred tax assets concerning unused tax losses (from the period before Tax Capital Group).

(all amounts in PLN thousands unless otherwise indicated) translation only

The amounts of deductible temporary differences and 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 2018	31 December 2017	Expiry date
Unused tax losses	117,089	113,773	Up to 2025 *
Temporary differences associated with investments in subsidiaries	69,129	59,591	unlimited
Other deductible temporary differences	1,868	-	Up to 2023

** 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.*

Temporary differences associated with investments in subsidiaries for which deferred tax liabilities have not been recognised

Due to the long term nature of investments in subsidiaries and the Company's ability to control reversals of temporary differences for tax purposes, the Company has not recognised certain deferred tax liabilities. The amount of deferred tax liability would amount to PLN 3,322 thousand (31 December 2017: PLN 3,322 thousand).

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., Domiporta 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.

16. RETIREMENT SEVERANCE PROVISION

According to the Polish employment regulations, employees have the right to retirement severances payments. The amount of estimated provision as at 31 December 2018 amounted to PLN 2,147 thousand (31 December 2017: PLN 2,237 thousand), including long – term part of the amount of PLN 1,996 thousand (31 December 2017: PLN 2,021 thousand).

(all amounts in PLN thousands unless otherwise indicated) translation only

17. PROVISIONS

	Provision for restructuring	Provision for the cost of compensation and severances for the former Management Board Members	Provision for legal claims	Other	Total
As at 31 January 2018	**17**	**476**	**142**	**185**	**820**
Additional provisions	3,245	-	77	-	3,322
Provisions used during the period	(1,707)	(402)	(29)	(77)	(2,215)
Unused provisions reversed	(89)	-	(143)	(8)	(240)
As at 31 December 2018	**1,466**	**74**	**47**	**100**	**1,687**
Non-current part	**1,084**	**-**	**-**	**-**	**1,084**
Current part	**382**	**74**	**47**	**100**	**603**

Provision for restructuring

In 2018 in connection with the announcement of a collective dismissal in Print segment and restructuring in Agora's Magazine Department, a provisions were established for costs related to this processes in the amount of PLN 3,245 thousand. As at 31 December 2018, the total provision outstanding for usage amounted PLN 1,466 thousand.

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 were executed from February 15th, 2018 until March 16th, 2018, and affected 47 employees of the Print segment of the Agora Group, i.e. ca 15% of all employees of the segment.

In accordance with the agreement, the laid-off employees were provided by the Company with a wider range of supportive measures than required by law. The redundancy payment estimated according to law regulations was 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, submitted an appropriate set of information, together with the signed Agreement, to a relevant Labor Office.

Provision for legal claims

The Company is a defendant in court cases. As at 31 December 2018 the Company evaluated the risk of loss and payment of indemnities in those cases. The amount of indemnities was determined based on consultation with Company's lawyers taking into account the present status of those cases and information available.

Additionally, the Company is a party of legal disputes in the amount of PLN 809 thousand (as at December 31,2017: PLN 1,210 thousand), in cases when the Management Board estimates the probability of loss for less than 50%. Such disputes are contingent liabilities.

(all amounts in PLN thousands unless otherwise indicated) translation only

18. TRADE PAYABLES AND OTHER LIABILITIES

Non-current

	31 December 2018	As at 31 December 2017 adjusted*	As at 1 January 2017 adjusted *
Other	90	121	109
Accruals and other liabilities	**90**	**121**	**109**

Current

	31 December 2018	As at 31 December 2017 adjusted*	As at 1 January 2017 adjusted *
Trade payables	15,827	20,966	20,345
Other taxes and social security	7,896	7,475	14,730
Current accruals, including:	33,301	31,148	35,424
- employee benefits (remuneration, vacation pay, bonuses)	*14,223*	*15,933*	*16,680*
- accrual for costs	*19,078*	*15,215*	*18,744*
Rebates liability	15,518	15,831	20,085
Returns liability	6,815	9,795	9,948
Other	5,374	5,328	7,757
Social Fund	18,593	21,622	21,516
Trade and other payables	**103,324**	**112,165**	**129,805**

** the adjustments to comparative amounts were described in note 2.*

Trade payables are non-interest bearing and are usually settled within 14-60 days.

Taxes and social security payables are non-interest bearing and are settled monthly.

Accounts payables include payables to related parties – details are presented in note 36.

19. CONTRACT LIABILITIES

The following table presents contract liabilities as at the balance sheet date:

Non-current	31 December 2018	As at 31 December 2017 adjusted*	As at 1 January 2017 adjusted *
Prepayments for advertising services	1	-	-
Prepayments for film's licences	16	523	265
Other contract liabilities	-	15	3
Non-current contract liabilities	**17**	**538**	**268**

Current	31 December 2018	As at 31 December 2017 adjusted*	As at 1 January 2017 adjusted *
Prepayments for advertising services	1,184	404	246
Prepayments for subscriptions	3,283	3,090	2,933
Prepayments for film's licences	579	26	102
Other contract liabilities	296	44	101
Current contract liabilities	**5,342**	**3,564**	**3,382**

(all amounts in PLN thousands unless otherwise indicated) translation only

** the adjustments to comparative amounts were described in note 2.*

The following table presents changes in the contract liabilities during the financial year:

	Non-current	Current	Total
As at 1 January 2018	**538**	**3,564**	**4,102**
Increase from prepayments received	17	4,804	4,821
Decrease from recognised revenue	-	(3,564)	(3,564)
Reclassification	(538)	538	-
As at 31 December 2018	**17**	**5,342**	**5,359**

	Non-current	Current	Total
As at 1 January 2017	**268**	**3,382**	**3,650**
Increase from prepayments received	303	3,531	3,834
Decrease from recognised revenue	-	(3,382)	(3,382)
Reclassification	(33)	33	-
As at 31 December 2017	**538**	**3,564**	**4,102**

20. REVENUE

Disaggregation of revenue into main categories based on the nature of transferred goods and services.

	2018	2017
Advertising revenue (1)	193,127	209,787
Copy sales	135,606	138,731
Sales of printing services	53,290	82,067
Sales of goods for resale	17,242	16,586
Film distribution and production sales	1,049	18,273
Other sales (1)	22,689	27,076
	423,003	**492,520**

(1) Revenue from e-commerce transactions was reclassified from other sales to advertising revenue, the comparative data for 2017 was adjusted accordingly.

Sales include barter sales in the amount of PLN 19,125 thousand (2017: PLN 22,086 thousand).

Revenue from advertising services, film distribution and from selling a digital access to internet services of *Gazeta Wyborcza* represent revenue recognised over time, because advertising campaigns, film distribution and access to digital subscription represent services performed throughout the specified time agreed in contracts with customers. Revenue from other goods and services of the Company usually represent revenue recognised at a point in time, when control of the goods or services is transferred to the customer, which is at the moment, when the service is completed or goods are delivered to a customer.

(all amounts in PLN thousands unless otherwise indicated) translation only

21. EXPENSES BY NATURE

	2018	2017
Depreciation of property, plant and equipment (note 4)	19,439	29,981
Amortisation of intangibles (note 3)	7,311	7,785
Raw materials, energy and consumables	88,172	96,140
Advertising and promotion costs	51,139	53,560
Property operating lease rentals	4,953	5,728
Taxes and similar charges	4,620	4,972
Other external services rendered	118,316	160,812
Staff costs (note 24)	196,579	201,023
Total expenses by nature	**490,529**	**560,001**
Change in the balance of products	(151)	238
Cost of production for in-house use	(179)	(198)
Total operating costs	**490,199**	**560,041**
Selling expenses	(140,892)	(143,779)
Administrative expenses	(87,309)	(83,644)
Cost of sales	**261,998**	**332,618**

22. OTHER OPERATING INCOME

	2018	2017
Gain on disposal of non-financial non-current assets (1)	13,945	351
Grants received	1,437	3,216
Reversal of provisions	151	25
Donations received	-	306
Other	605	1,319
	16,138	**5,217**

(1) in 2018 includes mainly gain on sale perpetual usufruct of undeveloped property in Warsaw and property in Gdansk (note 4b).

23. OTHER OPERATING EXPENSES

	2018	2017
Impairment losses recognised for non-financial non-current assets (note 3 and 4)	2,285	50,591
Donations	522	458
Provisions recognised	77	1,518
Liquidation of fixed assets	250	9
Other	1,002	1,618
	4,136	**54,194**

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Impairment losses recognised for receivables - net		
Impairment losses recognised for receivables (note 8)	21,702	2,054
Reversal of impairment losses for receivables	(1,027)	(1,399)
	20,675	**655**

24. STAFF COSTS

	2018	2017
Wages and salaries	166,847	170,148
Social security and other costs	29,732	30,875
	196,579	**201,023**
Average number of employees	1,667	1,755

25. 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:

	2018	base salary	variable component	other benefits
Management Board				
Bartosz Hojka	1,708	804	900	4
Tomasz Jagiello	790	240	550	-
Agnieszka Sadowska	1,045	491	550	4
Grzegorz Kania	685	600	81	4
Anna Krynska - Godlewska	681	600	81	-
Grzegorz Kossakowski (1)	374	-	374	-
Robert Musial (2)	89	-	89	-
	5,372	**2,735**	**2,625**	**12**

	2017	base salary	variable component	other benefits
Management Board				
Bartosz Hojka	1,643	804	836	3
Tomasz Jagiello	745	240	505	-
Agnieszka Sadowska	560	283	272	5
Grzegorz Kania	90	90	-	-
Anna Krynska - Godlewska	90	90	-	-
Grzegorz Kossakowski	908	400	505	3
Robert Musiał	606	100	505	1
	4,642	**2,007**	**2,623**	**12**

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(1) Grzegorz Kossakowski held the position of Management Board Member until 5 September 2017., variable remuneration paid in 2018 relates to the Incentive Plan for the period of holding the post of a Management Board member in 2017.

(2) Robert Musial performed the function of a Member of the Management Board until February 28, 2017., variable remuneration paid in 2018 relates to the Incentive Plan for the period of holding the post of a Management Board member in 2017.

Tomasz Jagiello received also remuneration as the President of the Management Board of Helios S.A. in the amount of PLN 357 thousand (in 2017: 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 175 thousand (in 2017: in the amount of 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 26.

The information related to liabilities to former Management Board members is described in note 17.

Remuneration paid to Supervisiory Board members comprised fixed salary and is presented in the table below:

Supervisory Board	2018	2017
Andrzej Szlezak	108	108
Wanda Rapaczynski	72	72
Tomasz Sielicki	72	72
Dariusz Formela	72	72
Anna Krynska - Godlewska (1)	-	62
Andrzej Dobosz	72	72
Wisniewski Maciej (2)	72	10
	468	**468**

(1) Anna Krynska – Godlewska was a Member of Supervisory Board till November 8,2017;

(2) Maciej Wisniewski is a Member of Supervisory Board from November 9,2017;

26. INCENTIVE PLANS BASED ON FINANCIAL INSTRUMENTS

Incentive Plan for the Management Board members

Starting from the second quarter 2018, Management Board members of the Company participate in an incentive program ("Incentive Plan"), within which one of the components (related to the Company`s share price increase) is accounted for as a cash-settled share-based payment. According to the Incentive Plan Management Board members 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 amount of a potential bonus in this component of the Incentive Plan depends on the stage of the EBITDA target fulfillment, which is specified as the EBITDA level of the Agora Group to be reached in the given financial year determined by the Supervisory Board. The fulfillment of the EBITDA target 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 a potential bonus 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 in IQ of Next Year") and the average of the quoted closing

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Company's share prices in the first quarter of the financial year for which the bonus is calculated ("the Average Share Price in IQ of Bonus Year"). If the Average Share Price in IQ of Next Year will be lower than the Average Share Price in IQ of Bonus Year, the Target of Share Price Increase is not satisfied and the bonus in this component of the Incentive Plan will not be granted, however, the Supervisory Board retains a right to the final verification of the Target of Share Price Increase by reference to the dynamics of changes in stock exchange indexes on capital markets.

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 2018, 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 2018 and was charged to the Income Statement.

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 is charged to the Income Statement in proportion to the vesting period of this component of the Incentive Plan. As at 31 December 2018, the estimated Average Share Price in IQ of Next Year was below the Target of Share Price Increase and the accrual for this component of the Incentive Plan was not recognised in the balance sheet.

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	10.00
volatility of the share price of Agora S.A. during the last twelve months	%	36.61
the Average Share Price in IQ of Bonus Year	PLN	14.17
risk-free rate	%	1.30-1.59 (at the maturity dates)

Total impact of the Incentive Plan on the unconsolidated financial statements of Agora S.A.:

	2018	2017
Income statement –increase staff cost*	1,871	3,052
Income statement - deferred income tax	(355)	(580)
Liabilities - accruals - as at the end of the period	1,167	2,013
Deferred tax asset - as at the end of the period	222	382

** the total cost of the plan in the reporting period includes costs of the plan for year 2018 and partial cost of the share price component of the plan for year 2017, which was settled in May 2018;*

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Total impact of the Incentive Plan concerning the Management Board of Agora S.A.

	2018	2017
Bartosz Hojka	578	1,103
Tomasz Jagiello	355	631
Agnieszka Sadowska	355	423
Anna Krynska - Godlewska	230	62
Grzegorz Kania	230	62
Grzegorz Kossakowski (1)	99	495
Robert Musial (2)	24	276
	1,871	**3,052**

(1) Grzegorz Kossakowski held the position of Management Board Member until 5 September 2017, the impact of the plan in 2018 concerns the share price component of the Incentive Plan for the period of holding the post of a Management Board member in 2017

(2) Robert Musial performed the function of a Member of the Management Board until February 28, 2017, ,the impact of the plan in 2018 concerns the share price component of the Incentive Plan for the period of holding the post of a Management Board member in 2017

27. FINANCE INCOME

	2018	2017
Dividends	74,302	52,962
Interests on loans and similar items	94	223
Other interest and income from short-term financial assets	2,034	1,585
Gain on sale of financial assets (1)	21,489	11,031
Reversal of impairment losses for financial assets	98	174
Other	-	94
	98,017	**66,069**

1) In 2018 gain on sale of financial assets relates to disposal of shares in Stopklatka S.A. (note 35).
In 2017 gain on sale of financial assets relates mainly to disposal of shares in Green Content sp. z o.o.

28. FINANCE COST

	2018	2017
Interest and commissions on loans and finance lease	1,055	1,138
Other interest	403	389
Impairment losses recognised for financial assets (note 37)	9,538	24,691
F/x losses	117	106
Provisions for guarantees	56	-
Other	-	1
	11,169	**26,325**

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29. INCOME TAXES

Income tax expense recognised in the income statement

	2018	2017
Current tax expense		
Current tax income/(expense)	2,554	-
	2,554	-
Deferred tax expense		
Origination and reversal of temporary differences	1,636	9,279
The amount of benefit from a temporary difference of a prior period	-	8
	1,636	9,287
Total tax expense recognised in the income statement	**4,190**	**9,287**

Income tax expense recognised in other comprehensive income

	2018 r.	2017 r.
Actuarial gains/(losses) on defined benefit plans	(52)	(49)
Total tax expense recognised in other comprehensive income	**(52)**	**(49)**

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the tax rate ruling in the particular year (19%) as follows:

	2018	2017
Loss before tax	**10,979**	**(77,409)**
Tax calculated at a rate of 19% (2017: 19%)	(2,086)	14,708
Tax effect of:		
Dividends	14,117	10,063
Other non-taxable revenues	29	405
Other non-deductible expenses	(1,461)	(1,334)
Other temporary differences on which deferred tax was not recognised	(2,167)	(4,691)
Utilisation of tax losses and tax credits on which deferred tax was not recognised	1,903	-
Tax losses on which deferred tax was not recognised	(11,610)	(9,872)
Recognition of deferred tax on temporary differences from previous period	-	8

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Tax Capital Group settlement	5,465	-
Tax calculated at an effective rate	**4,190**	**9,287**

30. EARNINGS PER SHARE

In calculating earnings per share the following variables were used:

a) as numerators – net profits attributable to equity holders of the Company for the respective years,

b) as denominators - the average number of shares in the current year which is 46,580,831 for 2018 (2017: 47,421,764).

Weighted average number of ordinary shares:

	2018	2017
At the beginning of the period	**47,421,764**	**47,665,426**
Effect of shares buy-back	(840,933)	(243,662)
At the end of the period	**46,580,831**	**47,421,764**

There are no dilutive factors.

31. FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:

- credit risk,
- liquidity risk,
- market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these unconsolidated financial statements.

Risk management framework

The Management Board has overall responsibility for the establishment and oversight of the Company's risk management framework. The Policy of Risk Management functions within the Company that determines the rules and the framework of risk management process as well as establishes the responsibilities of its participants.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, 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 Company's activities.

The Company Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. 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 Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers, loans granted and investment securities.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Company's credit risk is limited due to a great number and diversification of customers. The biggest customers (in respect of the turnover) are press distributors and advertisers (companies unrelated to Agora S.A.). The value of transactions with one of distributors of the Company has exceeded 11% of the total revenue of Agora S.A.

The Company establishes an allowance for impairment that represents its estimate of expected credit losses .The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective expected loss component established based on historical data of payment statistics for group of similar financial assets and future expectations.

Based on historic and expected default rates, the Company do not create impairment allowances for receivables from related companies or for barter receivables.

The analysis of credit risk exposure on the basis of ageing of trade receivables as at balance sheet date and changes in impairment losses for receivables are presented in note 8.

Investments

The Company limits its exposure to credit risk by diversification of its investments in investment funds, which invest in different classes of debt instruments. The Company does not acquire securities directly, but only through investment funds. At the same time, the Company invest in liquid securities. The Company invested also its free cash in cash pooling system functioning in the Group.

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 32.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company'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 Company's reputation.

The Company ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations.

In addition, on 31 December 2018, the Company maintains a credit facility in DNB Bank Polska S.A. (described in note 13) and was a participant of the agreement regarding the implementation of liquidity management system 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.

In 2018 was established Agora Finanse Sp. z o.o. (a 100% subsidiary of Agora S.A.), which aims to perform liquidity management in the Agora S.A Group, including the effective investment of its free cash in the cash pooling system.

Payment deadlines concerning trade payables are described in note 18 and bank loan in note 13. Future estimated cash flows related to financial liabilities are described in note 32.

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 Company'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 services, advertising services, copy sales 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.

Accounts receivable in foreign currency amounted to PLN 2,137 thousand (31 December 2017: PLN 1,378 thousand), principally in USD and EURO.

Accounts payable requiring settlement in foreign currency amounted to PLN 1,888 thousand (31 December 2017: PLN 771 thousand), payable principally in EURO and USD.

The Company does not hedge against exchange rate risk on a long-term basis, however, from time to time, the Company may enter into short-term forward currency contracts with maturity up to six months.

In 2018 Agora S.A. was not engaged in any currency option instruments or other derivatives (used for hedging or speculative ones).

Interest rate risk

The Company invests in short-term deposits and short-term securities with variable interest rates. All the deposits and securities mature within one year. In addition the Company granted loans to related companies with interest at a floating rate based on WIBOR 3M + margin.

Additionally, the Company is a party of an interest bearing bank loan with interest at a floating rate based on WIBOR 1M or 3M + bank margin and has cash pooling liabilities with interest at a floating rate based on WIBOR 1M.

Sensitivity analysis

a) Interest rate risk

The Company has many financial instruments (including bank deposits and credits, loans granted, cash pool receivables and liabilities), which fair values and future cash flows connected with them may fluctuate due to changes in interest rates. As at 31 December 2018, assuming a +/- 1pp change in interest rates, the impact of changes in fair value of financial instruments is estimated at the level of net profit/loss of PLN 617 thousand (as at December 31, 2017: at the level of of net loss/profit PLN 192 thousand).

b) Foreign currency risk

The Company has financial instruments (including bank deposits, receivables and 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 2018, 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 63 thousand (as at December 31, 2017: PLN 85 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 is the Management Board's overarching priority and the Company 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.

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In the reported period there were no changes in the capital management policy.

The Management Board focuses on keeping the balance between possible 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.

32. INFORMATION ABOUT FINANCIAL INSTRUMENTS

1) General information

	Bank deposits	Short-term financial assets	Loans granted	Bank loan
a) Classification	Financial assets measured at amortized cost	Cerificates in investment funds – financial assets at fair value through profit or loss	Financial assets measured at amortized cost	Financial liability
b) Nature of the instrument	Short-term low investments	Short-term low risk investments	long- and short-term loans	Bank loan
c) Carrying value of the instrument	As at December 31,2018: PLN 203 thousand As at December 31,2017: PLN 271 thousand	As at December 31, 2018: did not occur. As at December 31, 2017: PLN 47,667 thousand	As at December 31, 2018: did not occur. As at December 31, 2017: PLN 3,531 thousand	As at December 31,2018: PLN 21,641 thousand As at December 31,2017: PLN 29,473 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	Investment credit and current account facility
f) Amount on which future payments are based	Total value of deposits	Total value of investments	Face value	Face value
g) Date of repricing, maturity, expiry or execution	Liquid – overnight or within 3 months	Liquid	According to agreements	Credit line described in note 13.
h) Early settlement option	Any time	Any time	Possible	Possible
i) Execution price or range of prices	Face value plus interests	Market value	Face value plus interests	Face value plus interests
j) Option to convert or exchange instrument to other asset or liability	None	None	None	None
k) Stated rate or amount of interest, dividend or other periodic return and the timing of payments	WIBID minus margin. Timing of payments– at maturity	According to valuation of certificates, based on currency market instruments. Timing of payments – at maturity; decision of the Company	Most often – WIBOR + margin. Timing of payments– instalments or at maturity date	Bank loan – WIBOR + margin. Timing of payments– monthly

	Bank deposits	Short-term financial assets	Loans granted	Bank loan
l) Collateral held or pledged	None	None	None	Bank loans – collateral described in note 13.
m) 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
n) 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
o) Fair value of the instrument	Equal to carrying value	Equal to carrying value	Close to carrying value	Close to carrying value
p) Method of fair value determination	Discounted cash flow	Market quatations	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

	Bank deposits	Short-term financial assets	Loans granted	Bank loan
u) Description of the risk	Depending on the creditworthiness of the bank	Depending on the creditworthiness of the financial institution	Depending on the creditworthiness of the borrowers	None
w) Maximum credit risk exposure	Amount deposited less amount from BFG	Amount deposited	Amount deposited	n/a

The information about trade receivables is included in note 8, about trade payables in note 18 and about cash pooling payables in note 14 and 31.

(all amounts in PLN thousands unless otherwise indicated) translation only

2) Detailed information about financial instruments

	2018	2017
Interest income on financial assets		
Bank deposits	180	62
Short-term securities (certificates in investment funds)	273	951
Loans granted	94	223
Cash pooling	1,438	198
Other (1)	143	366
Interest and commissions expense on financial liabilities		
Bank loans	(1,046)	(1,129)
Finance lease liabilities	(9)	(9)
Cash pooling	(328)	(352)

(1) The position includes mainly interests on receivables related to the sale of the printing machines described in note 8.

3) Fair value hierarchy for financial instruments

The Company 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 as at 31 December 2017:

	31 December 2017	Level 1	Level 2	Level 3
Certificates in investment funds	47,667	-	47,667	-
Financial assets measured at fair value	**47,667**	**-**	**47,667**	**-**

As at 31 December 2018 the Company has no financial instruments measured at fair value.

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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:

As at 31 December 2018

	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	22,301	5,174	4,350	8,590	4,187	-
Finance lease liabilities	152	27	27	53	45	-
Cash pooling liabilities	21,525	21,525	-	-	-	-
Trade payables	15,827	15,827	-	-	-	-
Payables related to purchase of fixed assets	4,001	4,001	-	-	-	-
Total	**63,806**	**46,554**	**4,377**	**8,643**	**4,232**	**-**

As at 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	30,909	4,759	4,445	8,904	12,801	-
Finance lease liabilities	205	27	27	53	98	-
Cash pooling liabilities	26,668	26,668	-	-	-	-
Trade payables	36,797	36,797	-	-	-	-
Payables related to purchase of fixed assets	1,756	1,756	-	-	-	-
Total	**96,335**	**70,007**	**4,472**	**8,957**	**12,899**	**-**

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 flows		Non-cash changes		
	As at 31 December 2017	Capital	Interests and commissions	Purchased property, plant and equipment under finance lease	Interests and commissions accrued	As at 31 December 2018
Bank loans	29,473	(7,826)	(1,083)	-	1,077	21,641
Finance lease liabilities	183	(44)	(8)	-	9	140
Cash pooling, incl:	7,018	(76,837)	951	-	(1,110)	(69,978)
Receivables	*(19,650)*	*(71,715)*	*1,300*	-	*(1,438)*	*(91,503)*
Liabilities	*26,668*	*(5,122)*	*(349)*	-	*328*	*21,525*

(all amounts in PLN thousands unless otherwise indicated) translation only

		Cash flows		Non-cash changes		
	As at 31 December 2016	Capital	Interests and commissions	Purchased property, plant and equipment under finance lease	Interests and commissions accrued	As at 31 December 2017
Bank loans	25,000	4,440	(1,062)	-	1,095	29,473
Finance lease liabilities	95	(34)	(9)	122	9	183
Cash pooling, incl:	17,032	(10,000)	(168)	-	154	7,018
Receivables	*(10,683)*	*(8,957)*	*188*	-	*(198)*	*(19,650)*
Liabilities	*27,715*	*(1,043)*	*(356)*	-	*352*	*26,668*

33. FUTURE CONTRACTUAL COMMITMENTS

a) Contractual investment commitments

As at December 31, 2018, the commitments for the purchase of property, plant and equipment amounted to PLN 1,099 thousand (as at December 31, 2017: PLN 409 thousand). As at December 31,2018 and as at December 31,2017 there was no the commitments for the purchase of intangible assets.

b) Commitments under operating leases

The future minimum lease payments under non-cancellable operating leases are summarised as follows:

	31 December 2018	31 December 2017
Within one year	2,644	2,529
Between one and five years	3,267	2,905
Total	**5,911**	**5,434**

The amounts disclosed above don’t include VAT.

The majority of lease payments are denominated in PLN.

Annual payments of the Group related to the perpetual usefruct of land amount to PLN 1,023 thousand (2017: PLN 1,319 thousand).

The amount of lease payments recognised in the income statement is presented in note 21.

(all amounts in PLN thousands unless otherwise indicated) translation only

34. CONTINGENCIES, GUARANTEES AND OTHER COLLATERALS

As at 31 December 2018 and 31 December 2017, 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	31 December 2018	31 December 2017	Scope of collateral
Guarantees provided by Agora S.A.					
Pekao S.A.	Agora's employees	29.09.2019 - 16.06.2021	126	233	loans for the purchase of photographic equipment

Information on contingent liabilities related to legal disputes is described in note 17.

(all amounts in PLN thousands unless otherwise indicated) translation only

35. GROUP COMPANIES

Basic information about the companies in which Agora S.A. holds shares (directly or indirectly) are presented in the table below:

		% of shares held (effectively)	
		31 December 2018	31 December 2017
	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	91.4%	91.4%
10	Next Film Sp. z o.o., Warsaw (3)	91.4%	91.4%
11	Next Script Sp. z o.o., Warsaw (4)	75.9%	68.6%
12	Domiporta Sp. z o.o.,., Warsaw (5)	100.0%	100.0%
13	Optimizers Sp. z o.o., Warsaw	100.0%	100.0%
14	Yieldbird Sp. z o.o., Warsaw (6)	81.5%	77.6%
15	GoldenLine Sp. z o.o., Warsaw	92.7%	92.7%
16	Plan A Sp. z o.o., Warsaw	100.0%	100.0%
17	Agora Finanse Sp. z o.o., Warsaw (7)	100.0%	-
18	Foodio Concepts Sp. z o.o., Warsaw (8), (3)	82.3%	-
	Joint ventures and associates accounted for the equity method		
19	Stopklatka S.A., Warsaw (9)	-	41.1%
20	Online Technologies HR Sp. z o.o., Szczecin	46.2%	46.2%
21	Hash.fm Sp. z o.o., Warsaw	49.5%	49.5%
22	Instytut Badan Outdooru IBO Sp. z o.o., Warsaw (1), (10)	50.0%	40.0%
23	ROI Hunter a.s., Brno (11)	13.4%	-
	Companies excluded from consolidation and equity accounting		
24	Polskie Badania Internetu Sp. z o.o., Warsaw (12)	16.7%	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.; on May 28, 2018 the share capital was increased and new shares were taken up by the majority shareholder;
(5) on October 30, 2018 the National Court Register registered the change of the company`s business name from Trader.com (Polska) Sp. z o.o. to Domiporta Sp. z o.o.;
(6) acquisition of shares from non-controlling shareholders on December 4, 2018;
(7) company set up on February 28, 2018;
(8) company set up on March 6, 2018;
(9) disposal of shares in the company on June 14, 2018;
(10) acquisition of additional shares on September 7, 2018;
(11) acquisition of shares on September 25, 2018;
(12) change in the Agora`s percentage share in the company as a result of a decrease in the total number of shares of the company due to an automatic redemption of shares in 2018.

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

On February 28, 2018, Agora S.A., as the sole shareholder, established Agora Finanse Sp. z o.o., with its registered office in Warsaw, and took up 100 shares in the company's share capital, with a nominal value of PLN 50 each, in return for a cash contribution of PLN 5,000. The shares held by Agora S.A. give it a 100% interest in the share capital and 100% of votes at the General Meeting of Shareholders.

On March 6, 2018, Helios S.A., a subsidiary of Agora, signed an investment agreement with two individual investors, Piotr Grajewski and Piotr Komor. The purpose of the agreement was to form the company Foodio Concepts sp. z o.o. with its registered office in Lodz and regulate the cooperation between the parties under the investment agreement. The purpose of the company is to develop the concept of, create, run and develop (mainly by building its own brands) a chain of several dozen eating places located in Poland, in shopping centres or in street locations. On 29 March 2018, the District Court for Lodz-Srodmiescie in Lodz, the 20th Business Department of the National Court Register, entered the said company in the register of entrepreneurs of the National Court Register. In exchange for a cash contribution of PLN 5,000 thousand, Helios S.A. acquired 90 shares in the company at PLN 50 par value each, representing 90% of the shares in the company (and 90% of the total number of votes at the Shareholders' Meeting). The individual investors acquired in total 10% of the shares in the company (5% each). Under the agreement, the combined share of the Individual Investors can be increased to 30%, provided that the company meets the specified financial targets. The agreement also stipulates that additional financing may be provided by Helios S.A. through a cash contribution in the amount of PLN 5,000 thousand.

On 29 March 2018, the Extraordinary Shareholders' Meeting of Agora - Poligrafia Sp. z o.o. with its registered office in Tychy ("Agora - Poligrafia") passed a resolution on increasing the company's share capital from PLN 1.5 million to PLN 2 million by issuing 1,000 new shares with PLN 500 par value each and a total par value of PLN 500 thousand. In accordance with the resolution, the shares will be acquired by the sole shareholder, i.e. the Company, in exchange for a cash contribution in the amount of PLN 10 million. On July 10, 2018, the District Court Katowice - Wschod in Katowice, the 8th Business Department of the National Court Register registered the above change. At present, Agora S.A. holds 4,000 shares in Agora - Poligrafia, representing 100% of its share capital and carrying 4,000 (100%) votes at the Shareholders' Meeting.

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

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

On September 7, 2018, AMS S.A., with its registered office in Warsaw, concluded a Share Sale Agreement with Clear Channel Poland sp. z o.o., whose subject was the purchase of 100 shares in the share capital of Instytut Badan

Outdooru IBO sp. z o.o., with its registered office in Warsaw ("IBO"), with a total nominal value of PLN 120 thousand, for PLN 60 thousand.
At present, AMS S.A., with its registered office in Warsaw, holds 500 shares in IBO, representing 50% of the company's share capital and carrying 500 votes representing 50% of the votes at the Shareholders' Meeting of IBO.

On December 4, 2018, Agora S.A. concluded three agreements on the sale of shares, concerning the purchase of shares in Yieldbird Sp. z o.o. with its registered office in Warsaw, with three shareholders of that company. The agreements covered the purchase by Agora S.A., from the three shareholders of Yieldbird Sp. z o.o., of a total of 37 shares in Yieldbird sp. z o.o. with its registered office in Warsaw for a total price of PLN 2,052 thousand. As a result of the above transaction, Agora S.A. currently holds 775 shares in the company's share capital, which gives it 81.49% of the shares in the share capital and 81.49% of the votes at the general meeting of shareholders.

Aquistition of shares in ROI Hunter a. s.

On September 25, 2018, Agora S.A. concluded: (i) with natural persons and two funds and with ROI Hunter a.s company, with its registered office in Brno, the Czech Republic ("ROI Hunter"), an investment agreement regarding, subscription for 323,102 shares in the raised share capital of ROI Hunter ("Agreement 1"), (ii) a sale agreement for 32,310 shares in ROI Hunter with a natural person ("Agreement 2"). The total amount of the capital investment of Agora S.A. amounted to EUR 2.2 million (PLN 9,541 thousand).

The investment to acquire the ROI Hunter shares will take place in two tranches and will cover a total of 710,823 shares of ROI Hunter representing ca. 24% of shares in the share capital of ROI Hunter and entitling to ca. 24% of votes at the General Meeting of ROI Hunter. The total amount of the capital investment of Agora S.A. in ROI Hunter will amount to EUR 4.4 million.

Currently, as a result of the acquisition of ROI Hunter shares under the first tranche, Agora S.A. holds 355,412 shares of ROI Hunter, representing 13.4% of the share capital of this company and entitling to 355,412 votes representing 13.4% of votes at the General Meeting of ROI Hunter.

The second tranche will cover a total of 355,411 shares in ROI Hunter: (i) Agora S.A. will take up 323,101 shares in the raised share capital of ROI Hunter under Agreement No. 1, (ii) and Agora S.A. will acquire 32,310 shares of ROI Hunter on the basis of a share sale agreement with a natural person.

The second tranche of shares should be taken after the financial statements for 2018 published by ROI Hunter, confirming the implementation of the financial ratios agreed between the parties to the agreement, and after its adoption by the general meeting of ROI Hunter.

Agreement No. 1 also regulates Agora SA's investment principles in ROI Hunter and contains a number of mechanisms securing the interests of the Company.

ROI Hunter is an associate of Agora S.A. as defined in accounting regulations, due to Agora SA's special rights in terms of impact on strategic decisions of ROI Hunter and corporate governance, including the board of directors of ROI Hunter *(the company's management body)*.

Sale of shares in the joint venture Stopklatka S.A.

On June 14, 2018, Agora concluded, with Bank Zachodni WBK S.A. – Dom Maklerski BZ WBK, acting at the request and on the account of Kino Polska TV S.A., an agreement on the sale of all of the shares held by Agora in Stopklatka S.A., with its registered office in Warsaw. As a result of the Transaction, Agora sold all of the shares it held in Stopklatka (i.e. 4,596,203 ordinary shares representing 41.14% of the share capital of Stopklatka). The price per share was PLN 7.0, and the value of the transaction amounted to PLN 32,173 thousand.

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

Sale transaction of shares Stopklatka S.A. in the second quarter of 2018 had a positive effect on the results of the Company. The impact of the above transaction on financial income and net result of Agora S.A. was respectively PLN 21,489 thousand and PLN 17,406 thousand.

Call for the repurchase of shares in a subsidiary

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

i. Sell-out

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

As part of the sell-out procedure, the amount of PLN 3,171 thousand was transferred by Helios S.A. to the Minority Shareholder on 2 June 2017 for the purchase of 318,930 shares. Moreover, on 2 June 2017, a total of PLN 14 thousand was transferred to the other minority shareholders for the purchase of 1,460 shares. As a result of these transactions, the Group met the commitment to purchase shares, which was recognized in the Group's balance sheet.
As a result of the procedures described above, Agora S.A. increased its block of shares in Helios S.A. from 10,277,800 to 10,573,352 shares, i.e. by 295,552 shares. Agora S.A. currently holds 91.44% of the shares of Helios S.A.

The shareholders whose shares are being purchased under the sell-out procedure did not accept the price calculated in accordance with Art. 418(1) § 6 of the CCC and, based on Art. 418(1) § 7 of the CCC, applied to the registration court to appoint a registered auditor who would determine the price for the shares on behalf of the Court. The final valuation of the Shares that are subject to the sell-out procedures will be determined by the registration court having jurisdiction over the registered office of Helios S.A. based on the opinion of an expert appointed by the registration court having jurisdiction over the registered office of Helios S.A. A change in such valuation, if any, will result in an adjustment to the price of the shares purchased.

As at the date of the publication of this unconsolidated financial statements, the District Court for Lodz-Srodmiescie in Lodz, the 20th Department of the National Court Register, appointed an expert for the purpose of the valuation of the shares to be purchased from the Minority Shareholder (318,930 shares) and from other minority shareholders (1,460 shares in total). The minority shareholders referred to in the previous sentence appealed against the decision on appointing an expert. Until now, the appeal has not been considered.

ii. Squeeze-out

The squeeze-out procedure, which entered into force on 14 July 2016, is pending with respect to 10 shares. The holder of these shares did not respond to the Company's call published in accordance with the requirements in *Monitor Sądowy i Gospodarczy*, which requested the minority shareholders holding the above-mentioned shares of the Company to submit the share certificate to the Company within two weeks of the publication of the call under the sanction of cancelling the shares after this deadline. Consequently, on 7 April 2017 the Management Board of Helios S.A. passed a resolution on the cancellation of the above-mentioned shares and published it in *Monitor Sądowy i Gospodarczy* of 8 May 2017. The share valuation procedure by the registered auditor appointed by the Court is currently under way. The sell-out and squeeze-out procedures have not been completed as at the date of the unconsolidated financial statements hereof. As at the date of the unconsolidated financial statements hereof, the District Court for Łódź - Śródmieście in Łódź, the 20th Department of the National Court Register, appointed an expert to perform a valuation of the shares.

(all amounts in PLN thousands unless otherwise indicated) translation only

36. RELATED PARTY TRANSACTIONS

Table below presents total investments and balances with related parties as at balance 31 December 2018 (with comparative figures):

	31 December 2018	31 December 2017
Subsidiaries		
Shares	530,458	527,464
Current loans granted	-	2,509
Cash pooling receivables	91,503	19,650
Trade receivables	6,986	3,467
Other receivables	7,114	5,998
Cash pooling liabilities	21,525	26,668
Trade liabilities	4,593	2,601
Other liabilities and accruals	1,494	1,384
Joint ventures		
Shares	1,000	11,593
Current loans granted	-	1,022
Trade receivables	6	113
Trade liabilities	8	1
Other liabilities and accruals	2	100
Associates		
Shares	10,490	949
Trade receivables	122	31
Major shareholder		
Trade receivables	1	-
Other liabilities	10	-
Management Board of the Company		
Receivables	4	3

(all amounts in PLN thousands unless otherwise indicated) translation only

Table below presents total transactions with related parties in 2018 (with comparative figures):

	2018	2017
Subsidiaries		
Sales	52,998	65,855
Purchases	(40,696)	(56,919)
Other operating revenues	6	-
Other operating expenses	-	(22)
Dividend income	74,302	52,962
Finance interests	1,653	739
Other finance income	-	93
Loss on disposal of financial assets	-	(79)
Finance cost - credit guarantee	(56)	-
Finance cost - interests on cash pooling	(328)	(323)
Income tax - TCG settlements	5,465	-
Joint ventures		
Sales	108	1,344
Purchases	(68)	(427)
Other operating expenses	-	(1)
Finance interests	16	43
Finance cost - interests on cash pooling	-	(29)
Associates		
Sales	92	38
Purchases	(34)	(30)
Major shareholder		
Sales	23	52
Other operating revenues	30	300
Management Board of the Company		
Sales	5	2

Following types of transactions mainly occur within the Agora Group:

- advertising and printing services,
- rent of machinery, office and other fixed assets,
- sale of rights and granting licenses to works,
- production and service of advertising panels,
- providing various services: legal, financial, administration, trade, sharing market research results, data transmission, outsourcing,
- grant and repayment of loans and interest revenues and costs,
- dividend distribution,
- cash pooling settlements,
- settlements within the Tax Capital Group.

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

37. 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 selected investments in subsidiaries, intangibles with indefinite useful life (magazine titles) and non-current assets related to the printing activities of the Company 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 Company 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 Company`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 Company'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 Company 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:

	Investment relating to activities in Domiporta Sp. z o.o. - Internet	Rights and goodwill related to activities in particular magazine titles	Investment relating to activities in GoldenLine Sp. z o.o. - Internet	Non-current assets related to printing activities
Assumptions	Financial forecasts for the next year and projections of the market for the next years based on the best knowledge of the market, available market data and experience.			
Detailed forecast period	5 years	5 years	5 years	9 years
Years:	Estimated rate of free cash flow to firm in the period of detailed forecast (pre-tax)			
2019	(33%)	(9%)	(880%)	(632%)
2020	161%	(3%)	88%	370%
2021	(46%)	(3%)	(83%)	(73%)
2022	4%	14%	101%	(106%)
2023	13%	(6%)	14,614%	108%
	Discount rate for the years (pre-tax)			
2019-2023	8.8%	7.3%	7.3%	5.3%
	The long-term growth rate after the period covered by the forecast			
	0.5%	0.0%	0.5%	*

** in case of financial projection related to printing activities a 9-year detailed forecast period was assumed and residual value of assets at the end of the forecast period was estimated.*

In 2018, according to the impairment tests carried out, the impairment losses on shares relating to the activities of GoldenLine Sp. z o.o. – Internet were recognised in the amount of PLN 9,138 thousand in relation to decrease of company's revenue. Disadvantageous change of key assumptions would result in further impairment losses in the value of investment in GoldenLine. Sp. z o.o.

According to the impairment tests carried out, the impairment losses were recognised in relation to shares in company Domiporta Sp. z o.o. (previously Trader.com (Polska) Sp. z o.o.) in the amount of PLN 24,248 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 the printing activities in the amount of PLN 36,145 thousand (the amount including: PLN 36,105 thousand related to property, plant and equipment classified to categories "Plant, machinery and equipment", "Vehicles"and "Other" as presented in note 4, and the remaining amount of PLN 40 thousand related to intangible assets classified to category "Licences and patents").

In 2018, the Company recognised the impairment losses in relation to press title "Ladny Dom" in the amount of PLN 2,285 thousand (including the amounf of PLN 103 thousand related to goodwill of purchased magazines titles) as a result of the decision about sale based on the sale price possible to obtain.

In 2018, the Company recognised the impairment losses on shares in company Optimizers Sp. z o.o. in the amount of PLN 400 thousand (2017: in the amount of PLN 443 thousand) in relation to the forecasted termination of the company operating activity.

To key estimates and assumptions, that may cause a significant adjustment to the amounts recognised in financial statements of the Company, belongs also the recognition of deferred tax assets on unused tax losses. Information on those estimates and judgments was described in note 15.

38. SELECTED UNCONSOLIDATED FINANCIAL DATA TOGETHER WITH TRANSLATION INTO EURO

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

- income statement and cash flow statement figures using arithmetic average of exchange rates published by NBP and ruling on the last day of each month of four quarters. For the year of 2018 EURO 1 = 4.2669; for the year of 2017 EURO 1 = PLN 4.2447.
- balance sheet figures using the average exchange rates published by NBP and ruling on the last day of the year. Exchange rate as at 31 December 2018 – EURO 1 = PLN 4.3000; as at 31 December 2017 – EURO 1 = PLN 4.1709.

	PLN thousand		EURO thousand	
	Year 2018	Year 2017	Year 2018	Year 2017
Revenue	423,003	492,520	99,136	116,032
Operating loss	(75,869)	(117,153)	(17,781)	(27,600)
Profit/(loss) before income taxes	10,979	(77,409)	2,573	(18,237)
Net profit/(loss)	15,169	(68,122)	3,555	(16,049)
Net cash from operating activities	(47,185)	(34,875)	(11,058)	(8,216)
Net cash used in investing activities	82,548	60,886	19,346	14,344
Net cash used in financing activities	(37,720)	(28,577)	(8,840)	(6,732)
Net increase / (decrease) in cash and cash equivalents	(2,357)	(2,566)	(552)	(605)
Total assets	984,535	1,008,381	228,962	241,766
Non-current liabilities	15,742	23,675	3,661	5,676
Current liabilities	144,081	152,094	33,507	36,465
Equity	824,712	832,612	191,793	199,624
Share capital	46,581	47,665	10,833	11,428
Weighted average number of shares	46,580,831	47,421,764	46,580,831	47,421,764
Basic/diluted earnings per share (in PLN / in EURO)	0.33	(1.44)	0.08	(0.34)
Book value per share (in PLN / in EURO)	17.70	17.56	4.12	4.21

39. EVENTS AFTER THE BALANCE SHEET DATE

Acquisition of shares in Eurozet Sp. z o.o.

On February 20, 2019 the Company closed negotiations on: (i) the acquisition of shares in Eurozet Sp. z o.o. with its registered office in Warsaw (‘Eurozet’) and (ii) the establishment of detailed rules for investment in Eurozet by SFS Ventures s.r.o. with its registered office in Prague (the Czech Republic) (‘SFS Ventures’) as a majority shareholder and the Company as a minority shareholder and the cooperation of both entities as shareholders of Eurozet.

As a result of the negotiations, on February 20, 2019, the following were concluded:

1. a preliminary agreement on the sale of shares in the share capital of Eurozet (‘Preliminary Agreement’) between Czech Radio Centers., with its registered office in Prague (the Czech Republic), as a seller (‘Seller’), Czech Media Invest a.s., with its registered office in Prague (the Czech Republic), as a guarantor of the Seller's obligations and:
   - SFS VenturesSFS Ventures, as a buyer of 60% of the shares of Eurozet, and
   - the Company, as a buyer of 40% of the shares of Eurozet,
2. a final agreement for the sale of the above-mentioned shares of Eurozet, by and between the Company, SFS Ventures and the Seller (‘Final Agreement’), concluded as part of performance of the Preliminary Agreement, and
3. a shareholders’ agreement between the Company and SFS Ventures regulating the detailed rules for investment in Eurozet by SFS Ventures, as a majority shareholder, and the Company as a minority shareholder and the cooperation of both entities as shareholders of Eurozet (‘Shareholders’ Agreement’).

Under the Final Agreement, the Company acquired 400 shares in the share capital of Eurozet with a nominal value of PLN 50 each, representing 40% of the share capital of Eurozet and entitling the holder to exercise 40% of the total number of votes at the shareholders' meeting of Eurozet in exchange for the initial consideration of PLN 130,755 thousand. The Preliminary Agreement provides for adjustment mechanisms concerning the initial consideration based on the Eurozet capital group’s („Group”) 2018 audited results and the final value of certain economic and financial parameters of the Group, as set forth in the Preliminary Agreement.

The detailed terms and conditions of the Preliminary Agreement and the Final Agreement (concerning in particular representations and warranties made by the Seller, the principles of liability and the terms and conditions for asserting potential claims by the parties) do not deviate from the market solutions used in agreements concluded for similar transactions.

In accordance with the provisions of the Shareholders' Agreement, with a view to protecting Agora’s investment in Eurozet and protecting the position of Agora as a minority shareholder of Eurozet, Agora is granted typical rights of a minority shareholder, including the right to appoint and dismiss one member of the supervisory board of Eurozet and the right to influence decisions on selected key issues concerning, in particular, the capital structure, amendment of the company deed, changes in the share capital or liquidation of the company. Those entitlements will be due to Agora as long as Agora and its related entities have at least 34% plus one shares / votes in the share capital of Eurozet / at the Eurozet shareholders' meeting. However, Agora, as a minority shareholder, will not influence, inter alia, the operational activities of Eurozet or the programme strategy of the radio station.

The Shareholders' Agreement also contains the following provisions governing the rules of the shareholders’ cooperation, should they exit their investment in Eurozet:

1. the right to demand the second shareholder to join in the sale with respect to all its shares (‘Drag along right’), together with the principles for securing effective sale of the shares in relation to which the Drag along right has been exercised,
2. a shareholder’s right to join in the sale of all shares held by the shareholder in the case of the sale of shares by the second shareholder (‘Tag along right’) and

3. Agora's power to acquire all the remaining shares of Eurozet belonging to SFS Ventures ('Callable Shares') ('Call Option'), together with the principles for securing effective acquisition of the shares in case of exercise of the Call Option.

Agora is entitled (but not obliged) to exercise the Call Option during the period commencing after the lapse of 12 months and ending after the lapse of 36 months from the date of conclusion of the Final Agreement ('Call Option Period') or until June 20th, 2022 in case Agora submits to SFS Ventures a declaration of will to exercise the Call Option. In specific cases described in the Shareholders' Agreement concerning substantial reduction in the scope of the Group's core activities, the Call Option Period may be shortened. Should Agora exercise the Call Option, the purchase price of the Callable Shares for Agora will be determined on the basis of the formula set out in the Shareholders' Agreement, which takes into account SFS Ventures's achievement of certain financial indicates. In accordance with the Shareholders' Agreement, Agora will be able to exercise the Call Option, and thereby take control over Eurozet, after obtaining the legally required antitrust permission.

The Shareholders' Agreement provides for Agora's and SFS Ventures's obligation of lock up on shares of Eurozet in such a way that:

1. SFS Ventures is obliged not to dispose of any shares of Eurozet held by it without the written consent of Agora in the period from the conclusion of the Final Agreement until the end of the Call Option Period (or until June 20, 2022, if Agora submits to SFS Ventures a declaration of will to exercise the Call Option);

2. Agora is obliged not to dispose of any shares of Eurozet held by it without the written consent of SFS Ventures in the periods of: (i) 12 months from the date of conclusion of the Final Agreement and (ii) 18 months from the end of the Call Option Period (or from June 20, 2022, if Agora submits to SFS Ventures a declaration of will to exercise the Call Option).

Furthermore, the Shareholders' Agreement provides for a mechanism whereby, in the event of sale of all shares of Eurozet by SFS Ventures in any shareholders' exercise of, respectively, the Drag along right or the Tag along right at a price lower than the purchase price of the shares under the Final Agreement, SFS Ventures will have the right to obtain compensation for the shares sold (up to an amount not exceeding 20% of the price of SFS Ventures's purchase of shares of Eurozet from the Seller under the Final Agreement).

In order to secure the above-described rights of Agora and SFS Ventures, the Shareholders' Agreement provides for, in particular:

1. the obligation for SFS Ventures to pay Agora a contractual penalty in the amount of PLN 2 million for a modification or revocation of the power of attorney to enter into a Callable Share disposal agreement on behalf of SFS Ventures on the terms set forth in the Shareholders' Agreement); and
2. the obligation for one shareholder to pay the other shareholder a contractual penalty in the amount of PLN 2 million for a modification or revocation of the power of attorney to conclude on behalf of the second shareholder an agreement for the sale of shares in Eurozet to a third party in the exercise of the Drag along right on the terms and conditions set forth in the Shareholders' Agreement).

The Shareholders' Agreement does not provide for the possibility of imposing contractual penalties on Agora other than those specified in clause 2 above.

The Shareholders' Agreement has been concluded for a period of 10 years from the date of its conclusion; it will expire earlier in particular in the event of either shareholder's transfer of all shares held by it in Eurozet to a third party (other than an affiliate of a given shareholder).

The Preliminary Agreement, the Final Agreement and the Shareholders' Agreement are governed by Polish law.

The company Eurozet Sp. z o.o. is an associate of Agora S.A. based on the accounting regulations.

The transaction is in line with the long-term strategy of the Agora Group, in particular with the plan to strengthen the position of the Agora capital group in selected fields of its existing business. The transaction may affect the Agora's capital group investment plans in non-media businesses.

The acquisition of 40% of shares in Eurozet was financed partially from Agora's own resources and in the amount of PLN 75.0 million from the overdraft in the current account which will be converted into loan by DNB Bank Polska on the basis of Credit Line Agreement executed on May 27th, 2017 amended by Annex no. 1 executed on May 18, 2018.

On March 6, 2019, the Company received a letter from the President of the Office of Competition and Consumer Protection requesting the Company to present information and documents as part of the explanatory proceedings to pre-determine the obligation to notify the intention of concentration with the participation of the Company, SFS Ventures s.r.o. and Eurozet Sp. z o. o. The proceedings are explanatory in its character and are not conducted against the Company.

Cooperation with Food for Nation

On February 28, 2019 Helios S.A., a subsidiary of Agora ("Helios"), commenced negotiations with some of the partners ("Partners") of the company Food for Nation, Sp. z o.o. sp. k. ("FFN"), which is the owner of a restaurant chain under the brand Pasibus, on the joint growth of the Pasibus brand.

In connection with the above, on February 28, 2019, Helios and Partners signed a letter of intent ("Term Sheet") on the basic terms of the cooperation under consideration within the SPV, which is a subsidiary of Helios S.A. (Step Inside Sp. z o. o. with its registered seat in Lodz ("Step Inside"). Establishing the cooperation is dependent upon agreement on detailed principles of cooperation and obtaining the consent of the President of the Office of Competition and Consumer Protection ("the President of UOKiK").

At the same time, on February 28, 2019, Step Inside and FFN signed a cooperation agreement, based on which Step Inside is entitled to i.a. operate up to 10 eateries under the Pasibus brand. For this purpose, Helios funded Step Inside company with PLN 10 million. With the approval of the President of UOKiK and concluded investment agreement the Partners will acquire shares in Step Inside company, which will open total of 40 premises under the Pasibus brand. Simultaneously, the Company informs that the Term Sheet does not constitute binding obligations of the parties. Agora will inform about the next steps related to the course of the process in separate filings.

The value of investments in Step Inside is not significant from the perspective of the Agora Group. The investment in the joint development of the Pasibus brand will result the extension by Helios, a subsidiary of Agora, of the activity in the gastronomy segment.

Consultation procedure on employment reduction in the Print segment of Agora Group

On March 5th, 2019, the Management Board of Agora S.A. in accordance with the Act of March 13th, 2003 on Special Rules for Termination of Employment for Reasons Not Attributable to Employees, adopted a resolution 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, Agora S.A. and Agora Poligrafia Sp.z o.o. works councils shall also be consulted on the group layoff process.

Agora's decision to undertake optimization measures, including group layoffs, is related to 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 drop in circulation of printed press, whose publishers are the largest group of clients of the Company's coldset printing plants. Services commissioned by clients from other market segments, including those executed in the heatset technology, present a significantly smaller share in the Group's income from printing activity; due to infrastructural constraints, they never were, nor are able to compensate the decrease of revenues from coldset printing services.

Considering the prospects for coldset printing services and progressive digitization of media, it is not possible to stop the downward trend in the coldset printing business of Agora Group in its current form. Therefore, the Management Board of the Company decided that it is necessary to take decisive optimization measures aimed at concentrating Agora's printing business in Warsaw printing plant and gradual phasing out of operational activity of printing plants in Pila and Tychy till June 30th, 2019. The plant located in Warsaw offers the largest range of printing services both in coldest and heatset technology, thereby it most fully meets the needs of Agora and its customers. The decrease in the scale of Agora Group printing business entails significant reduction of employment in the Print segment.

The intention of the Management Board of Agora S.A. is to lay off up to 153 employees mainly of the Print segment of Agora Group (which is 57% of employees of this segment, including 90% of employees in Tychy print plant - Agora Poligrafia Sp. z o.o. and 90% of employees in Pila print plant - Agora S.A., as at March 1st, 2019). The process will last up to 30 days after the agreement with the trade unions and works councils is made.
The Company shall go through these changes in a thought out manner and with care for its employees, offering the dismissed employees a range of protective and supportive initiatives.

On March 5th, 2019 the Management Board of the Company requested the trade unions operating at the Company and the works councils operating in Agora S.A. and in Agora Poligrafia Sp. z o.o. to join in the consultation on collective redundancy process and shall provide the relevant Labor Office with information on the intention to execute group layoffs in the Company and in Agora Poligrafia Sp. z o.o.

The Company shall publish a regulatory filing on collective redundancies after the required by law process of consultation with trade unions and works councils operating at both companies is finalized. This regulatory filing shall also include information on the estimated amount of provision related to the restructuring of employment in Agora S.A. and in Agora Poligrafia Sp. z o. o. which will be fully charged to the result of the Company and of Agora Group in the 1st quarter of 2019.

The final data regarding the amount of the provision and the effect of employment restructuring on the financial results of the Company and of Agora Group shall be published in the financial statements of the Company and of Agora Group for the 1st quarter of 2019 .

Other

On February 28, 2019, Agora S.A. signed a loan agreement as a lender with the associated company Hash.fm sp. o.o. with its registered office in Warsaw, as a Borrower. Under this agreement, Agora S.A. granted a cash loan in the amount of PLN 800 thousand, which will be repaid in quarterly installments by the Borrower until December 31, 2022. The interest rate on the loan corresponds to market conditions. The loan was secured, among others by establishing a pledge on a part of shares owned by the shareholder of the company Hash.fm sp z o.o.

On February 28, 2019, Agora S.A. ("Company") received a tax control protocol related to the accuracy of VAT settlements for the period of September to December 2017. The Tax Office is questioning the way that the Company applies certain VAT regulations for selected goods and services. The Management Board does not agree with the arguments presented in the protocol and intends to submit various objections and explanations to the document. The protocol itself does not have a binding character and can not be assumed as a base for execution of any potential amount due. Therefore, in the Company's opinion, at the current stage of this case there is no basis to recognise a provision. Potential tax arrears (the main amount) for the period of September to December 2017, which can be determined by the Tax Office as a result of the control amounts to ca. PLN 0.5 million.

Warsaw, March 7, 2019

Bartosz Hojka - President of the Management Board ....

Tomasz Jagiello - Member of the Management Board ....

Agnieszka Sadowska - Member of the Management Board ....

Anna Krynska-Godlewska - Member of the Management Board ....

Grzegorz Kania - Member of the Management Board ....

Signature of the person responsible for keeping the accounting records

Ewa Kuzio – Chief Accountant ....

Signatures submitted electronically.