

*This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation.*

# Independent Auditor's Report

## To the General Shareholders' Meeting and Supervisory Board of Agora S.A.

### Report on the Audit of the Annual Unconsolidated Financial Statements

#### Opinion

We have audited the accompanying annual unconsolidated financial statements of Agora S.A. (the "Entity"), which comprise:

- the unconsolidated balance sheet as at 31 December 2019,

and, for the period from 1 January to 31 December 2019:

- the unconsolidated income statement;
- the unconsolidated statement of comprehensive income;
- the unconsolidated statement of changes in shareholder's equity;
- the unconsolidated cash flows statement;

and

- notes to the unconsolidated financial statements

(the "unconsolidated financial statements").

In our opinion, the accompanying unconsolidated financial statements of the Entity:

- give a true and fair view of the unconsolidated financial position of the Entity as at 31 December 2019 and of its unconsolidated financial performance and its unconsolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union ("IFRS EU") and the adopted accounting policy;
- comply, in all material respects, with regard to form and content, with applicable laws and the provisions of the Entity's articles of association;
- have been prepared, in all material respects, on the basis of properly maintained accounting records in accordance with chapter 2 of the accounting act dated 29 September 1994 (the "Accounting Act").

Our audit opinion on the unconsolidated financial statements is consistent with our report to the Audit Committee dated 12 March 2020.



## Basis for Opinion

We conducted our audit in accordance with:

- International Standards on Auditing as adopted by the National Council of Certified Auditors as National Standards on Auditing (the “NSA”); and
- the act on certified auditors, audit firms and public oversight dated 11 May 2017 (the “Act on certified auditors”); and
- regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest

entities and repealing Commission Decision 2005/909/EC (the “EU Regulation”); and

- other applicable laws.

Our responsibilities under those regulations are further described in the Auditor’s Responsibility for the audit of the unconsolidated financial statements section of our report.

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

## Independence and Ethics

We are independent of the Entity in accordance with the Code of Ethics for Professional Accountants (“IFAC Code”) issued by the International Ethics Standards Board for Accountants as adopted by the resolutions of the National Council of Certified Auditors, as well as other independence and ethical requirements, applicable to audit engagement

in Poland. We have fulfilled all ethical responsibilities resulting from those requirements and IFAC Code. During our audit the key certified auditors and the audit firm remained independent of the Entity in accordance with requirements of the Act on certified auditors and the EU Regulation.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. They are the most significant assessed risks of material misstatements, including those due to fraud, described below and we performed appropriate audit procedures to address these

matters. Key audit matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon we have summarised our response to those risks. We do not provide a unconsolidated opinion on these matters. We have determined the following key audit matters:

### Impairment of long-term financial assets, goodwill and intangible assets with an indefinite useful life

The carrying value of long-term financial assets as at 31 December 2019: PLN 693,391 thousand (as at 31 December 2018: PLN 542,031 thousand), intangible assets including goodwill and intangible assets with an indefinite useful life as at 31 December 2019: PLN 44,855 thousand (as at 31 December 2018: PLN 37,695 thousand).

As a result of impairment tests carried out in 2019, an impairment loss was recognised in respect of shares in Goldenline Sp. z o.o. in the amount of PLN 11,206 thousand. The Entity recognized also an impairment loss in respect of shares in Hash.fm Sp. z o.o. of PLN 849 thousand and an impairment loss for a loan granted to Hash.fm Sp. z o.o. of PLN 608 thousand.

Reference to the unconsolidated financial statements:

*Note 2(d) “Intangible assets”, Note 2(v) “Impairment losses”, Note 3 “Intangible assets”, Note 6 “Long-term financial assets”, Note 38 “Accounting estimates and judgments”.*

Key audit matter	Our response
In association with acquiring shares in its subsidiaries, the Entity recognizes investments, which represent a significant	Our procedures in this area covered among other things:

line item in the unconsolidated financial statements. Moreover, the Entity recognized significant intangible assets with indefinite useful life and goodwill.

The Entity's and its subsidiaries' activities cover in particular press publishing, Internet, cinema, and radio activities as well as operations in the outdoor advertising segment. Particular activities are characterized by different profitability, cyclicity and market volatility. The complexity and diversity of businesses of the Entity and its subsidiaries is an additional risk factor.

In accordance with relevant financial reporting standards the Entity is required to perform annual impairment tests for assets with indefinite useful life and for goodwill, and for assets for which impairment indicators were identified, by comparing the carrying amount of the assets to their recoverable amount.

The Entity determines the recoverable amount using the discounted cash flow method based to a large extent on the Management Board's estimates and assumptions, in particular those relating to the level of advertising spending in Poland in the Entity's and its subsidiaries' particular operating segments, sales of issues of papers and magazines in the Press segment, and customer attendance in the cinema operating segment. Forecasts of future cash flows are exposed to a high risk of changes due to changing market conditions and regulatory environment.

The impairment test results are sensitive to changes in key assumptions, such as assumptions relating to the forecasted future cash flows, discount rate or growth rate in cash flows after the period of detailed financial forecasts. An insignificant change in these assumptions may have a significant impact on the estimate of the recoverable amount.

Due to the above factors this was recognized as a key audit matter.

- assessing compliance of the accounting policy used by the Entity in respect of the identification, recognition and measurement of impairment of shares in subsidiaries, goodwill and intangible assets with an indefinite useful life with the relevant financial reporting standards;
- using the support of our internal valuation specialists:
  - assessing the discounted cash flow model prepared by the Entity in terms of its compliance with the relevant financial reporting standards, compliance with generally used impairment testing models and internal consistency of the methodology applied;
  - assessing the reasonableness of the adopted assumptions with respect to the scale of operations (revenue level) and returns (gross margin) and growth rate of cash flows after the period of detailed financial forecasts for particular assets by:
    - (i) comparing them to actual amounts of the above items realized in previous financial years, adjusted by the impact of forecast changes in the market environment and market conditions in respective sectors in which the assets operate; and
    - (ii) assessing the quality of the Entity's budgeting by analysing the degree to which the budgets prepared in preceding years were met;
    - (iii) comparing the level of key assumptions made by the Entity with the results of the analysis of model sensitivity to changes in key assumptions, taking into consideration the potential bias of the Management Board in determining the appropriate level of key assumptions;
  - evaluation of the correctness of the assumed discount rate by comparing it to external sources;

- 
- evaluation of accuracy and completeness of disclosures with respect to the impairment tests, including those relating to sensitivity of models to changes in key assumptions and the results of the impairment tests.
- 

### **Responsibility of the Management Board and Supervisory Board of the Entity for the unconsolidated financial statements**

The Management Board of the Entity is responsible for the preparation, on the basis of properly maintained accounting records, of unconsolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards, as adopted by the European Union, the adopted accounting policy, the applicable laws and the provisions of the Entity's articles of association and for such internal control as the Management Board of the Entity determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, the Management Board of the

Entity is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board of the Entity either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

According to the Accounting Act, the Management Board and members of the Supervisory Board of the Entity are required to ensure that the unconsolidated financial statements are in compliance with the requirements set forth in the Accounting Act. Members of the Supervisory Board of the Entity are responsible for overseeing the Entity's financial reporting process.

### **Auditor's Responsibility for the audit of the unconsolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

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

As part of an audit in accordance with NSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board of the Entity;

- conclude on the appropriateness of the Management Board of the Entity's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report on the audit of the unconsolidated financial statements to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report on the audit of the unconsolidated financial statements. However, future events or conditions may cause the Entity to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee of the Entity regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the Audit Committee of the Entity with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee of the Entity, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current reporting period and are therefore the key audit matters. We describe these matters in our auditors' report on the audit of the unconsolidated financial statements unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Other information

The other information comprises the information included in the annual report of the Entity, but does not include

the unconsolidated financial statements and our auditor's report thereon (the "Other information").

### *Responsibility of the Management Board and Supervisory Board*

The Management Board of the Entity is responsible for the Other information in accordance with applicable laws.

The Management Board and members of the Supervisory Board of the Entity are required to ensure that the report on activities of the Entity for the year ended 31 December 2019 (the

"Report on activities"), including the corporate governance statement and the statement on non-financial information referred to in art. 49b paragraph 1 of the Accounting Act which are separate parts of the Report on activities, are in compliance with the requirements set forth in the Accounting Act.

### *Auditor's Responsibility*

Our opinion on the unconsolidated financial statements does not cover the Other information.

In connection with our audit of the unconsolidated financial statements, our responsibility was to read the Other information and, in doing so, consider whether the Other information is materially inconsistent with the unconsolidated financial statements or our

knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we performed, we conclude that there is a material misstatement in the Other information, we are required to report that fact.

In accordance with the Act on certified auditors our responsibility was to report if the Report on activities was prepared in accordance with applicable laws and the information given in the



Report on activities is consistent with the unconsolidated financial statements.

Moreover, in accordance with the requirements of the Act on certified auditors our responsibility was to report whether the Entity included in the statement on corporate governance information required by the applicable laws and regulations,

#### *Opinion on the Report on activities*

Based on the work undertaken in the course of our audit of the unconsolidated financial statements, in our opinion, the accompanying Report on activities, in all material respects:

#### *Opinion on the statement on corporate governance*

In our opinion, the corporate governance statement, which is a separate part of the Report on activities, includes the information required by paragraph 70 subparagraph 6 point 5 of the Decree of the Ministry of Finance dated 29 March 2018 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent of information required by the laws of a non-member state (the “decree”).

#### *Information about the statement on non-financial information*

In accordance with the requirements of the Act on certified auditors, we report that the Entity has prepared a statement on non-financial information referred to in art. 49b paragraph 1 of the Accounting Act as a separate part of the Report on activities.

#### *Statement on Other information*

Furthermore, based on our knowledge about the Entity and its environment obtained in the audit of the unconsolidated financial

and in relation to specific information indicated in these laws or regulations, to determine whether it complies with the applicable laws and whether it is consistent with the unconsolidated financial statements and to inform whether the Entity prepared a statement on non-financial information.

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

Furthermore, in our opinion, the information identified in paragraph 70 subparagraph 6 point 5 letter c-f, h and letter i of the decree, included in the corporate governance statement, in all material respects:

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

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

statements, we have not identified material misstatements in the Report on activities and the Other information.

## **Report on other legal and regulatory requirements**

---

### **Statement on services other than audit of the financial statements**

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

### **Appointment of the audit firm**

We have been appointed for the first time to audit the annual unconsolidated financial statements of Agora S.A., as a public interest entity, for the year ended 31 December 1999 and reappointed in the following years,

including the resolution of the Supervisory Board dated 30 March 2017, to audit the annual unconsolidated financial statements for the year ended 31 December 2019. Our period of total uninterrupted engagement is 21 years, covering



the periods ended 31 December 1999 to 31  
December 2019.

---

On behalf of audit firm

**KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.**

Registration No. 3546

*Signed on the Polish original*

Marcin Domagała

Key Certified Auditor

Registration No. 90046

Member of the Management Board of KPMG

Audyt Sp. z o.o., entity which is  
the General Partner of KPMG Audyt Spółka  
z ograniczoną odpowiedzialnością sp.k.

*Signed on the Polish original*

Aleksandra Bujas

Key Certified Auditor

Registration No. 13432