

**AGORA GROUP**

Management  
Discussion and  
Analysis for  
**the year 2019**  
to the consolidated  
financial statements

March 12, 2020

**TABLE OF CONTENTS**

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) FOR YEAR OF 2019 TO THE FINANCIAL STATEMENTS.....	5
I. IMPORTANT EVENTS AND FACTORS WHICH INFLUENCE THE FINANCIALS OF THE GROUP [1].....	5
II. EXTERNAL AND INTERNAL FACTORS IMPORTANT FOR THE DEVELOPMENT OF THE GROUP .....	8
1. EXTERNAL FACTORS .....	8
1.1 Advertising market [3] .....	8
1.2 Copy sales of dailies [4] .....	9
1.3 Cinema admissions [10].....	9
2. INTERNAL FACTORS .....	10
2.1. Revenue .....	10
2.2. Operating cost .....	12
3. PROSPECTS.....	15
3.1 Revenue.....	15
3.1.1 Advertising market [3] .....	15
3.1.2 Copy sales .....	15
3.1.3 Ticket sales .....	16
3.2 Operating cost .....	16
3.2.1 Costs of external services.....	16
3.2.2 Staff cost .....	16
3.2.3 Promotion and marketing cost .....	17
3.2.4 Cost of raw materials and energy .....	17
4. THE GROWTH DIRECTIONS OF THE AGORA GROUP .....	17
5. INFORMATION ON CURRENT AND EXPECTED FINANCIAL SITUATION OF THE GROUP .....	18
III. FINANCIAL RESULTS .....	19
1. THE AGORA GROUP .....	19
2. PROFIT AND LOSS ACCOUNT OF THE AGORA GROUP .....	19
2.1. Revenues .....	21
2.2. Financial results presented according to major segments of the Agora Group for 2019 [1] .....	21
2.3. Sales and markets.....	22
2.4. Suppliers .....	22
2.5. Finance cost, net.....	22
3. BALANCE SHEET OF THE AGORA GROUP .....	23
3.1. Non-current assets .....	23
3.2. Current assets.....	23
3.3. Non-current liabilities and provisions .....	24
3.4. Current liabilities and provisions .....	24
4. CASH FLOW STATEMENT OF THE AGORA GROUP .....	24
4.1. Operating activities.....	25
4.2. Investment activities .....	25
4.3. Financing activities .....	25
5. SELECTED FINANCIAL RATIOS [5] .....	26
IV. OPERATING REVIEW - MAJOR SEGMENTS OF THE AGORA GROUP .....	27
IV.A. MOVIES AND BOOKS [1] .....	27
1. Revenue [3] .....	28
2. Cost .....	29
3. New initiatives .....	30
IV.B. PRESS [1].....	33
1. Revenue .....	34
1.1. Copy sales .....	34
1.2. Advertising sales [3].....	35
1.3. Printing services.....	35
2. Cost .....	35
3. New initiatives .....	36
IV.C. OUTDOOR .....	38

1. Revenue [8] .....	39
2. Cost .....	39
3. New initiatives .....	40
IV.D. INTERNET [1], [6] .....	42
1. Revenue .....	42
2. Cost .....	43
3. Important information on internet activities.....	43
4. New initiatives .....	43
IV.E. RADIO.....	45
1. Revenue [3] .....	45
2. Cost .....	46
3. Audience shares [9] .....	46
4. New initiatives .....	46
NOTES .....	48
V. ADDITIONAL INFORMATION .....	51
V.A. INFORMATION CONCERNING SIGNIFICANT CONTRACTS FOR THE ISSUER AND ITS GROUP INCLUDING AGREEMENTS BETWEEN THE SHAREHOLDERS WHICH ARE KNOWN TO THE COMPANY, INSURANCE CONTRACTS AND COOPERATION AGREEMENTS.....	51
1. INFORMATION CONCERNING SIGNIFICANT CONTRACTS FOR THE ISSUER .....	51
V.B. CHANGES IN CAPITAL AFFILIATIONS OF THE ISSUER WITH OTHER ENTITIES AND CAPITAL INVESTMENTS OF THE ISSUER AND ITS GROUP AND THE SHAREHOLDERS STRUCTURE .....	52
1. The capital structure of the issuer and subordinated entities.....	52
2. Changes in capital affiliations and organisation of the capital group.....	53
3. Participation in business organization, home and foreign .....	62
4. Major domestic and foreign investments.....	62
5. Changes in the shareholders' structure of the company.....	63
V.C. OTHER SUPPLEMENTARY INFORMATION .....	64
1. Transactions with related parties .....	64
2. Agreements between the Company and Management Board's members on compensation in case of resignation or dismissal.....	64
3. Remuneration, bonuses and benefits of the issuer's management board and supervisory board members and management board and supervisory board members of its subsidiaries .....	65
4. The shares in Agora S.A. and its related parties owned by members of the management Board .....	65
4.1. SHARES IN AGORA S.A. ....	65
4.2 SHARES IN RELATED PARTIES.....	65
5. The shares in Agora S.A. and its related parties owned by members of the Supervisory Board.....	66
5.1. SHARES IN AGORA S.A. ....	66
5.2. SHARES IN RELATED COMPANIES .....	66
6. Changes in basic management rules in the enterprise of the issuer and its capital group .....	67
7. Information on credit and loan agreements taken/terminated in 2019 and guarantees received by Agora S.A. or its subsidiaries.....	67
8. Information on loans granted in 2019 and guarantees or other off-balance sheet items .....	68
9. The system of control of employee share schemes.....	68
10. Information about the selection and agreements signed with an auditor entitled to audit financial reports .....	68
11. Information about financial instruments.....	69
12. Information on capability of execution of investment plans.....	69
13. The description of basic hazards and risk .....	69
14. Factors and unusual events which had influence on the results of business activities for 2019 with the estimation of their influence .....	74
15. Legal Actions concerning liabilities or debts of the issuer or its subsidiaries .....	74
16. information on purchase of own shares.....	75
17. Divisions of the Company and of its subsidiaries.....	75
18. The Management Board's statement of the realization of forecasts .....	75
19. Issuing of securities.....	75
20. Other Information.....	75

## VI. REPORT AND DECLARATION RELATING TO AGORA S.A. COMPLIANCE WITH THE CORPORATE GOVERNANCE

RULES IN 2019.....	82
1. Corporate governance code applicable to the Company in 2019 .....	82
2. Recommendations for best practice for listed companies .....	82
3.1. Disclosure policy and investor communications .....	82
3.2. Best practices for management boards of listed companies and members of supervisory boards .....	82
3.3. General meeting and shareholder relations.....	84
3. Operation and key powers of the General Meeting, Shareholders' rights and the manner of their exercise.....	85
4. Composition and changes thereof, as well as the rules of operation of management and supervisory bodies of the Company and their committees.....	86
5.1. Management Board.....	86
5.2. Supervisory Board .....	88
5.3 Committee and Commission established within the Supervisory Board .....	91
(i) Audit Committee: .....	91
(ii) Human Resources and Remuneration Commission: .....	93
5. Rules governing appointment and dismissal of the Company's management personnel; powers of the management personnel, including in particular the authority to resolve to buy back or issue shares .....	93
6.1. Appointment .....	93
6.2. Dismissal .....	94
6.3. Powers of the management personnel .....	94
6. Shareholders with major holdings of shares .....	94
7. Holders of any securities conferring special control rights in relation to the issuer .....	95
8. Restrictions on transfer of ownership rights to the issuer's securities .....	96
9. Limitations on the exercise of voting rights .....	96
10. Key features of the company's internal control and risk management systems used in the process of preparation of financial statements and consolidated financial statements.....	96
11. Rules of amending the statutes of Agora S.A. ....	97
12. Remuneration policy .....	97
13. Diversity policy.....	101
14. Any obligations arising from pensions and similar benefits for former members of management, supervisory bodies and liabilities incurred in connection with such pensions, with an indication of the total amount for each category of body .....	103
15. Social and sponsoring activities policy.....	103
VII. MANAGEMENT BOARD'S REPRESENTATIONS .....	107
1. Representation concerning accounting policies .....	107
2. Non-financial reporting.....	107
3. Information on selection of the audit firm for revision of annual consolidated financial statements .....	107

# AGORA GROUP

## MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) FOR YEAR OF 2019 TO THE FINANCIAL STATEMENTS

REVENUE PLN 1,249.7 MILLION  
EBITDA PLN 190.2 MILLION  
*EBITDA EXCL. IFRS 16 PLN 114.8 MILLION*  
NET PROFIT PLN 6.0 MILLION  
*NET PROFIT EXCL. IFRS 16 PLN 9.6 MILLION*  
OPERATING CASH FLOW PLN 205.5 MILLION  
*OPERATING CASH FLOW EXCL. IFRS 16 PLN 131.5 MILLION*

*Unless indicated otherwise, all data presented herein represent the period of January – December 2019, while comparisons refer to the same period of 2018. All data sources are presented in part IV of this MD&A. A new IFRS 16 standard has been in force since 2019, which influenced the presentation of selected categories of the income statement and balance sheet. In this document the data were presented both with the impact of IFRS 16 on the Group's results and without it.*

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

- In 2019, the Agora Group (the "Group") generated PLN 1,249.7 million in revenue, an increase by 9.5% yoy. In the fourth quarter of 2019 alone, revenue increased by 9.3% yoy to PLN 378.2 million. In the period from January to December 2019, this figure was most significantly driven by the performance of the cinema business, in which ticket sales increased by 9.1% yoy to PLN 258.1 million, concessions sales increased by 23.1% to PLN 111.0 million and advertising sales in cinemas increased by 17.9% to PLN 35.6 million. The film activity of NEXT FILM recorded an increase in revenue to PLN 42.0 million and this was a record breaking performance in the company's history. There was also an increase in revenue from the food business and operations of the Agora Publishing House – by 18.7% yoy to PLN 48.3 million. In the fourth quarter of 2019, revenue in the Movies and Books segment improved by 11.3% yoy to PLN 156.9 million. This is attributable mainly to an increase in revenue from the food business and 23.6% yoy increase in revenue earned by the Agora Publishing House, amounting to PLN 15.7 million. Advertising sales in cinemas increased by 26.0% yoy to PLN 13.1 million, and concession sales grew by 7.7% yoy to PLN 33.7 million. Sales of cinema tickets declined slightly yoy in the last quarter of 2019, amounting to PLN 79.1 million. NEXT FILM's movie activity also had a positive effect on the segment's revenue in the period from October to December 2019. Another important segment that contributed to increased revenue of the Agora Group in 2019 was the Internet segment. In 2019, revenue generated by this segment increased by 17.5% yoy to PLN 209.0 million, and in the fourth quarter of 2019 – by 45.6% yoy to PLN 74.7 million. This was the most significant revenue growth recorded by the Group during this period. In both periods, and in particular in the last quarter of 2019, this was mainly driven by the dynamic growth of Yieldbird's revenue. The Outdoor segment's revenue went up by 7.2% yoy to PLN 184.3 million in 2019, and by 8.2% yoy to PLN 55.6 million in the fourth quarter of the year. This was mainly caused by advertisers' higher spending on campaigns implemented with the use of Premium Citylight and Digital panels, including – in the period from October to December 2019 – on the MoveTV platform. Both in 2019 and in the fourth quarter of 2019, the Press and Radio segments reported a decline in revenue. In the Press segment, it decreased by 10.8% yoy to PLN 254.7 million in 2019, and by 14.6% yoy to PLN 64.1 million in the last quarter of 2019. In July 2019, two out of three printing plants of the Agora Group

were shut down, which significantly contributed to the decrease in revenue from the printing business. In turn, the negative trends on the press advertising market, on the one hand, and the reduction of the portfolio of published press titles, on the other hand, contributed to the decrease in revenues from advertising sales in this segment – by 16.6% yoy to PLN 84.8 million in the entire 2019 and by 19.6% yoy to PLN 22.6 million in the fourth quarter of 2019. However, in both periods in question revenue from sales of *Gazeta Wyborcza*'s content increased, as a result of, among other things, the growth in the digital subscription of the daily. It is worth emphasizing another digital success of the Press segment – the number of digital subscriptions of *Gazeta Wyborcza* reached nearly 218 thou. at the end of 2019 and was higher by almost 28.0% yoy. In the Radio segment, revenue decreased by 2.5% yoy to PLN 113.1 million in 2019. In the fourth quarter of 2019, they were only slightly lower yoy and stood at PLN 37.5 million. In both cases, this was mainly due to lower revenue from the sale of third-party airtime and, in 2019 as a whole, also from the sale of airtime at the Group's own radio stations.

- ▶ In 2019, the Group's operating expenses excluding IFRS 16 increased by 8.1% yoy and amounted to PLN 1,232.3 million. They also increased in the fourth quarter of 2019 – by 7.2% yoy to PLN 355.1 million. This growth was driven by a PLN 5.6 million restructuring provision, associated mainly with downsizing of the printing business, and created in the first quarter of 2019, and by impairment losses on assets recognised in the fourth quarter of 2019. In 2019, the operating costs increased the most in the Movies and Books segment. In the fourth quarter of 2019, they increased by 16.7% yoy (to PLN 141.9 million), and in the entire 2019 – by 25.5% yoy (to PLN 484.0 million). In both periods under review, the growth was mainly attributable to higher costs of external services, staff costs, as well as the cost of materials and energy consumed and value of goods and materials sold. These cost items increased mainly due to development activities: expansion of the Helios cinema network and growing scale of the food business. Operating costs excluding IFRS 16 increased in the Internet segment as well. The operating costs in this business increased to PLN 70.3 million in the fourth quarter of 2019, and by 20.0% yoy to PLN 194.7 million in 2019. This increase was driven by higher yoy costs of external services related to lease of advertising space, mostly by Yieldbird, in connection with higher advertising revenue. Depreciation costs were also higher yoy. The segment's operating expenses were also affected by write-downs, mainly at Goldenline. The Outdoor segment recorded an increase in operating costs excluding IFRS 16 by 7.6% yoy to PLN 43.7 million in the fourth quarter of 2019, and by 6.6% yoy to PLN 154.4 million over 2019. The development of business in this segment, including in the form of acquisitions, had a decisive influence on the increased level of expenses, translating into higher system maintenance costs, higher promotion and marketing costs and higher costs of execution of marketing campaigns. In the Radio segment, the operating costs in 2019 as a whole increased to PLN 98.9 million, mainly due to higher promotion and marketing costs and staff costs. Yet, in the fourth quarter of 2019 alone, they were lower by 1.3% yoy and amounted to PLN 30.4 million. The decline was mostly due to a lower cost of external services. Operating costs in the Press segment were reduced by 30.1% yoy (to PLN 57.5 million) in the fourth quarter of 2019, resulting in an overall decline by 18.5% yoy to PLN 260.1 million in 2019 as a whole. The decrease was mainly due to the lower costs of materials, energy, goods and printing services, as well as lower staff costs in view of restructuring the printing business and reduced full-time employment.
- ▶ In the fourth quarter of 2019, the Agora Group's EBITDA excluding IFRS 16 increased by 14.7% yoy to PLN 54.5 million, and in 2019 as a whole – by 16.7% yoy to PLN 114.8 million. At the same time, the Group reported profit at the EBIT level excluding IFRS 16 both in the fourth quarter and in the entire 2019, amounting to, respectively, PLN 23.1 million and PLN 17.4 million. In both periods under review, the Group reported a net profit excluding IFRS 16: PLN 12.2 million in the fourth quarter of 2019 and PLN 9.6 million in 2019 as a whole. The net profit attributable to equity holders of the parent company amounted to PLN 11.5 million in the fourth quarter of 2019, and to PLN 6.9 million in the entire 2019.
- ▶ The Group's EBITDA presented according to IFRS 16 stood at PLN 190.2 million in 2019 and at PLN 74.8 million in the fourth quarter of 2019. The Group reported profit at the EBIT level both in the fourth quarter and in the entire 2019, amounting to, respectively, PLN 25.1 million and PLN 24.7 million. Net profit amounted to PLN 19.1 million in the fourth quarter of 2019, and PLN 6.0 million in 2019 as a whole.
- ▶ During the preparation of the financial statements for 2019, Agora carried out impairment tests on assets based on, among others, long-term financial projections of particular segments of the Group. Analyses carried out by the Company demonstrated the necessity to recognise impairment losses on non-current assets. In the fourth quarter of 2019, an impairment loss on assets was recognised in the results of the Internet segment. Its impact on the net profit of Agora S.A. amounts to about PLN 12.7 million and on the consolidated net profit of

the Agora Group – to about PLN 6.5 million. However, the impact on the consolidated operating profit at the EBIT level is about PLN 7.4 million in the fourth quarter of 2019 and throughout 2019. It is worth noting that Agora recognised impairment losses on its assets also in 2018. In the fourth quarter of 2018, an impairment loss on assets was also recognised in the Internet segment (amounting to PLN 7.5 million) and in the Press segment (amounting to PLN 2.3 million). Additionally, in the fourth quarter of 2018, the Company recognised an impairment loss on receivables from Ruch S.A. subject to accelerated arrangement proceedings, amounting to PLN 4.0 million. The total effect of impairment losses on the Group's consolidated operating profit for the fourth quarter of 2018 was PLN 14.1 million. In addition, it is worth noting that in 2018 the Group's result on the EBIT level was positively affected by the profit from the sale of real properties in Gdansk and Warsaw in the amount of PLN 13.9 million, and the net profit was affected by the profit from the sale of shares in Stopklatka S.A. in the amount of PLN 26.7 million. On the other hand, the net profit was negatively affected by an impairment loss on overdue receivables from Ruch S.A. exposed to the probability of default in the amount of PLN 20.3 million, impairment loss on GoldenLine's assets in the amount of PLN 6.9 million and impairment loss on magazines in the amount of PLN 2.3 million.

- ▶ As at 31 December 2019, the Group's cash and short-term financial assets amounted to PLN 70.7 million, which comprised of PLN 61.1 million in cash and cash equivalents (cash in hand and at bank and bank deposits) and PLN 9.6 million invested in short-term securities.
- ▶ As at the end of December 2019, the Group's loans and leases amounted to PLN 686.4 million (including lease liabilities under IFRS 16 of PLN 513.9 million).

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

### 1. EXTERNAL FACTORS

#### 1.1 ADVERTISING MARKET [3]

According to the Agora S.A. estimates ("Company", "Agora"), based on public data sources, in the fourth quarter of 2019, total advertising spending in Poland amounted to over PLN 2.9 billion and increased by 4.0% yoy.

**Tab. 1**

	4Q 2017	1Q 2018	2Q 2018	3Q 2018	4Q 2018	1Q 2019	2Q 2019	3Q 2019	4Q 2019
% change yoy in ad market value	5.5%	8.5%	9.0%	7.0%	4.5%	(0.5%)	2.0%	6.5%	4.0%

In the fourth quarter of 2019, advertisers increased advertising spending in all market segments apart from the press and TV. The highest increase in advertising expenses took place in the Internet segment, they were also higher in outdoor advertising and cinema. However, smaller advertising expenses were in dailies and magazines. The data relating to the changes in the value of advertising expenditure in particular media segments are presented in the table below:

**Tab. 2**

Total advertising expenditure	Television	Internet	Radio	Outdoor	Magazines	Dailies	Cinema
4.0%	(0.5%)	11.5%	0.0%	9.0%	(6.5%)	(13.5%)	8.0%

The share of particular media segment in total advertising expenditure, in the fourth quarter of 2019, is presented in the table below:

**Tab. 3**

Advertising spendings, in total	Television	Internet	Radio	Outdoor	Magazines	Dailies	Cinema
100.0%	45.0%	35.0%	6.5%	6.0%	4.0%	1.5%	2.0%

In 2019, total advertising spending in Poland amounted to ca PLN 9.8 billion and increased by 3.0% yoy. At that time, advertisers limited their expenditure in press, TV and radio. The growth of advertising expenditure was visible in the Internet, cinema and outdoor. The data relating to the changes in the value of advertising expenditure in particular media segments are presented in the table below:

**Tab. 4**

Total advertising expenditure	Television	Internet	Radio	Outdoor	Magazines	Dailies	Cinema
3.0%	(0.5%)	10.0%	(0.5%)	5.0%	(7.0%)	(11.5%)	7.5%



The share of particular media segment in total advertising expenditure, in 2019, is presented in the table below:

Tab. 5

Share in total advertising spendings	Television	Internet	Radio	Outdoor	Magazines	Dailies	Cinema
100.0%	44.5%	36.0%	6.5%	6.0%	4.0%	1.5%	1.5%

### 1.2 Copy sales of dailies [4]

In the fourth quarter of 2019, the total paid circulation of dailies in Poland decreased by 9.7%, and in the entire 2019 by 10.3%. The largest decrease in both periods was observed in the segment of regional dailies.

### 1.3 Cinema admissions [10]

The number of tickets sold in Polish cinemas in the fourth quarter of 2019 decreased by 2.2% as compared to the fourth quarter of 2018 and amounted to nearly 18.5 million tickets. This is mainly the result of high popularity of the movie entitled *Kler* in 2018. In 2019, attendance in cinemas increased by 3.3% compared to 2018, and the number of tickets sold amounted to 61.7 million.

In terms of the data on ticket sales presented by Boxoffice.pl in the fourth quarter of 2019, the number of tickets sold in Helios cinemas amounted to 4.3 million, which means a similar level of sales (a decrease of 0.1%) compared to the fourth quarter of 2018. In 2019, the number of tickets sold in this respect reached 14.0 million, an increase of 10.4% compared to 2018.

In the fourth quarter of 2019, the number of tickets sold in Helios cinemas on a calendar basis amounted to 4.3 million, which means a decrease by 4.4% compared to the fourth quarter of 2018. In 2019, the number of tickets sold in this respect reached 14,0 million, an increase of 10.3% compared to 2018.

The upward trend on the cinema market has been going on continuously since 2013, in which the number of tickets sold amounted to 36.3 million. In subsequent years, it amounted to 40.5 million (2014), 44.7 million (2015), 52.0 million (2016), 56.6 million (2017) and 59.7 million (2018).

## 2. INTERNAL FACTORS

### 2.1. Revenue

**Tab. 6**

<i>in million PLN</i>	<b>4Q 2019</b>	<b>% share</b>	<b>4Q 2018</b>	<b>% share</b>	<b>% change yoy</b>
<b>Total sales (1)</b>	<b>378.2</b>	<b>100.0%</b>	<b>346.1</b>	<b>100.0%</b>	<b>9.3%</b>
<i>Advertising revenue</i>	187.9	49.7%	165.2	47.7%	13.7%
<i>Ticket sales</i>	79.0	20.9%	80.2	23.2%	(1.5%)
<i>Copy sales</i>	37.9	10.0%	36.2	10.5%	4.7%
<i>Concession sales in cinemas</i>	33.7	8.9%	31.3	9.0%	7.7%
<i>Printing services</i>	10.5	2.8%	15.2	4.4%	(30.9%)
<i>Revenues from film activities</i>	4.0	1.1%	2.5	0.7%	60.0%
<i>Other</i>	25.2	6.6%	15.5	4.5%	62.6%

<i>in million PLN</i>	<b>1-4Q 2019</b>	<b>% share</b>	<b>1-4Q 2018</b>	<b>% share</b>	<b>% change yoy</b>
<b>Total sales (1)</b>	<b>1,249.7</b>	<b>100.0%</b>	<b>1,141.2</b>	<b>100.0%</b>	<b>9.5%</b>
<i>Advertising revenue</i>	579.7	46.4%	554.5	48.6%	4.5%
<i>Ticket sales</i>	258.0	20.6%	236.4	20.7%	9.1%
<i>Copy sales</i>	139.2	11.1%	131.1	11.5%	6.2%
<i>Concession sales in cinemas</i>	111.0	8.9%	90.2	7.9%	23.1%
<i>Printing services</i>	47.2	3.8%	63.7	5.6%	(25.9%)
<i>Revenues from film activities</i>	39.1	3.1%	10.5	0.9%	272.4%
<i>Other</i>	75.5	6.1%	54.8	4.8%	37.8%

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

In the fourth quarter of 2019, **the Group's total revenue** amounted to PLN 378.2 million and increased by 9.3% yoy.

In the fourth quarter of 2019, the Agora Group's **advertising revenue** increased by 13.7% yoy and amounted to PLN 187.9 million. The sharpest growth in advertising revenue was reported in the Internet segment, mainly owing to the activity of Yieldbird. It was also higher in the following segments: the Outdoor segment – owing to the expansion of the Premium Citylight and Digital panel portfolio, including acquisition of the MoveTV platform; and in the Movies and Books segment – mainly in the Helios cinema network. The Press and Radio segments, however, reported a decline in advertising revenue. It is worth noting that the dynamics of the Press segment's advertising revenue, apart from market trends, were affected by the reduction in titles published. On the other hand, the drop in advertising revenue in the Radio segment was related to lower revenue from the sale of third-party airtime.

In the fourth quarter of 2019, **revenue from tickets sold** in Helios cinemas decreased by 1.5% yoy and amounted to PLN 79.0 million. In the period under review, 4.3 million tickets were purchased at the Helios cinemas, i.e. 4.4% less than in the fourth quarter of 2018. [10].

In the fourth quarter of 2019, the Group's **copy sales revenue** amounted to PLN 37.9 million and increased by 4.7% yoy. This is mainly attributable to higher sales revenues of Agora Publishing House and higher revenues from subscriptions of paid content on Wyborcza.pl. At the end of 2019, the number of digital subscriptions of *Gazeta Wyborcza* reached nearly 218 thou.

In the fourth quarter of 2019, **cinema concession sales** increased by 7.7% yoy to PLN 33.7 million. This increase was driven mainly by an increase in average prices in cinema bars.

In the fourth quarter of 2019, **revenue from the sales of printing services** in the Agora Group were lower yoy and amounted to PLN 10.5 million. This is mainly the effect of shutting down two out of the three printing plants of the Agora Group in mid-2019 and a smaller volume of orders.

**Revenue from the movie business** increased significantly yoy to PLN 4.0 million. This was related, among other things, to a larger number of new titles in cinema distribution. In the fourth quarter of 2019, NEXT FILM released three Polish productions: a story of a blind pianist inspired by real events – *Ikar. Legenda Mietka Kosza*, a spy thriller – *The Coldest Game* and a documentary about the legendary band Kult – *Kult. Film*. At the same time, cinemas have been screening movies released to the big screen in earlier periods.

In the fourth quarter of 2019, **revenue from other sales** increased yoy to PLN 25.2 million, mainly due to revenue from the food business and an increase in this revenue item in the Outdoor segment.

In 2019, the **Group's total revenue** increased by 9.5% yoy and reached PLN 1,249.7 million.

In 2019, the Agora Group's **advertising revenue** increased by 4.5% yoy and amounted to PLN 579.7 million. They increased significantly (by 20.2% yoy to PLN 187.6 million) in the Internet segment – mainly thanks to the dynamic development of Yieldbird, and in the Outdoor segment – owing to consistent development of the Premium Citylight and Digital panels, including the purchase of the MoveTV platform panels. Cinemas of the Helios network also reported an increase in advertising revenue – to PLN 35.6 million. The sharpest decrease in advertising revenue (by 16.6% yoy to PLN 84.8 million) was reported in the Press segment due to, among other factors, lower sales of advertisement in the paper edition of *Gazeta Wyborcza* and discontinuation of selected press titles. Advertising revenue of the Radio segment declined by 5.6% yoy to PLN 90.2 million, mainly due to lower sales of advertisements both in third-party radio stations and in the stations of the Agora Radio Group.

In 2019, **revenue from tickets sold** in Helios cinemas increased by 9.1% yoy and amounted to PLN 258.0 million. In the period under review, 14.0 million tickets were purchased at the Helios cinemas, i.e. 10.4% more than in 2018. In the same period, the number of cinema tickets sold in Polish cinemas amounted to 61.7 million and increased by 3.3% [10].

In 2019, the Group's **copy sales revenue** amounted to PLN 139.2 million and increased by 6.2% yoy. This is mainly attributable to good performance of Agora Publishing House and revenues from subscriptions of paid content on Wyborcza.pl. At the end of 2019, the number of digital subscriptions of *Gazeta Wyborcza* reached nearly 218 thousand.

In 2019, **cinema concession sales** increased by 23.1% yoy to PLN 111.0 million. This was mainly due to higher cinema attendance and higher average prices at cinema bars.

In 2019, **revenue from sales of printing services** in the Group amounted to PLN 47.2 million (down by 25.9% yoy). This is mainly due to the shutdown of two out of three printing plants of the Agora Group in July 2019 and lower volume of orders, especially in the coldset technology.

**Revenue from the movie business** increased significantly yoy to PLN 39.1 million. This was related, among other things, to a larger number of new titles in cinema distribution. In 2019, NEXT FILM released as much as nine Polish productions. At the same time, cinemas continued to screen films introduced to the big screen in earlier periods. In 2019 NEXT FILM started its cooperation with Netflix, under which the platform released 20 film productions to which this company holds distribution rights.

**Revenue from other sales** amounted to PLN 75.5 million and increased by 37.8% yoy. This increase results primarily from the food business developed within the Movies and Books segment.

## 2.2. Operating cost

**Tab. 7**

<i>in million PLN</i>	<b>4Q 2019</b>	<b>% share</b>	<b>4Q 2018</b>	<b>% share</b>	<b>% change yoy</b>
<b>Operating cost net, including:</b>	<b>(353.1)</b>	<b>100.0%</b>	<b>(331.4)</b>	<b>100.0%</b>	<b>6.5%</b>
<i>Operating cost net, including: excl. IFRS 16 (1)</i>	<i>(355.1)</i>	<i>100.0%</i>	<i>(331.4)</i>	<i>100.0%</i>	<i>7.2%</i>
<i>External services</i>	<i>(136.6)</i>	<i>38.7%</i>	<i>(127.3)</i>	<i>38.4%</i>	<i>7.3%</i>
<i>External services excl. IFRS 16 (1)</i>	<i>(156.6)</i>	<i>44.1%</i>	<i>(127.3)</i>	<i>38.4%</i>	<i>23.0%</i>
<i>Staff cost</i>	<i>(89.0)</i>	<i>25.2%</i>	<i>(87.3)</i>	<i>26.3%</i>	<i>1.9%</i>
<i>Raw materials, energy and consumables</i>	<i>(39.5)</i>	<i>11.2%</i>	<i>(42.3)</i>	<i>12.8%</i>	<i>(6.6%)</i>
<i>D&amp;A</i>	<i>(42.2)</i>	<i>12.0%</i>	<i>(22.7)</i>	<i>6.8%</i>	<i>85.9%</i>
<i>D&amp;A excl. IFRS 16 (1)</i>	<i>(23.8)</i>	<i>6.7%</i>	<i>(22.7)</i>	<i>6.8%</i>	<i>4.8%</i>
<i>Promotion and marketing</i>	<i>(27.7)</i>	<i>7.8%</i>	<i>(23.2)</i>	<i>7.0%</i>	<i>19.4%</i>
<i>Cost of restructuring (2)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Impairment losses (3)</i>	<i>(7.5)</i>	<i>2.1%</i>	<i>(10.1)</i>	<i>3.0%</i>	<i>(25.7%)</i>
<i>Loss allowance for receivables from Ruch S.A. (4) covered under a.a.p.</i>	<i>-</i>	<i>-</i>	<i>(4.0)</i>	<i>1.2%</i>	<i>-</i>

**Tab. 8**

<i>in million PLN</i>	<b>1-4Q 2019</b>	<b>% share</b>	<b>1-4Q 2018</b>	<b>% share</b>	<b>% change yoy</b>
<b>Operating cost net, including:</b>	<b>(1,225.0)</b>	<b>100.0%</b>	<b>(1,140.3)</b>	<b>100.0%</b>	<b>7.4%</b>
<i>Operating cost net, including: excl. IFRS 16 (1)</i>	<i>(1,232.3)</i>	<i>100.0%</i>	<i>(1,140.3)</i>	<i>100.0%</i>	<i>8.1%</i>
<i>External services</i>	<i>(447.7)</i>	<i>36.5%</i>	<i>(438.7)</i>	<i>38.5%</i>	<i>2.1%</i>
<i>External services excl. IFRS 16 (1)</i>	<i>(522.0)</i>	<i>42.4%</i>	<i>(438.7)</i>	<i>38.5%</i>	<i>19.0%</i>
<i>Staff cost</i>	<i>(336.2)</i>	<i>27.4%</i>	<i>(328.7)</i>	<i>28.8%</i>	<i>2.3%</i>
<i>Raw materials, energy and consumables</i>	<i>(153.0)</i>	<i>12.5%</i>	<i>(153.1)</i>	<i>13.4%</i>	<i>(0.1%)</i>
<i>D&amp;A</i>	<i>(158.0)</i>	<i>12.9%</i>	<i>(87.6)</i>	<i>7.7%</i>	<i>80.4%</i>
<i>D&amp;A excl. IFRS 16 (1)</i>	<i>(89.8)</i>	<i>7.3%</i>	<i>(87.6)</i>	<i>7.7%</i>	<i>2.5%</i>
<i>Promotion and marketing</i>	<i>(77.5)</i>	<i>6.3%</i>	<i>(67.5)</i>	<i>5.9%</i>	<i>14.8%</i>
<i>Cost of restructuring (2)</i>	<i>(5.6)</i>	<i>0.5%</i>	<i>(3.6)</i>	<i>0.3%</i>	<i>55.6%</i>
<i>Impairment losses (3)</i>	<i>(7.5)</i>	<i>0.6%</i>	<i>(9.9)</i>	<i>0.9%</i>	<i>(24.2%)</i>
<i>Loss allowance for receivables from Ruch S.A. (4) covered under a.a.p.</i>	<i>-</i>	<i>-</i>	<i>(20.3)</i>	<i>1.8%</i>	<i>-</i>

(1) the amount of the cost excluding impact of International Financial Reporting Standard no. 16 Leases;

(2) cost of restructuring (including group lay-offs) in Print segment and Agora's support divisions in the first quarter of 2019; in 2018 includes costs related to group lay-offs executed in Print segment in the first quarter of 2018 and costs of restructuring in Magazines division in the second quarter of 2018;

(3) *the amounts include impairment losses on property, plant and equipment and intangible assets; in 2019 impairment losses relate mainly to intangible assets of Goldenline, in 2018 impairment losses relate mainly to Goldenline domain and the monthly Ladny Dom;*

(4) *the amount includes an impairment allowance for receivables from Ruch S.A., which are covered under the accelerated arrangement procedure (a.a.p.).*

In the fourth quarter of 2019, the **net operating costs of the Agora Group excluding IFRS 16** increased by 7.2% yoy to PLN 355.1 million. Their increase was reported in the Internet, the Movies and Books and the Outdoor segments. On the other hand, operating costs were lower in the Press segment, which also included the restructured printing activity of the Agora Group starting from the third quarter of 2019, and in the Radio segment.

The largest cost item were **costs of external services excluding IFRS 16**, which increased by 23.0% yoy to PLN 156.6 million. This cost item increased significantly in the Internet segment, which was driven by higher expenditure on lease of advertising space, mainly by Yieldbird. They were also higher in the Movies and Books segment due to higher costs related to movie and food businesses, rental costs in cinemas and film copy fees. Costs of external services were also higher in the Outdoor segment.

**Staff costs** reached PLN 89.0 million and were 1.9% higher yoy. The sharpest increase was recorded in the Movies and Books segment, in connection with expansion of the Helios network and development of the food business, as well as in the Outdoor and the Radio segments. Their reduction in other operating segments of the Agora Group was mainly attributable to lower full-time employment.

As at the end of December 2019, the Group's headcount amounted to 2,495 full time employees and decreased by 216 FTEs yoy. This decrease is mainly attributable to lower headcount in the restructured printing and press businesses, as well as support departments. On the other hand, headcount increased in the Movies and Books and the Outdoor segments.

The Group offers various incentive schemes for its employees (for example: cash motivation schemes, incentive schemes in sales departments, incentive schemes for Board Members and key managers, etc.), the costs of which are included in the Group's staff costs.

The year-on-year decrease in the **cost of materials and energy consumed, and the value of goods and materials sold** was primarily related to the reduction of the Group's printing operations after phasing out the production capacity in two printing plants. This cost category, however, increased in the Movies and Books segment in connection with the development of the food business, printing additional copies of popular books and higher concession sales.

**Costs of depreciation and amortisation excluding IFRS 16** increased by 4.8% yoy to PLN 23.8 million. The sharpest increase was recorded in the Movies and Books segment. This was mainly due to the increased number of cinemas in the Helios network, the expansion of the food business and the depreciation of co-producers' contributions in the film business.

**The Group's promotion and marketing costs** increased by 19.4% yoy to PLN 27.7 million. Their increase was reported in the Movies and Books and the Outdoor segments, whereas the Press, the Internet and the Radio segments reported their decline.

**In 2019, the Group's net operating costs excluding IFRS 16** increased by 8.1% yoy to PLN 1,232.3 million.

It is worthy of note that their year-on-year comparability was affected by a number of one-off events. In 2018, an impairment loss on receivables at risk of default in the amount of PLN 20.3 million, a restructuring provision in the amount of PLN 3.6 million, and an impairment loss on assets in the amount of PLN 9.9 million were recognised. On the other hand, the level of Group's operating costs in the first half of 2018 was reduced by the profit on sale of the Company's real properties in Gdańsk and Warsaw in the amount of PLN 13.9 million recorded in the first quarter of 2018. Total negative impact of those events on the Group's operating results was PLN 19.9 million.

In 2019, the Agora Group's results were burdened with a restructuring provision related mainly to the optimization of the printing business in the amount of PLN 5.6 million and an impairment loss on assets in the amount of PLN 7.5 million. Total negative impact of those events on the Agora Group's results was PLN 13.1 million.

The increase in the Group's operating costs in 2019 was driven by higher operating costs in the Movies and Books, the Internet and the Outdoor segments. However, they decreased in the Radio segment.

In 2019, **costs of external services excluding IFRS 16** increased by 19.0% yoy to PLN 522.0 million. The increase in this cost item was driven by the Internet, the Movies and Books and the Outdoor segments. In the former, this increase was mainly due to higher costs of lease of advertising space by Yieldbird and resulted from increased advertising revenue. In the second one, it was related to higher costs of film business, rental costs in Helios cinemas, purchase of film copies and development of the food business. The increased costs of external services in the Outdoor segment resulted from higher system maintenance costs. On the other hand, lower costs of external services in the Press segment were the effect of a reduced number of paper copies, i.a. due to discontinuation of some titles, and in the Radio segment — due to lower costs of purchase of air time in third-party stations and costs of marketing research.

In 2019, **staff costs** increased by 2.3% yoy to PLN 336.2 million. The highest growth was visible in the Movies and Books segment, due to the greater number of cinemas and development of the food business. This cost category was also higher in the Outdoor and the Radio segments. It decreased, however, in the Press and the Internet segments. This cost category was also affected by the restructuring provision associated with downscaling of the printing business.

**The costs of materials and energy and the value of goods and materials sold** amounted to PLN 153.0 million in 2019 and remained relatively flat yoy. This was mainly due to an increase in this cost item in the Movies and Books segment and the Outdoor segment, with a significant reduction in the Press segment in connection with discontinuation of the activity of two printing plants.

**Costs of depreciation and amortisation excluding IFRS 16** increased by 2.5% yoy to PLN 89.8 million. The sharpest increase was recorded in the Movies and Books and the Internet segments. The increase in the former one was driven by a greater number of Helios cinemas and in the latter one — by investments in IT infrastructure upgrades, allowing for continued development of advertising products and improvement of visibility of Gazeta.pl in search results of the most popular search engines. A slight increase in costs of depreciation and amortisation was also recorded in the Radio segment. In turn, the Press and the Outdoor segments reported a decline in this cost item.

**Promotion and marketing costs** increased in the period under review, amounting to PLN 77.5 million. They were higher in the Movies and Books, the Radio and the Outdoor segments. However, they were reduced in the Internet and the Press segments.

**In the fourth quarter of 2019, the Group's net operating costs, reported in accordance with IFRS 16,** amounted to PLN 353.1 million, and in 2019 as a whole — to PLN 1,225.0 million.

### 3. PROSPECTS

In July 2019, two out of three printing plants owned by the Agora Group were shut down. The Company conducted group layoffs and the provision related to employment restructuring in Agora S.A. and Agora Poligrafia Sp. z o.o. in the amount of PLN 5.6 million was recognized in the financial result of the Company and the Agora Group in the first quarter of 2019. Therefore, the scale of printing activities in 2020 will be significantly smaller than in 2019. In the future, the Company plans to dispose of real property that has been used for printing operations, however, this may not happen in 2020.

In 2020, for the first time, both operating revenue and costs of the Group will be visibly affected by the food business, which the Helios Group started as early as in 2018 and has been expanding in 2019 through Foodio Concepts Sp. z o.o. and Step Inside Sp. z o.o. It is the goal of the Company's Management Board that the results of the food business in 2020 should be significantly higher than in 2019.

At the same time, in 2019 the Agora Group made a number of investments.

In February 2019, Agora acquired a 40% stake in the capital group of Eurozet Sp. z o.o., and in September 2019 the Management Board of Agora decided to purchase remaining 60% of shares in Eurozet Sp. z o.o. The condition of this acquisition is obtaining the consent of the President of the Office of Competition and Consumer Protection. Agora submitted an appropriate application in this respect on October 28, 2019. The consent of the President of the Office of Competition and Consumer Protection for the concentration and exercise of the option to purchase 60% shares in Eurozet will significantly affect the financial performance, level of investments in other businesses and the structure of the Agora Group.

In July 2019, AMS S.A. from the Agora Group acquired 60% of shares in Piano Group sp. z o.o. with its registered office in Warsaw. Consolidation of this company's figures will have a positive effect on the performance of the Outdoor segment and the entire Agora Group.

In September 2019, Agora became the majority shareholder of HRlink Sp. z o.o., holding 79.8% of its share capital. The full consolidation of HRlink Sp. z o.o.'s figures will affect the results of the Internet segment and the entire Agora Group.

On March 11, 2020, the World Health Organization assessed that the Covid-19 epidemic could be characterized as a pandemic. At present, it is difficult to predict the further development of the related situation and estimate the scale of its negative impact on economic growth in Poland and Europe, as well as the related tendency of advertisers to promote their products and services. As part of the fight against the epidemic, the Polish authorities issued a regulation pursuant to which from 12 to 25 March 2020 all educational and cultural institutions, including cinemas, were closed. In the Company's opinion, closing the Helios network cinemas for a period of 2 weeks will not have a significant impact on the results of the Agora Group in 2020. It is also difficult to predict how the situation will look after these two weeks, and therefore its impact on the condition of the industry and Agora Group's results cannot be assessed.

#### 3.1 Revenue

##### 3.1.1 Advertising market [3]

The advertising market in Poland in the fourth quarter of 2019 increased by 4.0%. Advertisers spent over PLN 2.9 billion promoting their products and services during this time. Throughout 2019, the value of advertising spending increased by 3.0% to PLN 9.8 billion.

The company decided not to provide an estimate at this stage of the increase in advertising expenditure in Poland in 2020 due to the spread of the coronavirus epidemic and the difficulty in estimating its impact on the economic growth and advertising market in Poland this year. Any estimates will be provided by the Company at a later date.

##### 3.1.2 Copy sales

In 2020, negative trends regarding the decline in copy sales of newspapers and magazines in the printed form will persist. Their dynamics partly depends also on the condition of the Polish press distribution market. In addition, the Company systematically reviews the portfolio of press titles, which may be reflected in both the number of copies sold and the copy sales revenue. In 2019, the Company decided to cease publishing the titles of *Opiekun* and *Kuchnia* regularly. At the same time, the Company is working on the development of sales of digital



publications. At the end of December 2019, the number of paid digital subscriptions to *Gazeta Wyborcza* amounted to nearly 218 thou., and the share of revenues from the sale of digital subscriptions to the newspaper was 24.0%.

### 3.1.3 Ticket sales

The most important factors affecting the turnout in Polish cinemas are the repertoire, weather, wealth of Polish society and distance to the cinema. The available information shows that the number of tickets sold in Polish cinemas in 2019 amounted to 61.7 million, which means an increase of 3.3% compared to 2018 [10]. The available movie repertoire for 2020 allowed the Company to assume that in the entire 2020 turnout in cinemas will be at a similar level to that recorded in 2019.

However, at the beginning of March 2020, price competition of cinema network operators in Poland intensified. After announcing a price change by one of the competitors, the Helios cinema network decided to introduce a uniform ticket price in all their multiplexes. This kind of competition can affect the level of turnover in cinemas, and ultimately even change the business model of cinema operations in the long run. At the moment, however, it is not possible to estimate the effect this change will bring to the cinema market or Helios cinema network.

On March 11, 2020, the World Health Organization assessed that the Covid-19 epidemic could be characterized as a pandemic. At present, it is difficult to predict the further development of the related situation and estimate the scale of its negative impact on economic growth in Poland and Europe, as well as the related tendency of advertisers to promote their products and services. As part of the fight against the epidemic, the Polish authorities issued a regulation pursuant to which from 12 to 25 March 2020 all educational and cultural institutions, including cinemas, were closed. In the Company's opinion, closing the Helios cinemas for a period of 2 weeks will not have a significant impact on the results of the Agora Group in 2020. It is also difficult to predict what the situation will look like after these two weeks, therefore it cannot be assessed on the condition of the industry in Poland and results of the Agora Group.

## 3.2 Operating cost

In 2020, the Movies and Books segment will have the greatest impact on the level of operating costs of the Agora Group, in particular due to the development of the Helios cinema network and gastronomic network, mainly under the Pasibus brand.

On the other hand, the operating costs of the Press segment will be significantly lower than in previous years, mainly due to the optimization of printing operations carried out in 2019 and the closing of two out of the three printing plants belonging to the Agora Group in July 2019.

### 3.2.1 Costs of external services

The cost of external services in 2020 will largely depend on the cost of payment for film copies directly related to the level of revenues from ticket sales and the EUR to PLN exchange rate. The increase in this cost item will be additionally affected by: the opening of new cinema facilities in 2020, the development of gastronomic activities, the cost of leasing advertising space in the Outdoor advertising segment, the activities of Agora Publishing House and the implementation of other development projects.

### 3.2.2 Staff cost

According to the Company's estimates, in 2020 the costs of salaries and employee benefits will be at a higher level than in 2019. The largest increase in this cost item will take place in the Movies and Books segment due to the development of the gastronomic business and opening of new cinema facilities. An increase in the minimum rate per hour of work from PLN 14.7 to PLN 17.0 in 2020 will also have a significant impact, in particular on the Helios cinema network. An increase in the costs of remuneration and benefits was also planned in the Internet segment and in supporting divisions. In the Outdoor Advertising and Radio segments, they should not be significantly higher than those recorded in 2019. This cost item will be reduced in the Press segment as a result of lower full-time employment and the closing of two out of the three Agora Group printing plants, which was associated with group layoffs in 2019.



### 3.2.3 Promotion and marketing cost

In 2020, Agora Group is planning to implement more development activities, which include promotional activities. The dynamics of changes in individual media, the number of launched development projects as well as market activities of the Group's competitors may affect the level of these expenses. Considering the above factors, the Company estimates that in 2020 this cost item may decrease yoy.

### 3.2.4 Cost of raw materials and energy

In 2020, the optimization of the printing activities and reduction of the volume of printed titles will have a significant impact on this cost item. In the Company's opinion, it will be significantly lower in the entire Group than in 2019.

The increase in this cost item will be seen in the Movies and Books segment, which is mainly related to the development of cinema operations.

## 4. THE GROWTH DIRECTIONS OF THE AGORA GROUP

The primary objective of the Company's Management Board is to accelerate the development and increase the scale of operations of the Agora Group. The new strategy of the Agora Group for the years 2018-2022 is based on the following pillars:

- systematic development of the existing businesses, including through acquisitions strengthening current businesses of the Agora Group,
- extending the offer of the largest enterprises with innovative products or premium services,
- development of a new business in prospective market segments.

In February 2019, the Company acquired 40% of shares in Eurozet Sp. z o.o., the second largest Polish broadcaster in terms of radio coverage. In October 2019, Agora applied to the President of the Office of Competition and Consumer Protection for consent to acquire the remaining 60% of shares in Eurozet. This transaction may change the Agora Group's position on the radio broadcasters' market and may affect the verification of the Group's investment plans in non-media businesses. At the same time, it is worth noting that this potential transaction does not change the key objectives and strategic goals of the Agora Group. Acceleration of growth and increase in the scale of the Agora Group's activities remains the most important goal, which will be reflected in increased revenue and profitability of the Group.

Taking into account the application for the consent of the President of the Office of Competition and Consumer Protection for the acquisition of 60% of shares in Eurozet Sp. z o.o. and the investments already made in the area of Internet and digital outdoor activities, the Company will engage in a smaller number of new investment projects by 2022.

The cinemas remain the priority development direction of the Agora Group in the area of entertainment in the broad sense. To date, the Company has not been able to find other projects in this area that would provide the Group with an equally satisfactory rate of return, whilst offering good development prospects.

The food business developed within the Helios Group by Foodio Concepts Sp. z o.o. and Step Inside Sp. z o.o. completed the first stage of its operation. At the end of 2019, the first company operated as many as 14 restaurants. The goal for the coming year is to improve their financial efficiency. The second concept – developed under the Pasibus brand name – had 6 operating restaurants at the end of last year. At the beginning of 2020, an investment agreement was signed, which will ensure faster development of this promising burger chain.

Another important directions of development in the strategic perspective of the Agora Group until 2022 are digitalization and further development of premium services and products. We are still looking for assets that would complement or strengthen our portfolio in these areas. Examples of such investments include Piano Group Sp. z o.o., the owner of the Move TV platform. With this investment, AMS has taken another step in building its digital media and services offer and strengthened its position in the promising DOOH area.

An example of measures related to the expansion of significant projects of the Group by innovative products or premium services is the continued dynamic development of Yieldbird, the leader in the ad-tech industry, related to

the introduction of a product sold in the SaaS (software as a service) model to its offer. Yeldbird has so far achieved global success with its business and continues to grow in foreign markets.

We have also made investments in the B2B solutions segment. In June 2019, we acquired further shares in ROI Hunter, a Czech company, and we hold a 23.9% stake in this entity. ROI Hunter is a provider of a marketing platform which allows companies from the e-commerce industry to promote and sell products via Google and Facebook. In September, we also became the majority shareholder of HRlink Sp. z o.o., one of the fastest growing technology companies in Europe.

The sale of high-quality content in the subscription model remains an important direction of Agora's development. During the current strategic perspective, the Group wants to triple the average number of subscriptions of *Gazeta Wyborcza* and podcasts of Radio TOK FM, as well as ensure improved monetization of this business model. Ultimately in the year 2022, half of the revenues of *Gazeta Wyborcza* is to be generated from digital sources and its profitability is expected to improve regularly. The Company is working steadily to achieve this objective. At the end of 2019, the number of digital subscriptions of *Gazeta Wyborcza* reached a record level of nearly 218 thousand and the share of digital revenues of *Gazeta Wyborcza* in total revenue of the daily increased to 24.0%. The number of sold subscriptions of Radio TOK FM podcasts has also increased – at the end of December 2019, it reached over 20 thou.

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

The Management Board of Agora S.A. is of the opinion that current and expected financial situation of the Group is stable and its financial liquidity is not threatened.

The detailed description of the Group's financial situation and its financial results are presented in the section III of this Management Discussion and Analysis for the year 2019.

### III. FINANCIAL RESULTS

#### 1. THE AGORA GROUP

The condensed interim consolidated financial statements of the Agora Group for 2019 includes: Agora S.A. and 23 subsidiaries, which operate principally in the internet, cinema, radio, gastronomy and outdoor segments. Additionally, as at 31 December 2019 the Group held shares in jointly controlled entity Instytut Badan Outdooru IBO Sp. z o.o., as well as in associated companies Hash.fm Sp. z o.o, ROI Hunter a.s. and Eurozet Sp. z o.o.

A detailed list of companies of the Agora Group is presented in the point V.B.1 and selected financial data together with translation into EURO are presented in note 41 to the consolidated financial statements for 2019.

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

**Tab. 9**

<i>in PLN million</i>	<b>4Q 2019</b>	<b>4Q 2018</b>	<i>% change yoy</i>	<b>1-4Q 2019</b>	<b>1-4Q 2018</b>	<i>% change yoy</i>
<b>Total sales (1)</b>	<b>378.2</b>	<b>346.1</b>	<b>9.3%</b>	<b>1,249.7</b>	<b>1,141.2</b>	<b>9.5%</b>
<i>Advertising revenue</i>	187.9	165.2	13.7%	579.7	554.5	4.5%
<i>Ticket sales</i>	79.0	80.2	(1.5%)	258.0	236.4	9.1%
<i>Copy sales</i>	37.9	36.2	4.7%	139.2	131.1	6.2%
<i>Concession sales in cinemas</i>	33.7	31.3	7.7%	111.0	90.2	23.1%
<i>Printing services</i>	10.5	15.2	(30.9%)	47.2	63.7	(25.9%)
<i>Revenues from film activities</i>	4.0	2.5	60.0%	39.1	10.5	272.4%
<i>Other</i>	25.2	15.5	62.6%	75.5	54.8	37.8%
<b>Operating cost net, including:</b>	<b>(353.1)</b>	<b>(331.4)</b>	<b>6.5%</b>	<b>(1,225.0)</b>	<b>(1,140.3)</b>	<b>7.4%</b>
<i>External services</i>	(136.6)	(127.3)	7.3%	(447.7)	(438.7)	2.1%
<i>Staff cost</i>	(89.0)	(87.3)	1.9%	(336.2)	(328.7)	2.3%
<i>Raw materials, energy and consumables</i>	(39.5)	(42.3)	(6.6%)	(153.0)	(153.1)	(0.1%)
<i>D&amp;A</i>	(42.2)	(22.7)	85.9%	(158.0)	(87.6)	80.4%
<i>Promotion and marketing</i>	(27.7)	(23.2)	19.4%	(77.5)	(67.5)	14.8%
<i>Cost of restructuring (2)</i>	-	-	-	(5.6)	(3.6)	55.6%
<i>Gain on sale of property (3)</i>	-	-	-	-	13.9	-
<i>Loss allowance for receivables from Ruch S.A.covered under a.a.p. (4)</i>	-	(4.0)	-	-	(20.3)	-
<i>Impairment losses (5)</i>	(7.5)	(10.1)	(25.7%)	(7.5)	(9.9)	(24.2%)
<b>Operating result - EBIT</b>	<b>25.1</b>	<b>14.7</b>	<b>70.7%</b>	<b>24.7</b>	<b>0.9</b>	<b>2,644.4%</b>
<i>Operating result - EBIT excl. IFRS 16 (6)</i>	23.1	14.7	57.1%	17.4	0.9	1,833.3%
<b>Finance cost, net, incl.:</b>	<b>(0.7)</b>	<b>(5.0)</b>	<b>86.0%</b>	<b>(15.3)</b>	<b>20.8</b>	<b>-</b>
<i>Income from short-term investment</i>	0.2	0.7	(71.4%)	1.8	2.5	(28.0%)
<i>Costs related to bank loans and leasing</i>	(5.9)	(0.9)	555.6%	(22.0)	(3.4)	547.1%
<i>including interest costs related to IFRS 16</i>	(4.1)	-	-	(15.7)	-	-
<i>Foreign exchange (losses) / gains</i>	10.3	-	-	3.7	0.1	3,600.0%
<i>including interest costs related to IFRS 16</i>	10.5	-	-	3.9	-	-
<i>Gain on sale of shares (7)</i>	-	-	-	-	26.7	-
<i>Remeasurement of equity interest at the acquisition date (8)</i>	-	-	-	7.0	-	-
<i>Revaluation of put options (9)</i>	(4.1)	(4.2)	(2.4%)	(4.3)	(4.2)	2.4%
<b>Share of results of equity accounted investees</b>	<b>2.3</b>	<b>(0.2)</b>	<b>-</b>	<b>4.7</b>	<b>(0.8)</b>	<b>-</b>

<b>Profit/(loss) before income tax</b>	<b>26.7</b>	<b>9.5</b>	<b>181.1%</b>	<b>14.1</b>	<b>20.9</b>	<b>(32.5%)</b>
Income tax	(7.6)	(7.2)	5.6%	(8.1)	(11.5)	(29.6%)
<b>Net profit/(loss) for the period</b>	<b>19.1</b>	<b>2.3</b>	<b>730.4%</b>	<b>6.0</b>	<b>9.4</b>	<b>(36.2%)</b>
<i>Net profit/(loss) for the period excl. IFRS 16 (6)</i>	<i>12.2</i>	<i>2.3</i>	<i>430.4%</i>	<i>9.6</i>	<i>9.4</i>	<i>2.1%</i>
<b>Attributable to:</b>						
Equity holders of the parent	17.7	0.3	5,800.0%	3.5	5.1	(31.4%)
Non - controlling interest	1.4	2.0	(30.0%)	2.5	4.3	(41.9%)
EBIT margin (EBIT/Sales)	6.6%	4.2%	2.4pp	2.0%	0.1%	1.9pp
<i>EBIT margin excl. IFRS 16 (6)</i>	<i>6.1%</i>	<i>4.2%</i>	<i>1.9pp</i>	<i>1.4%</i>	<i>0.1%</i>	<i>1.3pp</i>
<b>EBITDA (10)</b>	<b>74.8</b>	<b>47.5</b>	<b>57.5%</b>	<b>190.2</b>	<b>98.4</b>	<b>93.3%</b>
EBITDA margin (EBITDA/Sales)	19.8%	13.7%	6.1pp	15.2%	8.6%	6.6pp
<i>EBITDA excl. IFRS 16 (6)</i>	<i>54.5</i>	<i>47.5</i>	<i>14.7%</i>	<i>114.8</i>	<i>98.4</i>	<i>16.7%</i>
<i>EBITDA margin excl. IFRS 16 (6)</i>	<i>14.4%</i>	<i>13.7%</i>	<i>0.7pp</i>	<i>9.2%</i>	<i>8.6%</i>	<i>0.6pkt%</i>

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

(2) includes costs of restructuring (including group lay-offs) in Print segment and in Agora's support divisions in the first quarter of 2019; in 2018 includes costs related to group lay-offs executed in Print segment in the first quarter of 2018 and costs of restructuring in Magazines division in the second quarter of 2018;

(3) the line item includes the gain achieved by Agora S.A. on sale of properties located in Gdansk and Warsaw in the first quarter of 2018;

(4) the amount includes an impairment allowance for receivables from Ruch S.A., which are covered under the accelerated arrangement procedure (a.a.p.);

(5) the amounts include impairment losses on property, plant and equipment and intangible assets; in 2019 impairment losses relate mainly to intangible assets of Goldenline, in 2018 impairment losses relate mainly to Goldenline domain and the monthly Ladny Dom;

(6) the amount of the operating result – EBIT, EBITDA and net loss excluding impact of International Financial Reporting Standard no. 16 Leases;

(7) relates to gain on sale of shares in Stopklatka S.A. in the second quarter of 2018.;

(8) remeasurement of equity interest at the acquisition date is related to the acquisition of HRlink Sp. z o.o. (formerly: Online Technologies HR Sp. z o.o.) in the third quarter of 2019;

(9) relates to revaluation of put option liabilities granted to non-controlling shareholders of Helios S.A. and Goldenline Sp. z o.o. Detailed information on revaluation of put option liabilities are presented in note 35 of consolidated financial statements;

(10) the performance measure "EBITDA" is defined as EBIT increased by depreciation and amortization and impairment losses of property, plant and equipment and intangible assets. Detailed information on definitions of financial ratios are presented in the Notes to part IV of this MD&A.

## 2.1. Revenues

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

**Tab. 10**

<i>in million PLN</i>	<b>1-4Q 2019</b>	<b>% share</b>	<b>1-4Q 2018</b>	<b>% share</b>	<b>% change yoy</b>
<b>Total sales (1)</b>	<b>1,249.7</b>	<b>100.0%</b>	<b>1,141.2</b>	<b>100.0%</b>	<b>9.5%</b>
<i>Advertising revenue</i>	579.7	46.4%	554.5	48.6%	4.5%
<i>Ticket sales</i>	258.0	20.6%	236.4	20.7%	9.1%
<i>Copy sales</i>	139.2	11.1%	131.1	11.5%	6.2%
<i>Concession sales in cinemas</i>	111.0	8.9%	90.2	7.9%	23.1%
<i>Printing services</i>	47.2	3.8%	63.7	5.6%	(25.9%)
<i>Revenues from film activities</i>	39.1	3.1%	10.5	0.9%	272.4%
<i>Other</i>	75.5	6.1%	54.8	4.8%	37.8%

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

## 2.2. Financial results presented according to major segments of the Agora Group for 2019 [1]

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

**Tab. 11**

<i>in PLN million</i>	<b>Movies and Books</b>	<b>Press</b>	<b>Outdoor</b>	<b>Internet</b>	<b>Radio</b>	<b>Reconciling positions (3)</b>	<b>Total (consolidated) 1-4Q 2019</b>
<b>Total sales (1)</b>	<b>521.5</b>	<b>254.7</b>	<b>184.3</b>	<b>209.0</b>	<b>113.1</b>	<b>(32.9)</b>	<b>1,249.7</b>
<i>% share</i>	41.7%	20.4%	14.7%	16.7%	9.1%	(2.6%)	100.0%
<b>Operating cost net (1)</b>	<b>(478.5)</b>	<b>(260.1)</b>	<b>(153.5)</b>	<b>(194.7)</b>	<b>(98.7)</b>	<b>(39.5)</b>	<b>(1,225.0)</b>
<b>Operating cost net excl. IFRS 16 (1)</b>	<b>(484.0)</b>	<b>(260.1)</b>	<b>(154.4)</b>	<b>(194.7)</b>	<b>(98.9)</b>	<b>(40.2)</b>	<b>(1,232.3)</b>
<b>EBIT</b>	<b>43.0</b>	<b>(5.4)</b>	<b>30.8</b>	<b>14.3</b>	<b>14.4</b>	<b>(72.4)</b>	<b>24.7</b>
<b>EBIT excl. IFRS 16</b>	<b>37.5</b>	<b>(5.4)</b>	<b>29.9</b>	<b>14.3</b>	<b>14.2</b>	<b>(73.1)</b>	<b>17.4</b>
Finance cost, net							(15.3)
Share of results of equity accounted investees							4.7
Income tax							(8.1)
<b>Net profit for the period</b>							<b>6.0</b>
<b>Attributable to:</b>							
Equity holders of the parent							3.5
Non-controlling interest							2.5
<b>EBITDA</b>	<b>128.2</b>	<b>2.1</b>	<b>62.3</b>	<b>28.9</b>	<b>21.4</b>	<b>(52.7)</b>	<b>190.2</b>
<b>EBITDA excl. IFRS 16</b>	<b>71.2</b>	<b>2.1</b>	<b>49.5</b>	<b>28.9</b>	<b>18.5</b>	<b>(55.4)</b>	<b>114.8</b>
CAPEX (2)	(73.3)	(10.8)	(15.7)	(12.5)	(2.4)	(7.7)	(122.4)

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

*(2) based on invoices booked in the period, the amount in the Movies and Books segment includes also PLN 32.2 million of property, plant and equipment in finance lease;*

*(3) reconciling positions show data not included in particular segments, i.a.: other revenues and costs of Agora's supporting divisions (centralized IT, administrative, finance and HR functions, etc., excluding costs of office space in the Company's headquarters, which are allocated to segments), the Management Board of Agora S.A., Agora TC Sp. z o.o. and Agora Finanse Sp. z o.o., intercompany eliminations and other matching adjustments, which reconcile the data presented in the management reports to the consolidated financials of the Agora Group.*

### 2.3. Sales and markets

Over 85.0% of the total sales of the Group were related to sales in domestic market. Sales to foreign markets are realized mainly through the sales of printing and advertising services to foreign customers and sales of publications (including foreign subscriptions).

The Group does not depend on one particular customer. The biggest customers of the Group (in respect of the turnover) are press distributors and Google (companies unrelated to Agora S.A.). In 2019, the value of transactions with none of the distributors exceeded 10.0% of the Group's total revenues.

### 2.4. Suppliers

The Group does not depend on one particular supplier. Newsprint, printing services and film copy purchase are important cost items of the Group. Newsprint used for printing services for external customers and in order to print the Group's own titles is purchased from several suppliers. In 2019, the value of transactions with none of the suppliers exceeded 10.0% of the Group's total revenues.

### 2.5. Finance cost, net

Net financial activities of the Group for 2019 were influenced mainly by costs of commissions and interest on bank loans and finance lease liabilities (including interest expenses on leasing liabilities recognized in accordance with IFRS 16 in amount of PLN 15.7 million) and revaluation of put option liabilities. Significant impact on finance income had remeasurement of equity interest at the acquisition date related to the acquisition of HRlink Sp. z o.o. (formerly: Online Technologies HR Sp. z o.o.) in the third quarter of 2019 in amount of PLN 7.0 million. Moreover, the Group received income from its cash investments and the foreign exchange gains.

### 3. BALANCE SHEET OF THE AGORA GROUP

Tab. 12

<i>in PLN million</i>	<b>12/31/2019</b>	<b>9/30/2019</b>	<i>% change to 30-09-2019</i>	<b>31-12-2018</b>	<i>% change to 31-12-2018</i>
<b>Non-current assets</b>	<b>1,664.5</b>	<b>1,646.1</b>	<b>1.1%</b>	<b>981.3</b>	<b>69.6%</b>
<i>share in balance sheet total</i>	<i>83.5%</i>	<i>85.0%</i>	<i>(1.5pp %)</i>	<i>70.1%</i>	<i>13.4pp %</i>
<b>Current assets</b>	<b>327.9</b>	<b>291.4</b>	<b>12.5%</b>	<b>418.5</b>	<b>(21.6%)</b>
<i>share in balance sheet total</i>	<i>16.5%</i>	<i>15.0%</i>	<i>1.5pp %</i>	<i>29.9%</i>	<i>(13.4pp %)</i>
<b>TOTAL ASSETS</b>	<b>1,992.4</b>	<b>1,937.5</b>	<b>2.8%</b>	<b>1,399.8</b>	<b>42.3%</b>
<b>Equity holders of the parent</b>	<b>931.2</b>	<b>918.2</b>	<b>1.4%</b>	<b>975.0</b>	<b>(4.5%)</b>
<i>share in balance sheet total</i>	<i>46.7%</i>	<i>47.4%</i>	<i>(0.7pp %)</i>	<i>69.7%</i>	<i>(23.0pp %)</i>
<b>Non-controlling interest</b>	<b>20.9</b>	<b>20.3</b>	<b>3.0%</b>	<b>21.1</b>	<b>(0.9%)</b>
<i>share in balance sheet total</i>	<i>1.0%</i>	<i>1.0%</i>	<i>-</i>	<i>1.5%</i>	<i>(0.5pp %)</i>
<b>Non-current liabilities and provisions</b>	<b>628.3</b>	<b>620.6</b>	<b>1.2%</b>	<b>115.0</b>	<b>446.3%</b>
<i>share in balance sheet total</i>	<i>31.5%</i>	<i>32.0%</i>	<i>(0.5pp %)</i>	<i>8.2%</i>	<i>23.3pp %</i>
<b>Current liabilities and provisions</b>	<b>412.0</b>	<b>378.4</b>	<b>8.9%</b>	<b>288.7</b>	<b>42.7%</b>
<i>share in balance sheet total</i>	<i>20.8%</i>	<i>19.6%</i>	<i>1.2pp %</i>	<i>20.6%</i>	<i>0.2pp %</i>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,992.4</b>	<b>1,937.5</b>	<b>2.8%</b>	<b>1,399.8</b>	<b>42.3%</b>

#### 3.1. Non-current assets

The increase in non-current assets, versus 31 December 2018 results mainly from the recognition of the new right-of-use assets in accordance with IFRS 16 in the amount of PLN 507.3 million (after including reclassification of property, plant and equipment in finance lease and prepaid administrative decisions for constructing advertising panels in the road lane, the total carrying amount of right-of-use assets as at 31 December 2019 amounted to PLN 590.4 million) and increase in investment in associates accounted for the equity method (including the acquisition of 40.0% shares in Eurozet Sp. z o.o., which purchase price with transaction costs amounted to PLN 137.2 million and additional acquisition of shares in ROI Hunter a.s., which purchase price amounted to PLN 9.5 million).

The increase in non-current assets results mainly from the increase of intangible assets (including recognition of goodwill in the total amount of PLN 25.1 million) due to accounting for the acquisition of the subsidiaries of Piano Group Sp. z o.o. and HRLink Sp. z o.o. (formerly: Online Technologies HR Sp. z o.o.). In the discussed period, the Group also incurred capital expenditure on property, plant and equipment and intangible assets, which to some extent were compensated by depreciation charges for assets.

#### 3.2. Current assets

The decrease in current assets, versus 31 December 2018, stems mainly from the decrease in short-term financial assets and inventories. Simultaneously, the Group recorded an increase in cash during this period.

The increase in current asset, versus 30 September 2019, stems mainly from the increase in trade receivables and cash.



### 3.3. Non-current liabilities and provisions

The increase in non-current liabilities and provisions compared to 31 December 2018, stems mainly from the increase in long-term bank loans (including the transfer of loan tranche in the first quarter of 2019 by Agora S.A. in the amount of PLN 75.0 million due to the purchase of shares in Eurozet Sp z o.o.), an increase in lease liabilities regarding right-of-use assets in accordance with IFRS 16. Moreover, the increase of non-current liabilities resulted from the recognition of put option liabilities granted to non-controlling shareholders of Piano Group Sp. z o.o. and HRLink Sp. z o.o. (formerly: Online Technologies HR Sp. z o.o.) in the total amount of PLN 16.0 million, and due to revaluation of liabilities due to put option granted to shareholders/non-controlling shareholders of Helios S.A.

The increase in non-current liabilities and provisions compared to 30 September 2019, stems mainly from the increase of lease liabilities due to recognition of the new lease liabilities and put option liabilities. Meanwhile, non-current liabilities from bank loans decreased in connection with their reclassification to current liabilities and deferred tax liabilities decrease.

### 3.4. Current liabilities and provisions

The increase in current liabilities and provisions, versus 31 December 2018, stems mainly from the increase in lease liabilities related to recognition of the lease liabilities in accordance with IFRS 16, increase in short-term bank loans and trade payables.

The increase in current liabilities and provisions, versus 30 September 2019, stems mainly from the increase in trade payables and acquisition of property, plant and equipment and increase in accruals, partially offset by reduction of bank loans.

## 4. CASH FLOW STATEMENT OF THE AGORA GROUP

**Tab. 13**

<i>in PLN million</i>	<b>4Q 2019</b>	<b>4Q 2018</b>	<i>% change yoy</i>	<b>1-4Q 2019</b>	<b>1-4Q 2018</b>	<i>% change yoy</i>
Net cash from operating activities	73.3	37.4	96.0%	205.5	81.1	153.4%
<i>Net cash from operating activities (excl. IFRS 16)</i>	53.8	37.4	43.9%	131.5	81.1	62.1%
Net cash from investment activities	3.7	(13.2)	-	(100.5)	(19.8)	407.6%
Net cash from financing activities	(52.4)	(17.2)	204.7%	(76.9)	(47.5)	61.9%
<i>Net cash from financing activities (excl. IFRS 16)</i>	(32.9)	(17.2)	91.3%	(2.9)	(47.5)	(93.9%)
<b>Total movement of cash and cash equivalents</b>	<b>24.6</b>	<b>7.0</b>	<b>251.4%</b>	<b>28.1</b>	<b>13.8</b>	<b>103.6%</b>
<b>Cash and cash equivalents at the end of period</b>	<b>61.1</b>	<b>33.0</b>	<b>85.2%</b>	<b>61.1</b>	<b>33.0</b>	<b>85.2%</b>

As at 31 December 2019, the Group had PLN 70.7 million in cash and cash equivalents and short-term securities which include cash and cash equivalents in the amount of PLN 61.1 million (cash on hand and bank deposits) and PLN 9.6 million invested in short-term securities.

In 2019, Agora S.A. has not been engaged in any currency options or any other derivatives used for speculative purposes.



On 20 February 2019, Agora used the available credit facility in the amount of PLN 75,0 million due to the transaction of purchase of shares in Eurozet Sp. z o.o., which shall be repaid in 12 quarterly instalments starting from April 2020.

On December 23, 2019 the Company signed Annex no. 5 to the Credit Line Agreement concluded with DNB Bank Polska S.A. on May 25, 2017, according to which the Company has a credit limit of PLN 35.0 million that may be used before March 31, 2020 on the same principles as set out in the Agreement. The signing of Annex No. 5 is related to negotiations on obtaining financing for the Agora Group initiated by the Company with a bank consortium.

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

#### **4.1. Operating activities**

The cash flows from operating activities, in 2019, were higher comparing to the level recorded in the prior year. The transfer of rental payments under lease agreements recognised in the balance sheet in accordance with IFRS 16 to cash flows from financing activities had significant impact on a higher level of cash flows from operating activities.

#### **4.2. Investment activities**

Negative net cashflows from investing activities, in 2019, result mainly from expenditure on the purchase of shares in associates: Eurozet Sp. z o.o, ROI Hunter a.s. and subsidiaries: Piano Group Sp. z o.o. and HRlink Sp. z o. o. (formerly: Online Technologies HR Sp. z o.o.) as well as expenditure on property, plant and equipment and intangible assets. Those outflows were, to some extent, compensated by net inflows from disposal of short-term securities and proceeds from sale of property, plant and equipment.

#### **4.3. Financing activities**

Negative net cashflows from financing activities in 2019, stems mainly from the expenditure on repayment of loan and lease liabilities (including the payment of lease liabilities recognised under IFRS 16) and payment of dividend. The above inflows were to some extent, compensated by loans inflows (including the transfer of loan tranche by Agora S.A. in the amount of PLN 75.0 million in connection with the acquisition of shares in Eurozet Sp. z o. o.).

## 5. SELECTED FINANCIAL RATIOS [5]

Tab.14

	4Q 2019	4Q 2018	% change yoy	1-4Q 2019	1-4Q 2018	% change yoy
<b>Profitability ratios (1)</b>						
Net profit margin	3.0%	0.1%	2.9pp	0.6%	0.5%	0.1pp
Gross profit margin	39.2%	38.0%	1.2pp	32.1%	31.9%	0.2pp
Return on equity	4.9%	0.1%	4.8pp	0.7%	0.5%	0.2pp
<b>Efficiency ratios</b>						
Inventory turnover	9 days	15 days	(40.0%)	12 days	16 days	(25.0%)
Debtors days	47 days	50 days	(6.0%)	61 days	65 days	(6.2%)
Creditors days	28 days	27 days	3.7%	32 days	31 days	3.2%
<b>Liquidity ratio (1)</b>						
Current ratio	1.0	1.4	(28.6%)	1.0	1.4	(28.6%)
<b>Financing ratios (1)</b>						
Gearing ratio (2)	6.9%	-	-	6.9%	-	-
Interest cover	14.2	19.5	(27.2%)	3.1	0.3	933.3%
Free cash flow interest cover	17.3	30.0	(42.3%)	8.2	7.7	6.5%

1) financial ratios excluding impact of IFRS 16;

2) as at 31 December 2018 the Group had a surplus in cash and high-liquidity financial assets over bank loans and finance lease liabilities.

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

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

### IV.A. MOVIES AND BOOKS [1]

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

**Tab. 15**

<i>in PLN million</i>	<b>4Q 2019</b>	<b>4Q 2018</b>	<b>% change yoy</b>	<b>1-4Q 2019</b>	<b>1-4Q 2018</b>	<b>% change yoy</b>
<b>Total sales, including :</b>	<b>156.9</b>	<b>141.0</b>	<b>11.3%</b>	<b>521.5</b>	<b>419.1</b>	<b>24.4%</b>
Tickets sales	79.1	80.2	(1.4%)	258.1	236.6	9.1%
Concession sales	33.7	31.3	7.7%	111.0	90.2	23.1%
Advertising revenue (1)	13.1	10.4	26.0%	35.6	30.2	17.9%
Revenues from film activities (1),(2),(6)	4.9	3.2	53.1%	42.0	12.0	250.0%
Revenues from Publishing House	15.7	12.7	23.6%	48.3	40.7	18.7%
<b>Total operating cost, including (5),(6):</b>	<b>(140.5)</b>	<b>(121.6)</b>	<b>15.5%</b>	<b>(478.5)</b>	<b>(385.7)</b>	<b>24.1%</b>
<b>Total operating cost without IFRS 16 (5),(6)</b>	<b>(141.9)</b>	<b>(121.6)</b>	<b>16.7%</b>	<b>(484.0)</b>	<b>(385.7)</b>	<b>25.5%</b>
External services (3),(6)	(52.0)	(61.7)	(15.7%)	(180.9)	(191.8)	(5.7%)
External services without IFRS 16 (3),(6)	(66.3)	(61.7)	7.5%	(237.7)	(191.8)	23.9%
Staff cost (3)	(22.7)	(18.0)	26.1%	(74.4)	(56.6)	31.4%
Raw materials, energy and consumables (3)	(14.4)	(11.3)	27.4%	(49.9)	(36.0)	38.6%
D&A (3)	(22.4)	(7.4)	202.7%	(84.7)	(29.6)	186.1%
D&A without IFRS 16 (3)	(9.3)	(7.4)	25.7%	(33.2)	(29.6)	12.2%
Promotion and marketing (1), (3)	(10.1)	(7.5)	34.7%	(30.8)	(21.2)	45.3%
Costs related to Publishing House (4), (5)	(15.2)	(12.3)	23.6%	(46.4)	(39.9)	16.3%
<b>EBIT</b>	<b>16.4</b>	<b>19.4</b>	<b>(15.5%)</b>	<b>43.0</b>	<b>33.4</b>	<b>28.7%</b>
EBIT margin	10.5%	13.8%	(3.3pp)	8.2%	8.0%	0.2pp
<b>EBIT without IFRS 16</b>	<b>15.0</b>	<b>19.4</b>	<b>(22.7%)</b>	<b>37.5</b>	<b>33.4</b>	<b>12.3%</b>
EBIT margin without IFRS 16	9.6%	13.8%	(4.2pp)	7.2%	8.0%	(0.8pp)
<b>EBITDA (4)</b>	<b>39.0</b>	<b>26.8</b>	<b>45.5%</b>	<b>128.2</b>	<b>63.6</b>	<b>101.6%</b>
EBITDA margin	24.9%	19.0%	5.9pp	24.6%	15.2%	9.4pp
<b>EBITDA without IFRS 16 (4)</b>	<b>24.5</b>	<b>26.8</b>	<b>(8.6%)</b>	<b>71.2</b>	<b>63.6</b>	<b>11.9%</b>
EBITDA margin without IFRS 16	15.6%	19.0%	(3.4pp)	13.7%	15.2%	(1.5pp)

- (1) the amounts do not include revenues and total cost of cross-promotion of Agora's different media (only the direct variable cost of campaigns carried out on advertising panels) if such a promotion was executed without prior reservation;
- (2) the amounts comprise mainly the revenues from co-production and distribution of films;
- (3) the amounts do not include costs related to Agora Publishing House;
- (4) the amounts include D&A cost in Agora Publishing House, which in 2019 amounted to PLN 0.5 million, and in the fourth quarter of 2019 to PLN 0.2 million (in 2018 it amounted to PLN 0.6 million and in the fourth quarter of 2019 they did not occur);
- (5) the data include the allocated costs of office space occupied by the Agora Publishing House.
- (6) mutual revenues within the Helios group have been eliminated from film revenues and costs of external services: between Helios S.A. and NEXT FILM Sp. z o.o.

In the fourth quarter of 2019, the result of the Movies and Books segment at the EBIT level excluding IFRS 16 was lower by 22.7% yoy and amounted to PLN 15.0 million. The segment's EBITDA excluding IFRS 16 also decreased – by 8.6% yoy to PLN 24.5 million. Such performance of the segment was mainly affected by the loss related to the development of the food business and loss recorded due to movie business in the fourth quarter of 2019.

In 2019, the result of the Movies and Books segment at the EBIT level excluding IFRS 16 increased by 12.3% yoy to PLN 37.5 million. The segment's EBITDA excluding IFRS 16 also increased – by 11.9% yoy to PLN 71.2 million. Activities performed by the majority of the businesses in the segment had a positive effect on this performance. The segment's results were adversely affected only by the food business developed by Foodio Concepts and Step Inside. This was primarily due to the fact that in the current, initial, phase of this project's development, the costs associated with launching consecutive restaurants exceed the revenue generated by the business. In 2019, loss on the food business at the EBIT and EBITDA level stood at, respectively, PLN 10.1 million and PLN 9.0 million.

In the fourth quarter of 2019, according to IFRS 16, the Movies and Books segment recorded a profit at the EBIT level of PLN 16.4 million. In 2019 as a whole, the segment's EBIT reported in accordance with IFRS 16 stood at PLN 43.0 million. In the corresponding periods, the segment's EBITDA came in at PLN 39.0 million and PLN 128.2 million, respectively.

Figures presented in accordance with IFRS 16 are not comparable to figures for 2018. In the fourth quarter and throughout 2019, in accordance with IFRS 16, the costs of agreements for the lease of space, both in the Helios cinemas and the Foodio Concepts facilities, have not been recognised in the presented segment's results under external services, where they had been presented before. They formed the basis for the recognition of a non-current asset (due to the right to use space) which depreciated and affects the growth of this cost item in the segment. At the same time, in view of recognized liabilities under long-term lease agreements, interest expenses included in financial expenses are recognized in the income statement. This method of recognition of expenses improves the presented operating profits, in particular at the EBITDA level, due to the increase in depreciation. Reclassification of lease agreements also has a positive effect on the EBIT figure.

## 1. REVENUE [3]

In the fourth quarter of 2019, the revenue of the Movies and Books segment increased by 11.3% yoy to PLN 156.9 million.

To the greatest extent, this increase was driven by higher revenue from the food business, the scale of which was negligible in the corresponding period of 2018. Revenues from cinema operations have also increased, mainly driven by higher advertising and concession sales in cinemas, with a slight decrease in ticket sales. The increase in advertising sales in cinemas resulted from the implementation of advertising campaigns for new customers and a larger number of campaigns settled in the form of barter, while the increased revenue from concession sales was reported owing to increased average prices in cinema bars. Revenues from tickets sold in the Helios cinema network declined by 1.4% (as compared to the fourth quarter of 2018) to PLN 79.1 million. Both in the fourth quarter of 2019 and in 2019 as a whole, the dynamics of the number of tickets sold in Helios cinemas was significantly higher than the market.

In the fourth quarter of 2019, the revenue of Agora Publishing House amounted to PLN 15.7 million and increased by 23.6% yoy, mainly as a result of higher revenues from book sales. In that period, Agora Publishing House sold approximately 0.5 million books as well as film and music publications. The increase in the Agora Publishing House's revenues in the period in question was significantly affected by the commercial success of *Szczerze* by Donald Tusk. Other bestselling titles included: *Kolejne 365 dni* by Blanka Lipińska, *Piekło mnie nie chciało* – a biography of Krzysztof Wielicki, *Becoming* – Michelle Obama's memoir, and *Syn Miasta* – an album by Muniiek Staszczuk.

In the fourth quarter of 2019, the Movies and Books segment's total revenue from film co-production and distribution amounted to PLN 4.9 million, showing an increase yoy. That was due to, among other factors, more new titles distributed in cinemas. In the fourth quarter of 2019, NEXT FILM released three Polish productions: a story of a blind pianist inspired by real events – *Ikar. Legenda Mietka Kosza*, a spy thriller – *The Coldest Game* and a documentary about the legendary band Kult – *Kult. Film*. At the same time, cinemas continued to screen features released to the big screen in earlier periods.

In 2019, the revenue of the Movies and Books segment increased by 24.4% yoy to PLN 521.5 million. This is a result of an increase in revenues of all business lines in this segment. The increase in the segment's revenues in 2019 was mainly driven by higher revenues from the movie business generated by NEXT FILM.

In 2019, the Movies and Books segment's total revenue from film co-production and distribution amounted to PLN 42.0 million, showing a considerable increase yoy. In 2019, NEXT FILM released 9 Polish productions: action movie *Underdog*, sequel of the iconic film series *Kogel Mogel – Myszmasz, czyli Kogel Mogel 3* (watched at cinemas by nearly 2.4 million viewers), romantic comedy *Cale szczescie*, drama *Słodki koniec dnia*, crime comedy *Na bank sie uda*, historical drama *Pilsudski*, a story of a blind pianist inspired by real events *Ikar. Legenda Mietka Kosza*, a spy thriller *The Coldest Game* and a documentary about the legendary band Kult – *Kult. Film*. At the same time, cinemas continued to screen features released to the big screen in earlier periods. In 2019 NEXT FILM started its cooperation with Netflix, under which the platform released 20 film productions to which the Agora Group's company holds distribution rights.

In 2019, revenue from tickets sold in Helios cinemas amounted to PLN 258.1 million, showing an increase by 9.1% yoy. A contributing factor was higher number of viewers (by 10.3% yoy) in Helios cinemas which translated into 14.0 million tickets sold. Concession sales amounted to PLN 111.0 million and increased by 23.1% yoy, driven by higher cinema attendance. Revenue from advertising sales in Helios cinemas also increased and stood at PLN 35.6 million.

In 2019, the revenue of Agora Publishing House amounted to PLN 48.3 million and increased by 18.7% yoy as a result of higher book sales. In that period, Agora Publishing House sold approximately 1.4 million books as well as film and music publications. The bestselling titles included: *Kolejne 365 dni* by Blanka Lipińska, *Becoming* – Michelle Obama's memoir, *Sodoma* by Frédéric Martel, *Szczerze* by Donald Tusk, biography *Czapkins. Historia Tomka Mackiewicza*, Fisz Emade Tworzywo's *Radar* CD and *Kamerdyner* DVD.

## 2. COST

In the fourth quarter of 2019, the operating costs of the Movies and Books segment excluding the effect of IFRS 16 increased by 16.7% yoy and amounted to PLN 141.9 million.

The increase in the costs, according to this presentation, resulted primarily from 26.1% yoy increase in staff costs which were reported at PLN 22.7 million. The increase was attributable mostly to a higher headcount – due to a greater number of Helios cinemas, an increase in the minimum hourly wage from PLN 13.7 to PLN 14.7, and development of operations in the food business.

Expenditure on external services increased by 7.5% yoy to PLN 66.3 million. This increase was mainly driven by the increase in rental costs related to restaurants and Helios cinemas, and the settlement of costs related to the release of new titles by NEXT FILM.

An increase in the cost of materials and energy consumed and the cost of goods and materials sold by 27.4% to PLN 14.4 million was attributable to the expansion of operations in the food business, higher concession sales in cinema bars and addition of new facilities to the Helios cinema network.

Promotion and marketing costs also increased, amounting to PLN 10.1 million. This was mainly driven by higher expenditure on promotion in the area of film distribution – both with respect to films released in the fourth quarter of 2019 and those that premiered in the first quarter of 2020.

The segment's depreciation costs were also higher yoy and amounted to PLN 9.3 million in the fourth quarter of 2019. This was related to increased depreciation of co-producers' contributions to films and the expansion of the food business and the Helios cinema network.

Operating costs of Agora Publishing House went up by 23.6% yoy and reached PLN 15.2 million. Their increase was associated with higher expenditure on the promotion of the Publishing House's selected products, higher revenue from book sales and the expansion of the music business.

In 2019, operating costs of the Movies and Books segment excluding IFRS 16 increased by 25.5% yoy and stood at PLN 484.0 million.

The increase in the segment's operating costs excluding the impact of IFRS 16, resulted from higher costs of external services (up by 23.9% yoy to PLN 237.7 million). The increase was primarily attributable to higher

payments to film producers with respect to film business, higher rental costs for Helios cinemas and food business, and higher costs of film copy purchases due to higher ticket sales.

The staff costs also increased – by 31.4% yoy to PLN 74.4 million. This increase was attributable mostly to a higher headcount – due to increased number of Helios cinemas, an increase in the minimum hourly wage from PLN 13.7 to PLN 14.7, and to the development of operations in the food business.

As a result of development of operations in the food business, higher concession sales and increase in the number of the Helios cinemas, a 38.6% increase (to PLN 49.9 million) was recorded in the costs of materials and energy consumed and in the cost of goods and materials sold. There was also an increase in depreciation costs which amounted to PLN 33.2 million, mainly due to the expansion of the Helios cinema network and development of operations in the food business.

Promotion and marketing costs also increased to PLN 30.8 million. That was mainly driven by increased expenditure on promotion in the area of film distribution (related to a higher number of movies released as compared to 2018) and on cinema advertising.

Operating costs of Agora Publishing House went up by 16.3% yoy and reached PLN 46.4 million. This increase was related to, among other factors, higher revenue from book sales and the expansion of the music business.

In the fourth quarter of 2019, operating costs of the Movies and Books segment, presented in accordance with IFRS 16, amounted to PLN 140.5 million. The implementation of this standard had the greatest impact on the recognition of costs of external services and depreciation.

Over 2019, operating costs of the Movies and Books segment, presented in accordance with IFRS 16, reached PLN 478.5 million. The implementation of this standard had the greatest impact on the recognition of costs of external services and depreciation.

### 3. NEW INITIATIVES

The Helios cinema network finished 2019 with three new facilities. In the fourth quarter of 2019, it was expanded by another, 49<sup>th</sup> multiplex, located in Galeria Gondola in Legionowo. This cinema, opened on 6 December, houses four screening rooms for more than 600 viewers and has been equipped with state-of-the-art technological solutions to ensure unforgettable cinema emotions. Earlier in 2019, Helios opened cinemas in the Blue City shopping centre in Warsaw and in the Tkalnia shopping and entertainment centre in Pabianice. In addition, in the two existing multiplexes, the Helios network offered its viewers the possibility of watching movies in the Helios Dream screening rooms. Since the end of October 2019, one such screening room is also operating at the Helios cinema in the Sukcesja Shopping Centre in Łódź and soon there will be another one, and since 6 December 2019, customers of the Posnania Shopping Centre in Poznań may enjoy movies in two Helios Dream rooms as well. In total, at the end of 2019 the network had 13 Helios Dream screening rooms, promoted by the slogan *Wymarzone miejsce na film* (A dream place for a movie). All of them are equipped with comfortable recliner seats and technological solutions that ensure exceptional image and sound quality. The unique Helios Dream concept is the answer to the cinema fans' wish for a comfortable space for watching movies.

Apart from movies from the current repertoire, the Helios cinema network has once again arranged special screenings for its viewers. In the fourth quarter of 2019, Helios's multiplexes featured, among others, selected episodes of *Przyjaciele* (*Friends*) to celebrate the 25th anniversary of the premiere of this comedy series of all time, as well as the first episodes of the new seasons of *Wataha* (*The Pack*) and *Wikingowie* (*Vikings*). Ukrainian-speaking viewers had the opportunity to watch the *Joker* movie, and the participants of the *Co Jest Grane 24 poleca w Kinie Konesera* (*Co Jest Grane 24 recommends in Connoisseur Cinema*) cycle could watch *Serce Jamajki* (*Inna De Yard: The Soul of Jamaica*) and *Krewetki w cekinach* (*The Shiny Shrimps*) in the Warsaw multiplex. Throughout 2019, Helios's cinemas have been inviting viewers to such special screenings, including football match broadcasts and screenings from the *Kultura Dostępna* (*Culture Available*) series. A unique project carried out in August and September 2019 were the tournaments and broadcasts of competitions between amateurs and professionals in computer games. E-sport fans were invited to Helios cinemas in Gdansk and Warsaw. On 15 December 2019, the Cinema Day was celebrated all over Poland - the Helios network once again was involved in this initiative organized by the largest operators, in which studio cinemas were also engaged. On that day, the prices of tickets for all screenings cost only 12 PLN.

In October 2019, NEXT FILM from the Helios group released *Ikar. Legenda Mietka Kosza*, a movie directed by Maciej Pieprzyca. This is the story of a legend of Polish jazz, a rebel, an outsider, a blind piano genius. In the movie,



awarded, among others, with the Silver Lions at the Gdynia festival, viewers could see Dawid Ogrodnik, Justyna Wasilewska, Piotr Adamczyk, Jowita Budnik and others. NEXT FILM was a distributor and co-producer of this movie. Since the beginning of November, viewers could watch the long-awaited film *The Coldest Game* by Łukasz Kośmicki. The most recent production of Watchout Studio, distributed by NEXT FILM, has featured international and Polish stars: Bill Pullman, Robert Więckiewicz, Lotte Verbeek, James Bloor and Alexei Sieriebriakow. *The Coldest Game* is a movie produced by renowned filmmakers, with Allan Starski as the set designer, and Paweł Edelman as the director of photography. At the end of November, NEXT FILM released *Kult. Film* – a unique documentary presenting unpublished materials from the life of the legendary Kult band and its lead singer, Kazik Staszewski.

Earlier in 2019, NEXT FILM released the following titles: *Underdog* starring Eryk Lubos and Mamed Khalidov, another part of the popular comedy *Miszmasz czyli Kogel Mogel 3*, the romantic comedy *Całe szczęście, słodki koniec dnia* – a movie awarded at the Sundance Festival, starring Krystyna Janda, a crime comedy *Na bank się uda* and a historical drama, *Piłsudski*. The productions distributed by NEXT FILM in 2019 met not only with the interest of viewers, but also with the recognition of the Polish film industry, receiving a total of 22 nominations for Eagles - Polish Film Awards. Eventually, the statuettes went to the creators of the film *Ikar. The legend of Mietek Kosz* for Best Music (Leszek Mozdzer) and Best Sound (Marcin Pawlowski, Robert Czyzewicz), and Robert Więckiewicz was awarded for the best supporting male role in the film *The Coldest Game*. It is also worth mentioning that since March 2019, NEXT FILM has been cooperating with Netflix, and more than 20 films that have been co-produced and distributed by the company have been gradually introduced to the platform, including *Pokot (Sporo)*, an award-winning movie directed by Agnieszka Holland and Kasia Adamik. This complements the existing NEXT FILM distribution channels.

The food business is also dynamically growing in the Helios capital group. In March, Helios signed a letter of intent regarding cooperation with some partners of Food for Nation, the owner of Pasibus burger restaurants, while in April, it obtained a consent of the Office of Competition and Consumer Protection for developing the above-mentioned business. As a result, since May new Pasibus burger restaurants have been opened together with Helios. In the last months of 2019, restaurants under this brand were opened in Lublin and Częstochowa. This is the fifth and sixth burger restaurant opened in cooperation with Helios; in total, about several dozen of such facilities are to be established. Foodio Concepts, a subsidiary of Helios, which develops restaurants under the brands of Papa Diego and Van Dog, has also been expanding its operations. Since the fourth quarter of 2019, amateurs of Mexican cuisine may enjoy it in the newly opened Papa Diego restaurants in Szczecin and Gdynia. In total, at the end of 2019 Papa Diego's restaurants operated in 13 cities, including Gdansk, Katowice, Opole, Poznan and Warsaw.

At the end of 2019, the Agora Publishing House offered an exceptionally large number of attractive new releases to its readers, listeners and viewers. The readers were particularly interested in the personal journal of the President of the European Council, Donald Tusk, entitled *Szczerze*. It was released on 12 December 2019, but made its way to the top of the bestseller lists already in the pre-sale period. *Piektło mnie nie chciało*, a biography of Krzysztof Wielicki, a legend of Polish Himalayan mountaineering, and *Miłość zaczyna się od miłości*, a unique, tastefully edited collection of Kora's notes compiled by Kamil Sipowicz, also enjoyed great interest among readers.

For music fans, Agora offered, among others, *Syn miasta* – a solo album by Muniak Staszczuk, well received by critics, *Phyta z zadrą w sercu* – a second album by Jazz Band Młynarski-Masecki, as well as the project entitled *MTV Unplugged Kasia Kowalska*.

The most popular of the new releases of the Agora Publishing House in 2019 included, among others, a book that became a global phenomenon – *Becoming*, an intimate autobiography of former First Lady of the United States, Michelle Obama. We are proud to have become its publisher in Poland. The list of bestsellers also included *Kolejne 365 dni* by Blanka Lipińska and the acclaimed *In the Closet of the Vatican: Power, Homosexuality, Hypocrisy* by Frederic Martel, as well as *Czapkins* by Dominik Szczepański – a biography of Tomek Mackiewicz who died tragically during his descent from Nanga Parbat. All these books were listed for many weeks as bestsellers by Empik, the largest book distributor in Poland. Music fans, on the other hand, enjoyed the latest albums of Pro8L3M, Fisz Emade, and Kwiat Jabłoni – the best debut of the year, according to many music reviewers.

In October 2019 Agora Publishing House, as the first book publisher in Poland, launched *POCZYTAWSZY*, a podcast on the latest book releases. Successive episodes are available free of charge every two weeks on the publisher's website and on the biggest podcast platforms in Poland, and they are most often listened to

at [bit.ly/Poczytawszy\\_TokFm](https://bit.ly/Poczytawszy_TokFm). These are conversations about books, passions, the creative process and life – with authors and other creators of the book market in Poland, as well as sounds from the worlds that the guests talk about or previously unpublished recordings of the lives of the book characters.



## IV.B. PRESS [1]

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

**Tab. 16**

<i>in PLN million</i>	<b>4Q 2019</b>	<b>4Q 2018</b>	<b>% change yoy</b>	<b>1-4Q 2019</b>	<b>1-4Q 2018</b>	<b>% change yoy</b>
<b>Total sales, including :</b>	<b>64.1</b>	<b>75.1</b>	<b>(14.6%)</b>	<b>254.7</b>	<b>285.5</b>	<b>(10.8%)</b>
Copy sales	28.9	28.8	0.3%	109.7	106.8	2.7%
<i>incl. Gazeta Wyborcza</i>	26.3	25.9	1.5%	98.3	92.3	6.5%
<i>incl. Magazines (6)</i>	2.5	2.8	(10.7%)	11.2	14.0	(20.0%)
Advertising revenue (1), (2)	22.6	28.1	(19.6%)	84.8	101.7	(16.6%)
<i>incl. Gazeta Wyborcza (4)</i>	19.1	22.4	(14.7%)	71.5	80.9	(11.6%)
<i>incl. Magazines (6)</i>	3.5	5.4	(35.2%)	13.1	20.6	(36.4%)
Printing services (7)	10.5	15.2	(30.9%)	47.2	63.7	(25.9%)
<b>Total operating cost, including (8) :</b>	<b>(57.5)</b>	<b>(82.3)</b>	<b>(30.1%)</b>	<b>(260.1)</b>	<b>(319.0)</b>	<b>(18.5%)</b>
<b>Total operating cost without IFRS 16 :</b>	<b>(57.5)</b>	<b>(82.3)</b>	<b>(30.1%)</b>	<b>(260.1)</b>	<b>(319.0)</b>	<b>(18.5%)</b>
Raw materials, energy, consumables and printing services	(17.8)	(26.1)	(31.8%)	(82.0)	(99.8)	(17.8%)
Staff cost	(24.0)	(28.8)	(16.7%)	(104.7)	(116.8)	(10.4%)
D&A	(1.1)	(3.5)	(68.6%)	(7.5)	(9.8)	(23.5%)
<i>D&amp;A without IFRS 16</i>	<i>(1.1)</i>	<i>(3.5)</i>	<i>(68.6%)</i>	<i>(7.5)</i>	<i>(9.8)</i>	<i>(23.5%)</i>
Promotion and marketing (1), (3)	(7.6)	(8.1)	(6.2%)	(27.9)	(28.3)	(1.4%)
Impairment loss for receivables from RUCH S.A. (5)	-	(4.0)	-	-	(20.3)	-
Cost of restructuring (9)	-	-	-	(4.9)	(3.6)	36.1%
Impairment losses (10)	-	(2.3)	-	-	(2.3)	-
<b>EBIT</b>	<b>6.6</b>	<b>(7.2)</b>	<b>-</b>	<b>(5.4)</b>	<b>(33.5)</b>	<b>83.9%</b>
<i>EBIT margin</i>	<i>10.3%</i>	<i>(9.6%)</i>	<i>19.9pp</i>	<i>(2.1%)</i>	<i>(11.7%)</i>	<i>9.6pp</i>
<b>EBIT without IFRS 16</b>	<b>6.6</b>	<b>(7.2)</b>	<b>-</b>	<b>(5.4)</b>	<b>(33.5)</b>	<b>83.9%</b>
<i>EBIT margin without IFRS 16</i>	<i>10.3%</i>	<i>(9.6%)</i>	<i>19.9pp</i>	<i>(2.1%)</i>	<i>(11.7%)</i>	<i>9.6pp</i>
<b>EBITDA</b>	<b>7.7</b>	<b>(1.4)</b>	<b>-</b>	<b>2.1</b>	<b>(21.4)</b>	<b>-</b>
<i>EBITDA margin</i>	<i>12.0%</i>	<i>(1.9%)</i>	<i>13.9pp</i>	<i>0.8%</i>	<i>(7.5%)</i>	<i>8.3pp</i>
<b>EBITDA without IFRS 16</b>	<b>7.7</b>	<b>(1.4)</b>	<b>-</b>	<b>2.1</b>	<b>(21.4)</b>	<b>-</b>
<i>EBITDA margin without IFRS 16</i>	<i>12.0%</i>	<i>(1.9%)</i>	<i>13.9pp</i>	<i>0.8%</i>	<i>(7.5%)</i>	<i>8.3pp</i>

- (1) the amounts do not include revenues and total cost of cross-promotion of different media between the Agora Group segments (only direct variable cost of campaigns carried out on advertising panels) if such promotion is executed without prior reservation;
- (2) the data include inflows from the sales of advertising on the websites: *Wyborcza.pl*, *Wyborcza.biz*, *Wysokie obcasy.pl*, as well as on the local websites;
- (3) the data include costs of producing and promoting gadgets attached to *Gazeta Wyborcza* and other publishing houses;
- (4) the data includes revenues from advertisements in the paper editions of *Gazeta Wyborcza* as well as advertisements published on *Wyborcza.pl*, *Wyborcza.biz*, *Wysokieobcasy.pl* and local websites. The comparative figures for 2018 have been restated accordingly;
- (5) the amount includes an impairment allowance for receivables from Ruch S.A.;

- (6) *the amounts include revenues of magazines and magazines of Gazeta Wyborcza. The comparative figures for 2018 have been restated accordingly;*
- (7) *from the third quarter of 2019, printing activities are not presented in a separate segment. This is due to the termination of the activities of two out of three printing houses in the Agora Group. The printing house in Warsaw, which continues its activity, mainly provides printing services for Gazeta Wyborcza and has been included in the structure of the Press segment. The amounts provided include revenue from the provision of services to external customers; comparative figures for 2018 have been restated accordingly;*
- (8) *the data include the allocation of the cost of office space occupied by the Gazeta Wyborcza division and the Magazines division as well as printing costs in the fourth quarter of 2019 in the amount of PLN 8.5 million and in the period from January to December 2019 in the amount of PLN 62.0 million;*
- (9) *the amounts provided include the cost of the provision related to the restructuring of operations in the Magazine division and in the Druk division;*
- (10) *the amounts provided include impairment losses on the segment's non-current assets (in 2018, the write-offs mainly concerned the magazine the Ladny Dom.*

Both in the fourth quarter of 2019 and in the entire 2019, the Press segment's operating result increased yoy. In the fourth quarter of 2019, EBIT excluding IFRS 16 reached PLN 6.6 million, whereas in the corresponding period of 2018, the segment incurred an operating loss. For the entire 2019, the loss at the EBIT level decreased significantly yoy and amounted to PLN 5.4 million. However, the Press segment reported positive EBITDA both in the fourth quarter and in the entire 2019, amounting to, respectively, PLN 7.7 million and PLN 2.1 million. It is worth noting that the comparability of data was affected by the recognition of impairment losses on receivables from RUCH S.A. in 2018, in the amount of PLN 20.3 million, as well as recognition of impairment losses related to selected magazines in the amount of PLN 2.3 million.

The implementation of IFRS 16 had no significant effect on the recognition of the operating costs in the Press segment or the segment's operating results.

## 1. REVENUE

In the fourth quarter of 2019, the Press segment's total revenue decreased by 14.6% yoy and amounted to PLN 64.1 million. In 2019 as a whole, the Press segment's total revenue decreased by 10.8% yoy and amounted to PLN 254.7 million. In both periods, the decrease in revenue was driven mainly by negative trends in the press advertising market and reduction of the scale of Agora's printing activities. On the other hand, the segment's revenue was positively affected by the increase in digital revenue generated by the daily, related both to a higher number of digital subscriptions and higher advertising revenue of the Wyborcza.pl websites. As at the end of 2019, *Gazeta Wyborcza's* digital revenue accounted for 24.0% of the daily's total revenue.

### 1.1. Copy sales

Both in the fourth quarter of 2019 and in the entire 2019, the segment's revenue from copy sales increased. They increased by 0.3% yoy to PLN 28.9 million in the fourth quarter of 2019, and by 2.7% to PLN 109.7 million in 2019 as a whole. That was primarily a result of higher revenue from content subscriptions of Wyborcza.pl. It is worth noting that the number of active paid digital subscriptions of Wyborcza.pl reached nearly 218 thousand at the end of December 2019, which means an increase by almost 28.0% yoy.

Both in the fourth quarter and in the entire 2019, *Gazeta Wyborcza* maintained its leading position in sales among the opinion-forming dailies. In the fourth quarter of 2019, the average paid distribution of *Gazeta Wyborcza* amounted to 94.6 thousand copies and decreased by 12.2% yoy. In the fourth quarter of 2019, revenue from sales of *Gazeta Wyborcza's* content picked up by 1.5% yoy.

In 2019, the average paid distribution of *Gazeta Wyborcza* amounted to 96.7 thousand copies and decreased by 9.0% yoy. In that period, revenue from sales of *Gazeta Wyborcza* increased by 6.5%. A steady increase in the number of digital subscriptions of Wyborcza.pl, which amounted to 218 thousand at the end of December 2019, had a positive effect on revenue from sales of the daily.

The aggregate data shows that in the fourth quarter of 2019 as many as 300 thousand people had access to paid content of *Gazeta Wyborcza* – traditional and digital editions in the form of subscriptions of Wyborcza.pl. In 2019, as many as 9 million people a month read the texts of *Gazeta Wyborcza*. These figures combine the data on readers of the paper edition, Internet subscription, digital application and electronic edition of *Gazeta Wyborcza*. They were compiled on the basis of data from the Polish Readership Survey and the Gemius PBI survey.

However, sales of periodicals and magazines decreased, mainly due to the reduced number of titles published. The decrease in revenue was mostly affected by the lack of revenue from sales of *Dziecko*, *Ładny Dom* and *Cztery Kąty*. As a result, revenue from copy sales of *Gazeta Wyborcza*'s periodicals and magazines decreased by 10.7% yoy to PLN 2.5 million in the fourth quarter of 2019, and by 20.0% yoy to PLN 11.2 million in 2019.

## 1.2. Advertising sales [3]

In the fourth quarter of 2019, advertising revenue in the Press segment declined by 19.6% yoy to PLN 22.6 million. In 2019 as a whole, they were lower by 16.6% yoy and stood at PLN 84.8 million. In both periods, this was mainly attributable to lower sales of advertising services in the paper edition of *Gazeta Wyborcza* and the absence of revenue from magazines that have been suspended or sold (*Cztery Kąty*, *Ładny Dom*, *Dziecko* and *Niezbędnik Ogrodnika*).

In the fourth quarter of 2019, *Gazeta Wyborcza*'s net advertising revenue from all of its advertising activity amounted to PLN 19.1 million (down by 14.7% yoy). In 2019, *Gazeta Wyborcza*'s net advertising revenue from all of its advertising activity decreased by 11.6% yoy to PLN 71.5 million. The decreases were primarily caused by advertisers' cut-downs on printed press expenditure by 11.5%.

Apart from the trends in the printed press market, the dynamics of advertising sales of *Gazeta Wyborcza*'s periodicals and magazines in 2019 was adversely affected by the decision to discontinue the publication or sales of selected titles. As a result, sales of advertisements in *Gazeta Wyborcza*'s periodicals and magazines decreased by 36.4% yoy to PLN 13.1 million in 2019.

## 1.3. Printing services

Both in the fourth quarter of 2019 and in the entire 2019, the Print division's revenue from sales of printing services to external customers decreased yoy to PLN 10.5 million and PLN 47.2 million, respectively. The significant drop in revenue from printing services resulted primarily from the shutdown of two out of the Agora Group's three printing plants and from a lower volume of orders for printing services.

## 2. COST

In the fourth quarter of 2019, the Press segment's operating costs excluding IFRS 16 were reduced by 30.1% yoy to PLN 57.5 million, and in the entire 2019 – by 18.5% yoy to PLN 260.1 million. The comparability of the segment's operating costs in 2019 with the corresponding period of 2018 was significantly affected by the recognition of impairment losses on receivables from RUCH S.A. in 2018, in the amount of PLN 20.3 million (PLN 16.3 million in the second quarter of 2018 and PLN 4.0 million in the fourth quarter of 2018), as well as recognition of impairment losses related to selected magazines in the fourth quarter of 2018, in the amount of PLN 2.3 million. Additionally, in 2018 the segment incurred restructuring costs of PLN 3.6 million. In 2019, the segment's results were affected by restructuring costs of printing operations in the amount of PLN 4.9 million.

A key factor contributing to the reduction in the segment's operating costs both in the fourth quarter and in the entire 2019 were lower yoy costs of materials, energy, goods and printing services which resulted from the reduction of printing services and lower printing volume of the titles published. In the fourth quarter of 2019, this category of costs decreased by 31.8% yoy to PLN 17.8 million, and in 2019 – by 17.8% yoy to PLN 82.0 million.

In addition, in the fourth quarter of 2019 and in 2019 as a whole, staff costs were reduced by 16.7% yoy and 10.4% yoy, respectively. This was mainly attributable to a lower number of full-time employees which resulted from the reduction in headcount as part of the collective redundancies process carried out in the first quarter of 2019 with respect to the restructuring of printing activities.

Both in the fourth quarter and in the entire 2019, depreciation costs decreased significantly – by 68.6% yoy and 23.5% yoy, respectively. This was related to the phasing out of two out of three of the Agora Group's printing plants at the end of the second quarter of 2019.

### 3. NEW INITIATIVES

In the fourth quarter of 2019, *Gazeta Wyborcza*'s team announced another success in the digital area: at the end of September, the number of active subscriptions of Wyborcza.pl exceeded 200 thousand and at the end of December 2019 – nearly 218 thousand. Only the top prestigious press titles from around the world can boast such a result. The significant increase in the number of Wyborcza.pl subscriptions recorded in 2019 was mainly due to changes in the offering introduced since February 2019, such as family access, possibility to read printed edition of *Gazeta Wyborcza* online or to share unlocked articles with friends and family, extension of the portfolio dedicated to recipients from companies and institutions, as well as measures aimed at increasing readers' engagement. Throughout 2019, *Gazeta Wyborcza* also prepared attractive offers for Internet users. At the beginning of October 2019, Klub Przyjaciół Wyborczej (*Wyborcza Friends' Club*) was established. Digital subscribers of the daily who decide to purchase a special subscription and support *Gazeta Wyborcza* may participate free of charge in meetings, discussions and interactions with the editorial team held especially for them. They will also receive invitations to events held across Poland, including regular meetings such as Centrum Premier Czerska 8/10, Kobiety wiedzą, co robią and Wyborcza na żywo, as well as a selection of attractive discounts from partners such as the Agora Publishing House.

The Wyborcza.pl team has also been developing its newsletter portfolio - in November 2019, a new edition of the local Wyborcza.pl newsletter was launched under the *Dzień dobry* (*Good morning*) brand. Every day before 8.00 a.m., its subscribers receive information about 1 out of 20 Polish cities, a commentary by a journalist or editor of the local editorial office of *Gazeta Wyborcza*, a weather forecast and air quality data, as well as links to the most interesting local publications on Wyborcza.pl. Another newsletter – but this time focused on environmental issues – served as the basis for a unique, pro-environmental campaign of Wyborcza.pl and Wysokieobcasy.pl prepared in cooperation with a telecommunications network, under the slogan *Bez śladu - Od Ciebie zależy, jaki zostawisz po sobie ślad* (*Without a trace – what will you leave behind depends on you*). In general, at the end of 2019 the daily's team offered several dozen newsletters to Internet users, covering attractive topics, such as books, TV series or a recap of most important events of the day. All of them allow the editorial team to engage readers even more and tell them stories about the world in a more personal, direct and regular manner. Another unique project is *Gazeta Wyborcza*'s podcast called 8:10, available since December 2019. In subsequent episodes of the series, published free of charge on, among others, Wyborcza.pl and podcast platforms from Monday to Friday from 8.10 a.m., journalists of *Gazeta Wyborcza* and Wyborcza.pl comment on the most important events in Poland and worldwide, recommend cultural events and talk about their texts. The new podcast of *Gazeta Wyborcza* is a unique opportunity to not only read but also hear about the events, developments and people described in the newspaper.

The editorial team also focuses on the development of the traditional edition of *Gazeta Wyborcza* by, among others, offering its readers attractive additions and special issues. In October 2019, one of the year's largest editions of the daily was published, featuring a special magazine entitled *The Big Ideas. Władza* (*Authority*), prepared in collaboration with a team from the *New York Times*. The answer to the question "What is authority?" was sought by scientists, writers and journalists invited by the NYT editorial team, including Yuval Noah Harari, Susan Fowler and Ivan Krastev. At the end of December 2019, the editors prepared the third special edition of *Wysokie Obcasy*, dedicated exclusively to women who were the heroines of 2019. The group of 50 bold women described included Olga Tokarczuk, Krystyna Janda, Agnieszka Holland, Martyna Wojciechowska and others. On the last day of 2019, *Gazeta Wyborcza* was sold together with the *Turning Points* magazine, also prepared in cooperation with the NYT's editorial team. The readers had the opportunity to read the reflections of eminent people from politics, business, science and culture, regarding the events that may move the world in the coming year. Apart from that, in the fourth quarter the *Gazeta Wyborcza*'s team prepared special editions of *Magazyn Świąteczny* (*The Holiday Magazine*) – *Na Pierwszy Śnieg* (*For the first snowfall*) and *Na Wspólne Święta* (*Christmas Together*), as well as – for 1 November – *Którzy odeszli* (*The Ones who passed away*) magazine, commemorating over 130 people who died in 2019. Two magazines were also sold independently: a special issue of *Wysokie Obcasy* – *Psychologia dla rodziców. Pokolenie smartfona* (*Wysokie Obcasy – Psychology for parents. The smartphone generation*), and *Na narty* (*Let's go skiing*), addressed to skiers with different skill levels. Since November 2019, *Gazeta Wyborcza*'s issues are available at a changed price – the issues from Wednesday to Saturday are 50 grosz

more expensive. The change was mainly related to the overall increase in costs, including costs of energy and services.

Also since November 2019, business customers of *Gazeta Wyborcza* and Wyborcza.pl may benefit from a new solution combining the sale of digital subscriptions for a specific group of recipients with additional advertising benefits. The sponsorship of digital subscriptions was added to *Gazeta Wyborcza*'s Internet offering for companies and institutions. This offering also includes display campaigns, special projects, content marketing solutions and newsletter partnerships. An additional option for companies and institutions cooperating with *Gazeta Wyborcza* and Wyborcza.pl is the patronage – a grant to the *Gazeta Wyborcza* Foundation that will be used by the organization to purchase Wyborcza.pl subscriptions for students, university employees, libraries and other entities. To each subscription funded by the sponsor, the *Gazeta Wyborcza* Foundation adds another one on its own.

In May 2019 the daily celebrated its 30<sup>th</sup> anniversary. On 4 June 2019, the new design of the *Gazeta Wyborcza* mockup was presented. It was prepared by Jacek Utko, a recognised creator of graphic designs of newspapers from all over the world. The daily has gained a modern and consistent layout, presented in a more structured way, making it clearer and more readable. Throughout 2019, *Gazeta Wyborcza* willingly engaged in international initiatives. In March, it joined this year's edition of Google News Initiative Fellowship, offering a journalistic internship. It also launched the Europe Talks platform, connecting people with different political views from all over Europe as part of cooperation between over 15 media before the European Parliament elections. The editors of *Gazeta Wyborcza* also united forces with the teams of *Le Soir*, *Le Figaro* and *El País*, which belong to the prestigious European LENA association (Leading European Newspaper Alliance), creating a new media project called Sonar Europe. As a result, attractive multimedia data-based materials have been created, concerning a variety of subjects and presenting diverse points of view from different countries of the European Union.

Like every year, the Press segment's team was also involved in the organisation of Agora's music and cultural festivals. In June 2019, the local summer *Co Jest Grane Festival* took place for the fourth time, and a concert was organised opening a cycle of events entitled *Women's Voices*. This year, it was organised under the slogan 'Women save the planet'. During the summer holidays, fans of music and literature had the opportunity to take part in: the second edition of *Białystok New Pop Festival*, the second edition of the *#będzieczytane* Ełk Festiwal – an event that promotes literature, reading and music, as well as the sixth edition of the *Olsztyn Green Festival* which featured such stars of the Polish popular music as Nosowska, Andrzej Piaseczny, VOO VOO, Paweł Domagała, Mrozu, *Źrganek*, Krzysztof Zalewski and The Dumplings. All festivals were accompanied by a number of additional events that promoted e.g. ecology and a healthy lifestyle, as well as events prepared for the youngest participants.

An important change related to the printing business of the Agora Group was made in 2019. In the face of unfavorable market trends and in response to a reduction in the volume of orders from external customers, especially for coldset printing, the Group has decided to reduce this business – by shutting down two out of three printing plants and reducing employment by means of collective redundancies. Since the third quarter of 2019, the optimized printing business of the Agora Group, including one printing plant located in Warsaw, has been part of the Press segment.



## IV.C. OUTDOOR

The Outdoor segment consists of the pro-forma consolidated data of AMS S.A., Adpol Sp. z o.o., Optimizers Sp. z o.o. (since June 30, 2019 r.) and Piano Group Sp. z o.o. (since July 1 2019 r.), which is 100% shareholder of Benefit Multimedia Sp. z o.o. SKA and sole shareholder of Benefit Multimedia Sp. z o.o. which is the only general partner in Benefit Multimedia Sp. z o.o. SKA.

Tab. 17

<i>in PLN million</i>	<b>3Q 2019</b>	<b>3Q 2018</b>	<b>% change yoy</b>	<b>1-3Q 2019</b>	<b>1-3Q 2018</b>	<b>% change yoy</b>
<b>Total sales, including (4):</b>	<b>55.6</b>	<b>51.4</b>	<b>8.2%</b>	<b>184.3</b>	<b>171.9</b>	<b>7.2%</b>
Advertising revenue (1)	53.6	50.9	5.3%	180.5	170.2	6.1%
<b>Total operating cost, including (4):</b>	<b>(43.3)</b>	<b>(40.6)</b>	<b>6.7%</b>	<b>(153.5)</b>	<b>(144.9)</b>	<b>5.9%</b>
<b>Total operating cost without IFRS 16</b>	<b>(43.7)</b>	<b>(40.6)</b>	<b>7.6%</b>	<b>(154.4)</b>	<b>(144.9)</b>	<b>6.6%</b>
Maintenance cost (1)	(10.5)	(14.2)	(26.1%)	(44.9)	(55.9)	(19.7%)
Maintenance cost without IFRS 16 (1)	(14.9)	(14.2)	4.9%	(57.6)	(55.9)	3.0%
Execution of campaigns (1)	(6.5)	(7.0)	(7.1%)	(25.6)	(25.7)	(0.4%)
Staff cost	(8.5)	(6.0)	41.7%	(26.3)	(23.2)	13.4%
Promotion and marketing	(2.6)	(1.7)	52.9%	(6.9)	(5.4)	27.8%
D&A	(9.1)	(4.9)	85.7%	(31.4)	(19.7)	59.4%
D&A without IFRS 16	(5.0)	(4.9)	2.0%	(19.5)	(19.7)	(1.0%)
Impairment losses (2)	(0.1)	(0.2)	(50.0%)	(0.1)	-	-
<b>EBIT</b>	<b>12.3</b>	<b>10.8</b>	<b>13.9%</b>	<b>30.8</b>	<b>27.0</b>	<b>14.1%</b>
EBIT margin	22.1%	21.0%	1.1pp	16.7%	15.7%	1.0pp
<b>EBIT without IFRS 16</b>	<b>11.9</b>	<b>10.8</b>	<b>10.2%</b>	<b>29.9</b>	<b>27.0</b>	<b>10.7%</b>
EBIT margin without IFRS 16	21.4%	21.0%	0.4pp	16.2%	15.7%	0.5pp
<b>EBITDA (3)</b>	<b>21.5</b>	<b>15.9</b>	<b>35.2%</b>	<b>62.3</b>	<b>46.7</b>	<b>33.4%</b>
EBITDA margin	38.7%	30.9%	7.8pp	33.8%	27.2%	6.6pp
<b>EBITDA without IFRS 16 (3)</b>	<b>17.0</b>	<b>15.9</b>	<b>6.9%</b>	<b>49.5</b>	<b>46.7</b>	<b>6.0%</b>
EBITDA margin without IFRS 16	30.6%	30.9%	(0.3pp)	26.9%	27.2%	(0.3pp)
Number of advertising spaces (3)	23 534	24 357	(3.4%)	23 534	24 357	(3.4%)

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

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

(3) excluding small advertising panels of AMS group installed on bus shelters, as well as advertising panels on busses and trams, Cityinfo and MoveTV;

(4) the amounts also include the revenues and costs of Piano Group Sp. z o.o for the period from 1 July 2019; data for previous periods have not been restated.

In the fourth quarter of 2019, an increase in the Outdoor segment's revenue by 8.2% yoy to PLN 55.6 million translated into a significant improvement yoy in the segment's performance. The segment's EBIT excluding IFRS 16 increased by 10.2% yoy to PLN 11.9 million. The segment also reported an improvement in EBITDA excluding IFRS 16 – to 17.0 million, and in EBITDA margin excluding IFRS 16 – to 30.6%. Over 2019, owing to a 7.2% yoy increase in revenue, the Outdoor segment's EBIT excluding IFRS 16 improved by 10.7% yoy to PLN 29.9 million. In that period, the segment's result at the EBITDA level excluding IFRS 16 increased by 6.0% yoy to PLN 49.5 million, whereas the EBITDA margin excluding IFRS 16 stood at 26.9%.

It is worth noting that the purchase of a majority stake in Piano Group Sp. z o.o. in July 2019 contributed positively to the segment's performance in both analyzed periods.

The Outdoor segment is one of the Group's businesses for which the adoption of IFRS 16 means a change in the presentation of its results. Data for previous periods are not comparable. After the entry into force of IFRS 16, the specified long-term lease agreements have ceased to be included in the cost of system maintenance. At the same time, the AMS balance sheet recognised assets (rights to use space) equal to the discounted amount of future payments under lease agreements. Depreciation of this right increases depreciation costs recognised in the segment's income statement. At the same time, in connection with the obligation to pay the discounted lease charges, part of the costs is recognised as interest on lease liabilities, and it is charged to the financial costs. Such recognition increases depreciation and the segment's result at the EBITDA level.

As a result, in the fourth quarter of 2019, the segment's EBIT, according to IFRS 16, amounted to PLN 12.3 million, and the segment's EBITDA – PLN 21.5 million. In 2019 as a whole, the Outdoor segment's EBIT, in accordance with IFRS 16, amounted to PLN 30.8 million, and the segment's EBITDA – to PLN 62.3 million.

## 1. REVENUE [8]

In the fourth quarter of 2019, outdoor advertising spending, as estimated by IGRZ (the Outdoor Advertising Chamber), increased by more than 8.8% yoy. In 2019 as a whole, outdoor advertising spending increased by nearly 5.1% yoy [8].

In the fourth quarter of 2019, the Outdoor segment's advertising sales increased by 5.3% yoy and amounted to PLN 53.6 million. This increase was driven chiefly by increased advertisers' spending on campaigns carried out on panels in the Premium Citylight and Digital segment, including on the MoveTV platform.

In 2019 as a whole, the increase in revenues from AMS advertising sales was higher than the expenditure increase in the outdoor advertising market reported by IGRZ, amounting to 6.1%. The growth of AMS revenue was boosted by advertisers' spending on campaigns carried out on Premium Citylight and Digital panels, including on the MoveTV platform.

In the fourth quarter of 2019, the estimated share of AMS in outdoor advertising spending, monitored by IGRZ, amounted to nearly 34.0%, and throughout 2019 – to over 34.0% [8].

## 2. COST

In the fourth quarter of 2019, the segment's operating costs excluding IFRS 16 increased by 7.6% yoy to PLN 43.7 million, mainly due to higher staff costs, promotion and marketing costs, and system maintenance costs. These expenditures were driven by costs related to operations of Piano Group Sp. z o. o., the owner of the MoveTV platform.

The 41.7% yoy increase in staff costs in the period in question is primarily attributable to provisions recognised for the Group's incentive schemes. These costs were also significantly driven by the costs of professional training provided for the sales department.

The increase in promotion and marketing costs by 52.9% yoy in the fourth quarter of 2019 was triggered primarily by expenditure on advertising campaigns and other promotion costs settled in the form of barter.

The 4.9% yoy increase in system maintenance costs (excluding IFRS 16) is mainly attributable to higher expenditure on lease of advertising space on public transport shelters in Poznan and increased costs of lighting of advertising panels.

In the fourth quarter of 2019, the costs of executed campaigns declined by 7.1% yoy to PLN 6.5 million, reflecting lower costs of poster replacement, a smaller number of non-standard projects and a smaller number of advertising campaigns executed on public transport vehicles.

In 2019 as a whole, the segment's operating costs excluding IFRS 16 increased by 6.6% yoy to PLN 154.4 million. This increase is mainly attributable to higher staff costs, system maintenance costs, as well as promotion and marketing costs. These expenditures were driven by costs related to operations of Piano Group Sp. z o. o., the owner of the MoveTV platform.

System maintenance costs excluding IFRS 16 increased by 3.0% yoy due to an increase in expenditure on the lease of advertising space on public transport shelters in Poznan, lighting and ongoing maintenance and repair of advertising panels.

The increase in staff costs by 13.4% to PLN 26.3 million over the entire 2019 is mainly due to the recognition of provisions for the Group's incentive schemes and an increase in variable remuneration components as a result of better performance in terms of sales targets. These costs were also driven by the costs of professional training provided for the sales department.

The increase in promotion and marketing costs to PLN 6.9 million in 2019 resulted mainly from expenditure on advertising campaigns, other promotion costs settled in the form of barter and higher total costs of non-profit/commercial campaigns, where the non-profit part is settled in the form of barter and charged to promotion and marketing cost.

The segment's operating costs presented in accordance with IFRS 16 amounted to PLN 43.3 million in the fourth quarter of 2019 and PLN 153.5 million in the entire 2019. The implementation of the above standard exerted the greatest impact on the cost of system maintenance and depreciation, which amounted to PLN 10.5 million and PLN 9.1 million in the fourth quarter of 2019, and PLN 44.9 million and PLN 31.4 million in the entire 2019, respectively.

### 3. NEW INITIATIVES

AMS consistently conducts activities aimed at implementing the idea of a smart city - creating an intelligent city through ecological, innovative and functional solutions. The company's innovative green public transport shelters and environmentally friendly solar pole were presented at the Open Eyes Economy Summit in Krakow.

AMS continued to implement further campaigns, exploiting primarily the potential of the premium panels. They included, for example, a multi-format Christmas campaign of a jewellery brand involving, among others, attractive Dynamic Backlight and Citylight panels in an advertising pole, as well as activities for a food brand with a special arrangement of panels at public transport stops in Krakow. Additionally, as part of the next edition of the Warsaw fair Targi Rzeczy Ładnych, held in November 2019, two AMS exhibitions were showcased - posters from the last edition of the AMS Poster Gallery competition presented, among others, on panels coupled with city furniture. The presentations were accompanied by Digital Citylight - a digital panel that displayed a film about the AMS Poster Gallery and posters with the slogan: *"Zwierzę też człowiek" (Animal is also a human)*.

The exceptional ability of the DOOH solutions to react immediately to current events was proved by the news of the Nobel Prize for Literature awarded to Olga Tokarczuk - on the same day, AMS congratulated the writer on this award and informed the residents of Wroclaw about it on Cityscreen panels.

Since December 2019, AMS has been using the Cityinfo panels to display economic flashcards – TEPIszki. It is an educational cycle prepared in cooperation with the Association of Polish Economists (TEP), intended to support the broadening of social awareness and to promote economic knowledge. Cityinfo is a constantly updated city information and advertising service, prepared by a professional team. The information is presented in categories such as travel, fashion and beauty, fitness, health, interiors, what-where-when, and - since December - also in the economics section.

In April 2019, AMS introduced a new price list with a new trade policy, based on the principle of transparency and linking the price of the medium to the size of the audience it generates. This is the result of the implementation of the results of the Outdoor Track advertising panels study carried out by Instytut Badań Outdooru IBO Sp. z o.o.. In 2019, AMS customers had the opportunity to choose to use AMS services under the existing or new conditions, and the company's representatives provided training to customers on the use of new tools in the outdoor planning process.

A significant change experienced by the company in 2019 was the acquisition carried out in July – AMS became the majority shareholder of the Piano Group which operates in digital out of home (DOOH) segment, acting as an operator of the MoveTV platform with screens in the largest fitness clubs in Poland and original premium content adapted to watch during training. With this transaction, AMS – the leading player in the Polish outdoor advertising market, expanded its portfolio with a new type of media and strengthened its position in the DOOH segment in line with the development strategy of the Agora Group. The MoveTV platform, owned by the Piano Group, is currently using 970 screens located in more than 240 largest fitness clubs in 30 cities in Poland, as well as in the Czech Republic and Bulgaria. MoveTV joined the channels in the digital portfolio of AMS media which also includes



advertising on ATM screens, in public transport and shopping malls, as well as Digital Citylight, Digital Cityscreen and Dynamic Backlight panels.

AMS has also been systematically increasing the number of Premium Citylight panels in its portfolio. In March, it signed a long-term contract with MPK Łódź to modernize over 250 public transport shelters. After renovation, each of them will be fitted with at least three Premium Citylight advertising panels. The new design of the bus and tram shelters will be determined not only by advertisement panels, but also modernised benches, timetables and energy-saving LED bars that illuminate the interior and exterior of the stop platform. In June 2019, AMS concluded a contract with Międzynarodowe Targi Poznańskie (Poznan International Fair) on the basis of which it became an operator of advertisements on public transport shelters in Poznan as of 1 July 2019, for the next 10 years. Under the contract, citylight panels in Poznan will be modernized and offered in premium standard within three years. Cooperation between AMS and MTP refers to 1,153 advertising spaces and will be expanded to include more shelters.

AMS' performance is appreciated and rewarded by the market. For the tenth time in a row, the sales team was awarded the honourable title of the OOH Advertising Office of the Year, and in the Pearls of the Polish Economy ranking, AMS went up to the 11<sup>th</sup> place.

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

The Internet segment includes the pro-forma consolidated financials of Agora's Internet Department, Domiporta Sp. z o.o., Yildbird Sp. z o.o., GoldenLine Sp. z o.o. and Optimizers Sp. z o.o. (till June 30, 2019) and HRlink Sp. z o.o. (Online Technologies HR Sp. z o.o. previously) (since September 1, 2019).

**Tab. 18**

<i>in PLN million</i>	<b>4Q 2019</b>	<b>4Q 2018</b>	<b>% change yoy</b>	<b>1-4Q 2019</b>	<b>1-4Q 2018</b>	<b>% change yoy</b>
<b>Total sales , including</b>	<b>74.7</b>	<b>51.3</b>	<b>45.6%</b>	<b>209.0</b>	<b>177.8</b>	<b>17.5%</b>
Display ad sales (1)	68.4	45.9	49.0%	187.6	156.1	20.2%
<b>Total operating cost, including (2)</b>	<b>(70.3)</b>	<b>(48.4)</b>	<b>45.2%</b>	<b>(194.7)</b>	<b>(162.2)</b>	<b>20.0%</b>
<b>Total operating cost without IFRS 16 (2)</b>	<b>(70.3)</b>	<b>(48.4)</b>	<b>45.2%</b>	<b>(194.7)</b>	<b>(162.2)</b>	<b>20.0%</b>
External services	(42.6)	(20.0)	113.0%	(113.1)	(76.3)	48.2%
External services without IFRS 16	(42.6)	(20.0)	113.0%	(113.1)	(76.3)	48.2%
Staff cost	(12.2)	(13.0)	(6.2%)	(50.0)	(54.3)	(7.9%)
D&A	(2.1)	(1.7)	23.5%	(7.2)	(5.3)	35.8%
D&A without IFRS 16	(2.1)	(1.7)	23.5%	(7.2)	(5.3)	35.8%
Promotion and marketing (1)	(4.4)	(4.8)	(8.3%)	(11.1)	(13.5)	(17.8%)
Impairment losses (3)	(7.4)	(7.5)	(1.3%)	(7.4)	(7.5)	(1.3%)
<b>EBIT</b>	<b>4.4</b>	<b>2.9</b>	<b>51.7%</b>	<b>14.3</b>	<b>15.6</b>	<b>(8.3%)</b>
EBIT margin	5.9%	5.7%	0.2pp	6.8%	8.8%	(2.0pp)
<b>EBIT without IFRS 16</b>	<b>4.4</b>	<b>2.9</b>	<b>51.7%</b>	<b>14.3</b>	<b>15.6</b>	<b>(8.3%)</b>
EBIT margin without IFRS 16	5.9%	5.7%	0.2pp	6.8%	8.8%	(2.0pp)
<b>EBITDA(3)</b>	<b>13.9</b>	<b>12.1</b>	<b>14.9%</b>	<b>28.9</b>	<b>28.4</b>	<b>1.8%</b>
EBITDA margin	18.6%	23.6%	(5.0pp)	13.8%	16.0%	(2.2pp)
<b>EBITDA without IFRS 16 (3)</b>	<b>13.9</b>	<b>12.1</b>	<b>14.9%</b>	<b>28.9</b>	<b>28.4</b>	<b>1.8%</b>
EBITDA margin without IFRS 16	18.6%	23.6%	(5.0pp)	13.8%	16.0%	(2.2pp)

(1) the amounts do not include total revenues and cost of cross-promotion of Agora's different media (only direct variable cost of campaigns carried out on advertising panels) if such promotion is executed without prior reservation, as well as exclude the inter-company sales between Agora's Internet Department, Domiporta Sp. z o.o., Yildbird Sp. z o.o., GoldenLine Sp. z o.o. and Optimizers Sp. z o.o. (till June 30, 2019) as well as HRlink Sp. z o.o. since September 1, 2019;

(2) the data include the allocated costs of office space occupied by the Agora's Internet Department;

(3) the amounts include impairment losses of the segment's non-current assets (in 2019 the impairment loss related mainly Goldenline and in 2018 impairment losses related mainly to GoldenLine's online domain).

In the fourth quarter of 2019, the result of the Internet segment at the EBIT level excluding IFRS 16 increased to PLN 4.4 million – mainly due to an increase in the operating result of Gazeta.pl and Yildbird. In 2019 as a whole, the segment's EBIT excluding IFRS 16 declined yoy to PLN 14.3 million. This was caused primarily by increased costs of external services – particularly sales brokerage costs of Yildbird. In the fourth quarter of 2019, the segment's EBITDA excluding IFRS 16 stood at PLN 13.9 million [1] (up by 14.9% yoy). That was the effect of better results of Gazeta.pl and Yildbird. Throughout 2019, EBITDA excluding IFRS 16 increased by 1.8% yoy and reached PLN 28.9 million [1].

The implementation of IFRS 16 had no significant effect on the recognition of the operating costs in the Internet segment or the segment's operating profits.

**1. REVENUE**

In the fourth quarter of 2019, total revenue of the Internet segment increased by 45.6% yoy to PLN 74.7 million. Significantly higher advertising sales generated by Yildbird (including on Gazeta.pl's space) and full consolidation

of HRLink Sp. z o.o. (formerly: Online Technologies HR Sp. z o.o.) as of September 2019 were the main factors behind the increase in the segment's revenue.

In 2019, the Internet segment's total revenue increased by 17.5% yoy, mainly owing to higher online advertising sales reported by Yieldbird. The segment's revenue in both periods in question was negatively affected by the discontinuation of Agora Performance operations in November 2018 and lower revenue generated by GoldenLine.

## 2. COST

In the fourth quarter of 2019, the Internet segment's operating costs excluding IFRS 16 went up by 45.2%, yoy and in 2019 as a whole – they increased by 20.0% yoy to PLN 194.7 million. The increase in operating costs was largely driven by higher spending on external services, associated mainly with the lease of advertising space – primarily in Yieldbird, and depreciation costs.

In the fourth quarter of 2019, costs of external services excluding IFRS 16 increased to PLN 42.6 million, and in 2019 – to PLN 113.1 million. This increase was mostly driven by higher lease costs of advertising space for Yieldbird. However, the increase in this cost category was offset by higher revenue from advertising sales.

In the fourth quarter of 2019, staff costs decreased by 6.2% yoy to PLN 12.2 million, and in the period from January to December – they declined by 7.9% yoy to PLN 50.0 million. That was mainly the effect of the reduced number of full-time employees, mainly in Gazeta.pl and GoldenLine.

Depreciation costs excluding IFRS 16 were higher both in the fourth quarter and throughout 2019 – by 23.5% yoy and 35.8% yoy, respectively. The increase in these costs was mostly driven by investments made to modernize the technical infrastructure, which allowed for the development of advertising products and improvement of Gazeta.pl's visibility in search results of the most popular search engines. In addition, investment projects implemented in Yieldbird, GoldenLine and Domiporta contributed to the increase in depreciation costs.

In the third quarter of 2019, promotion and marketing costs decreased by 8.3% yoy. In 2019, the decrease in expenditure on marketing and promotion was 17.8% yoy and was associated with lower expenditure on promotion in GoldenLine and Domiporta, as well as lower barter costs in Gazeta.pl.

## 3. IMPORTANT INFORMATION ON INTERNET ACTIVITIES

In December 2019, the overall reach of the Gazeta.pl group websites among Polish Internet users stood at 59.0%, and the number of users reached 16.3 million, which made the Gazeta.pl group the ninth market player according to a survey by Gemius PBI. The total number of page views of the Gazeta.pl group websites reached 526 million, with the average viewing time of 42 minutes per user [6].

In December 2019, 12.7 million Internet users viewed the websites of Gazeta.pl group on mobile devices. The number of mobile page views amounted to 382 million, and the share of mobile page views on the websites of Gazeta.pl group stood at 73.0% and was the highest among Polish horizontal web portals [6].

The websites of Gazeta.pl group are ranked among the top thematic market players. In accordance with the data from Gemius PBI for December 2019, Gazeta.pl group is the runner-up in the "Gossip, celebrity life" (Plotek.pl), "Local and regional news" (e.g. local websites of Wyborcza.pl and Metrowarszawa.pl) and "Children and family" (eDziecko.pl) categories. The websites of Gazeta.pl group are also highly ranked in the following categories: "Information & journalism – general" (third place, e.g. Wyborcza.pl and Wiadomosci.Gazeta.pl), "Sports" (also third place, e.g. Sport.pl), "Websites for women" (fourth place, Kobieta.Gazeta.pl and Wysokieobcasy.pl), "Fashion and beauty" (fourth place, Avanti24.pl), "Automotive" (sixth place, Moto.pl), "Diets, slimming, fitness" (sixth place, e.g. Myfitness.Gazeta.pl).

## 4. NEW INITIATIVES

In the fourth quarter of 2019, the editorial team of the Gazeta.pl portal and websites prepared a number novelties for their users. In October, the video format entitled *Marketing Master Class – conversations with the masters of Polish marketing* – had its premiere at Next.Gazeta.pl. These are short interviews with experienced managers about the condition of Polish marketing sector, carried out by Gazeta.pl in collaboration with CPC, a consulting

company. Earlier in 2019, Gazeta.pl's websites and homepage launched a number of new formats, including: live video business and lifestyle format *Studio Biznes* and two video formats created by Sport.pl – *Football Section* and *F1 Sport*.

Gazeta.pl has also got involved in social and environmental protection initiatives – these topics are important for the editorial team who regularly publishes the cycle “Fridays for the climate” and expands the “Environment” section on the homepage. In October 2019, the portal supported the Greenpeace Poland Foundation's campaign *Adopt a bee*, once again encouraging everyone to virtually adopt bees, read articles on their lives and solve a special quiz about these insects. As every year, a bee appeared next to Gazeta.pl logo for one day. In December, the Gazeta.pl editorial team provided its readers with an overview of Greenpeace's activities – the homepage featured a live broadcast prepared by journalists together with members of the organization, as well as photos and recordings of its most interesting campaigns.

In 2019, Gazeta.pl also introduced a number of new solutions for its customers – in June, for example, the portal's team connected the ABT Shield tool, created by Edge NPD, to all their websites, in order to enhance the protection of users and advertisers. This is an innovative solution that uses artificial intelligence to limit the distribution of misleading information as well as the negative impact of bots and trolls on the experience of readers and the effectiveness of advertising campaigns.

The last months of 2019 were also productive for Internet companies from the Agora Group. In October 2019, Yieldbird joined IAB Europe, the leading organisation for the European digital advertising ecosystem. The company from the Agora Group, specializing in optimizing publishers' advertising resources, became the second Polish member of this association. In November, the company's team organized the second edition of YieldFest – a meeting for publishers interested in programming advertising in Poland, this time under the slogan *Challenges and trends for 2020*. Earlier in 2019, Yieldbird continued to develop international operations, as it attracted new customers in the United States, Denmark, Ireland and Serbia, and established partnerships in Brasil and Nordic countries.

2019 also saw important changes in Agora's Internet company portfolio. In June, in line with the investment agreement concluded in September 2018, Agora acquired further shares in ROI Hunter during the second round of financing, and currently holds 24% of the company's shares. In 2019 ROI Hunter has been intensively expanding its offering for marketers.

In September 2019, Agora became the majority shareholder of HRlink Sp. z o.o., a company that develops an original HRlink.pl application that is used to optimize and modernize e-recruitment processes. With this transaction, Agora consolidated its position in the market of recruitment and B2B services. Agora has been the shareholder of HRlink Sp. z o.o. since 2012.

## IV.E. RADIO

The Radio segment includes the pro-forma consolidated financials of Agora's Radio Department, all local radio stations and a super-regional radio TOK FM, which are parts of the Agora Group. These include: 24 Golden Hits (Złote Przeboje) local radio stations (in August 2018, Radio Złote Przeboje started broadcasting in Wetlina, Bieszczady), 4 local radio stations under the brand Rock Radio, 8 local stations broadcasting under the brand Radio Pogoda (since March 2018 Radio Pogoda broadcasts in Gdansk) and a super-regional news radio TOK FM broadcasting in 23 metropolitan areas.

Tab. 19

<i>in PLN million</i>	<b>4Q 2019</b>	<b>4Q 2018</b>	<b>% change yoy</b>	<b>1-4Q 2019</b>	<b>1-4Q 2018</b>	<b>% change yoy</b>
<b>Total sales, including :</b>	<b>37.5</b>	<b>38.1</b>	<b>(1.6%)</b>	<b>113.1</b>	<b>116.0</b>	<b>(2.5%)</b>
Radio advertising revenue (1), (2)	28.6	29.7	(3.7%)	90.2	95.6	(5.6%)
<b>Total operating cost, including: (2)</b>	<b>(30.4)</b>	<b>(30.8)</b>	<b>(1.3%)</b>	<b>(98.7)</b>	<b>(98.8)</b>	<b>(0.1%)</b>
<b>Total operating cost without IFRS 16 (2)</b>	<b>(30.4)</b>	<b>(30.8)</b>	<b>(1.3%)</b>	<b>(98.9)</b>	<b>(98.8)</b>	<b>0.1%</b>
External services	(11.1)	(12.2)	(9.0%)	(36.1)	(42.7)	(15.5%)
External services without IFRS 16	(11.8)	(12.2)	(3.3%)	(39.0)	(42.7)	(8.7%)
Staff cost	(9.4)	(9.3)	1.1%	(34.6)	(33.0)	4.8%
D&A	(1.7)	(1.1)	54.5%	(7.0)	(4.1)	70.7%
D&A without IFRS 16	(1.1)	(1.1)	-	(4.3)	(4.1)	4.9%
Promotion and marketing (2)	(6.0)	(6.1)	(1.6%)	(14.1)	(12.1)	16.5%
<b>EBIT</b>	<b>7.1</b>	<b>7.3</b>	<b>(2.7%)</b>	<b>14.4</b>	<b>17.2</b>	<b>(16.3%)</b>
EBIT margin	18.9%	19.2%	(0.3pp)	12.7%	14.8%	(2.1pp)
<b>EBIT without IFRS 16</b>	<b>7.1</b>	<b>7.3</b>	<b>(2.7%)</b>	<b>14.2</b>	<b>17.2</b>	<b>(17.4%)</b>
EBIT margin without IFRS 16	18.9%	19.2%	(0.3pp)	12.6%	14.8%	(2.2pp)
<b>EBITDA</b>	<b>8.8</b>	<b>8.4</b>	<b>4.8%</b>	<b>21.4</b>	<b>21.3</b>	<b>0.5%</b>
EBITDA margin	23.5%	22.0%	1.5pp	18.9%	18.4%	0.5pp
<b>EBITDA without IFRS 16</b>	<b>8.2</b>	<b>8.4</b>	<b>(2.4%)</b>	<b>18.5</b>	<b>21.3</b>	<b>(13.1%)</b>
EBITDA margin without IFRS 16	21.9%	22.0%	(0.1pp)	16.4%	18.4%	(2.0pp)

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

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

In the fourth quarter of 2019, the operating profits of the Radio segment excluding IFRS 16, both at the EBIT and EBITDA levels, were lower yoy and amounted to PLN 7.1 million and PLN 8.2 million, respectively. In 2019 as a whole, the segment's EBIT excluding IFRS 16 declined yoy to PLN 14.2 million. In the same period, the segment's EBITDA excluding IFRS 16 also decreased yoy to PLN 18.5 million.

The results of the segment were mainly affected by lower sales of advertising services in the segment's own stations, higher costs of promotion and marketing (throughout 2019) and higher staff costs.

In the fourth quarter of 2019, the segment's operating profit at the EBIT level, according to IFRS 16, was PLN 7.1 million, and the segment's EBITDA – PLN 8.8 million. In 2019 as a whole, the segment's EBIT, reported according to IFRS 16, amounted to PLN 14.4 million, and EBITDA stood at PLN 21.4 million.

## 1. REVENUE [3]

In the fourth quarter of 2019, the Radio segment's revenue decreased by 1.6% yoy and stood at PLN 37.5 million. This was chiefly due to lower revenue from brokerage of third-party airtime.

In the fourth quarter of 2019, radio advertising spending in the market increased by 0.2% yoy. Over the same period, sales of radio advertising in the Radio segment dropped by 3.7%.

In 2019 as a whole, the Radio segment's revenue decreased by 2.5% yoy to PLN 113.1 million. The decrease in the segment's revenue is attributable primarily to lower revenue from brokerage of third-party airtime, as well as lower air time sales in the radio stations of the Agora Radio Group. However, in the period in questions, revenue from brokerage services provided for Helios network cinemas increased. In 2019, radio advertising spending in the market decreased by 0.3% yoy, whereas sales of radio advertising in the Radio segment declined by 5.6% yoy.

## 2. COST

In the fourth quarter of 2019, the operating costs of the Radio segment excluding IFRS 16 decreased by 1.3% yoy to PLN 30.4 million.

In the period in question, the costs of external services excluding IFRS 16 decreased by 3.3% yoy to PLN 11.8 million. This cost item was mostly affected by lower expenditure related to brokerage of third-party airtime. At the same time, the costs related to the sales brokerage services for the Helios cinema network were higher yoy. Apart from the costs of sales brokerage for Helios cinemas and the costs related to the advertising sales brokerage for third-party radio stations, the external services cost item (excluding IFRS 16) also includes rental and lease fees, production services as well as operator fees.

In 2019 as a whole, the segment's operating costs excluding IFRS 16 increased by 0.1% yoy to PLN 98.9 million.

Promotion and marketing costs increased by 16.5% yoy to PLN 14.1 million. Their increase was related to the promotion of Radio Żłote Przeboje, Rock Radio and Radio Pogoda, as well as sales promotion.

There was also an increase yoy in staff costs, which were reported at PLN 34.6 million. This was mainly due to an increase in the cost of full-time salaries and costs of courses, training and conferences.

In the period from January to December 2019, the costs of external services excluding IFRS 16 decreased by 8.7% yoy to PLN 39.0 million. This cost item was primarily affected by lower spending on air time purchases in third-party radio stations in connection with the brokerage service provided and lower marketing research costs. At the same time, the costs related to the sales brokerage services for the Helios cinema network were higher yoy.

The operating costs of the Radio segment presented according to IFRS 16 stood at PLN 30.4 million in the fourth quarter of 2019 and at PLN 98.7 million in the entire 2019.

## 3. AUDIENCE SHARES [9]

Tab. 20

% share in listening	4Q 2019	change in pp yoy	1-4Q 2019	change in pp yoy
Group's music radio stations (Rock Radio, Żłote Przeboje and Radio Pogoda)	4.0%	(0.3pp)	4.3%	(0.1pp)
News talk radio station TOK FM	2.5%	(0.4pp)	2.1%	0.1pp

## 4. NEW INITIATIVES

Radio TOK FM closed 2019 with another success of its paid podcast offer – at the end of December, the number of TOK FM Premium subscriptions purchased exceeded 20 thousand. This is a 20% increase since March 2019. For 6 years, Agora's Radio Group has been continuously developing the TOK FM digital offering, adding new content and functionalities to make it as convenient to use as possible. To this end, in 2019, among other things, it expanded the portfolio of its own podcasts, including those created exclusively online, as well as partner broadcasts presented on the tokfm.pl platform and in the TOK FM application. This way, since mid-October 2019, a 6-part reporter's series entitled "Śledztwo Pisma" (*Pismo's Investigation*) was released, which enjoyed great popularity, and since December – also a podcast from *Gazeta Wyborcza* entitled "8:10". In addition, in 2019 the TOK FM team implemented technological innovations – a special feature in the Google Assistant allowing for voice control of TOK FM Radio in the Polish language version, as well as the Search the Radio project that makes it possible to search through the fully transcribed content of radio shows. While striving for the development of its subscription offer, Radio TOK FM also promoted its mobile application. In August 2019, advertisements with the slogans *Sluchaj, gdziekolwiek jesteś* (*Listen, wherever you are*) and *Wszystko co ważne, gdziekolwiek jesteś* (*Everything that*

*matters, wherever you are*) appeared on outdoor advertising panels in several Polish cities. In this way, the station encouraged its listeners to use the TOK FM application in order to listen to both the live radio and podcasts in any place and at any time. All this, combined with the popularity of podcasts and content subscriptions, allowed for another significant leap in the development of the TOK FM Premium offering – over the last 2 years, the subscriber base has increased by 100%.

Additionally, in the fourth quarter of 2019, everyone who was interested in podcasts could learn interesting conclusions from the so far most extensive survey of Polish podcast listeners prepared for Tandem Media, an advertising broker from the Agora Radio Group. According to data presented in November, as many as 27% of Internet users in Poland listen to podcasts. Most of them listen to podcasts at least once a month, using headphones and a smartphone – at home or on the move, for entertainment and to learn more about the world. At the same time, podcast listeners, although most of them started to listen to them only a year ago, devote their full attention to podcasts and evaluate their credibility higher than that of traditional media, and are more receptive to the advertising forms associated with them. These conclusions support the expansion of TOK FM's digital offering in the form of podcasts and development of attractive advertising solutions for the partners of the Agora Radio Group.

In addition, in October 2019 Radio TOK FM completed a major project related to the elections – this time to the Sejm and Senate. From September, as part of the *Wybory w TOKu* campaign, the station broadcasted special programmes and guides, and organized 17 debates under the slogan *Usłysz swojego posła* (*Hear your deputy*) with candidates for MPs – eight debates in Polish cities with the participation of the audience and nine debates in the radio studio. The campaign ended with *Wieczór wyborczy* (*Election's evening*), aired after the end of voting on Sunday, 13 October, and *Poranek powyborczy* (*Post-election's morning*) aired on Monday. Additionally, Gazeta.pl and Radio TOK FM invited Internet users to a special post-election online video show – for almost six hours, Internet users could watch live, on the station's website and on Agora's portal and in social media, hot political discussions as well as analyses and comments on the results of the election. Earlier in 2019, Radio TOK FM carried out a similar campaign under the slogan *Nasza Europa* (*Our Europe*). This campaign included six debates with candidates to the European Parliament in six Polish cities and discussions in the studio dedicated to other electoral regions. Each conversation was transmitted live on TOK FM Radio as well as on Tokfm.pl in a video format.

Furthermore, in spring of 2019, Radio Złote Przeboje, Rock Radio and Radio Pogoda launched their newest mobile applications in AppStore and Google Play. Not only do they offer the opportunity to listen to live broadcasts, with local station selection and viewing of the songs being played, but they also make it possible to receive messages about new radio's initiatives and competitions.

2019 was also very important for the Agora Group in the context of consolidating its position on the radio market and possible further portfolio expansion. In February 2019 Agora acquired a minority stake in Eurozet Sp. z o.o. (40%), the second largest radio broadcaster in Poland, securing the possibility of acquiring the entire stake if it proves to be profitable in the future. In the autumn, the company announced its intention to purchase the remaining shares in Eurozet Sp. z o.o. (60%) and subsequently applied to the President of the Office of Competition and Consumer Protection (UOKiK) for approval of the transaction. For Agora, this transaction would mean another step in implementing its strategy for the development of its current businesses and strengthening its position in the radio market.



## NOTES

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

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

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

EBIT and EBITDA of Press, Internet, Movies and Books, as well as Print segments are calculated on the basis of cost directly attributable to the appropriate operating segment of the Agora Group and excludes allocations of all Company's overheads (such as: cost of Agora's Management Board and a majority of cost of the Company's supporting divisions), which are included in reconciling positions.

Moreover, EBIT of particular operating segments does not include depreciation and amortisation recognised on consolidation as described in note 22 to the consolidated financial statements.

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

[3] The data refer to advertising expenditures in six media (press, radio, TV, outdoor, Internet, cinema). In this MD&A Agora has corrected the numbers for dailies (in the third quarter of 2019) in TV (in the fourth quarter of 2018 and in the second quarter of 2019), in internet (in the first, second and third quarter of 2019 and fourth quarter of 2018).

Unless explicitly stated otherwise, press and radio advertising market data referred to herein are based on Agora's estimates adjusted for average discount rate and are stated in current prices. Given the discount pressure as well as advertising time and space sell-offs, these figures may not be fully reliable and will be adjusted in the consecutive reporting periods. In case of press, the data include only display advertising, excluding classifieds, inserts and obituaries. The estimates are based on rate card data obtained from the following sources: Kantar Media monitoring, Agora S.A. monitoring.

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

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

Outdoor advertising figures are based on Izba Gospodarcza Reklamy Zewnętrznej and media house Starcom estimates [8].

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

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

[5] Definition of ratios:

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

Gross profit margin =	$\frac{\text{Gross profit / (loss) on sales}}{\text{Revenue}}$
Return on equity =	$\frac{\text{Net profit / (loss) attributable to equity holders of the parent}}{(\text{Equity attributable to equity holders of the parent at the beginning of the period} + \text{Equity attributable to equity holders of the parent at the end of the period}) / 2 / (4 \text{ for quarterly results})}$
Debtors days =	$\frac{(\text{Trade receivables gross at the beginning of the period} + \text{Trade receivables gross at the end of the period}) / 2}{\text{Revenue / no. of days}}$
Creditors days =	$\frac{(\text{Trade creditors at the beginning and the end of the period} + \text{accruals for uninvoiced costs at the beginning and the end of the period}) / 2}{(\text{Cost of sales} + \text{selling expenses} + \text{administrative expenses}) / \text{no. of days}}$
Inventory turnover =	$\frac{(\text{Inventories at the beginning of the period} + \text{Inventories at the end of the period}) / 2}{\text{Cost of sales / no. of days}}$
Current ratio I =	$\frac{\text{Current Assets}}{\text{Current liabilities}}$
Gearing ratio =	$\frac{\text{Current and non-current liabilities from loans – cash and cash equivalents} - \text{highly liquid short-term monetary assets}}{\text{Total equity and liabilities}}$
Interest cover =	$\frac{\text{Operating profit / (loss)}}{\text{Interest charge}}$
Free cash flow interest cover =	$\frac{\text{Free cash flow}^*}{\text{Interest charge}}$

\* Free cash flow = Net cash from operating activities + Purchase of property plant and equipment and intangibles, excluding outlays related to the cinema fit-out works to the extent in which those outlays are reimbursed by the owners of the premises, in which those cinemas are located.

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

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

[7] Average paid circulation of monthlies is based on the Agora's own data. Rate card data on magazines obtained from Kantar Media monitoring; [8] Source: report prepared by Izba Gospodarcza Reklamy Zewnętrznej (IGRZ) in cooperation with Starlink company.

*[9] Audience market data referred herein are based on Radio Track surveys, carried out by Kantar MillwardBrown (all places, all days and all quarters) in whole population and in the age group of 15+, from October to December (sample for 2018: 20,903; sample for 2019: 20,997), from January to December (sample for 2018: 83,404; for 2018: 84,024).*

*[10] The data on cinema ticket sales are estimates of Helios group prepared on the basis of data received from Boxoffice.pl (based on reports submitted by distributors of film copies). Cinema ticket sales are reported for periods, which do not cover a calendar month, quarter or year. The number of tickets sold in the given period is calculated from the first Friday of a given month, quarter or year until the first Thursday of the next reporting month, quarter or year.*

## V. ADDITIONAL INFORMATION

### V.A. INFORMATION CONCERNING SIGNIFICANT CONTRACTS FOR THE ISSUER AND ITS GROUP INCLUDING AGREEMENTS BETWEEN THE SHAREHOLDERS WHICH ARE KNOWN TO THE COMPANY, INSURANCE CONTRACTS AND COOPERATION AGREEMENTS

#### 1. INFORMATION CONCERNING SIGNIFICANT CONTRACTS FOR THE ISSUER

##### ■ Beginning of negotiations with a consortium of banks regarding obtaining financing for the Agora Group.

In the current report of March 11, 2019, the Management Board of Agora SA informed that on March 11, 2019, the Company and its subsidiaries AMS S.A. and Helios S.A. started negotiations with a consortium of banks, in order to obtain credit, among others for financing or refinancing the acquisition and investment expenses of the Agora Group, consistent with the business strategy for 2018-2022, as well as for financing working capital and general corporate goals. The amount of financing that the company is planning to apply for is up to PLN 500,000,000 (five hundred million zlotys).

##### ■ Annexes to the credit limit agreement.

In the current report of March 29, 2019, the Management Board of Agora S.A., in reference to report no. 6/2017 of May 25, 2017, and no. 13/2018 of May 18, 2018 regarding the Credit Line Agreement ("Agreement") with DNB Bank Polska S.A. ("Bank") informed about signing Annex no. 2 to this Agreement today ("Annex no. 2").

In the current report of August 29, 2019, the Management Board of Agora S.A., in reference to report no. 6/2017 of May 25, 2017, and no. 13/2018 of May 18, 2018, and no. 8/2019 of March 29, 2019 regarding the Credit Line Agreement ("Agreement") with DNB Bank Polska S.A. ("Bank") informed about signing Annex no. 4 to this Agreement today ("Annex no. 4").

In the current report of December 23, 2019, the Management Board of Agora S.A., in reference to reports nos. 6/2017 of 25 May 2017, 13/2018 of 18 May 2018, 8/2019 of 29 March 2019 and no. 24/2019 of 29 August 2019 on the Credit Limit Agreement with DNB Bank Polska Spółka Akcyjna, informed about signing Annex no. 5 to this Agreement ("Annex no. 5").

Signing Annexes no. 2, 4 and 5, extending the credit limit agreement to 31 March 2020, is related to negotiations currently in progress with a consortium of banks on obtaining financing for the Agora Group.

Under the signed annexes, the period of availability of the credit limit of PLN 35,000,000.00 (thirty-five million zlotys) which the Company may use, was extended to 31 March 2020 on the same principles as those set out in the Agreement about which the Company gave information in its current announcements of 25 May 2017, 18 May 2018, 29 March 2019 and 29 August 2019.

The Credit Limit bears interest at WIBOR for one-month deposits in PLN plus the Bank's margin. If a part or all of the Bank's receivables are not settled within the deadline specified in the Agreement, it will charge the Company with interest at a rate equal to the base rate plus default interest.

Due to a change in the liquidity management model of the Agora Group, in Annex no. 5 the collateral for the repayment of the Credit Limit has also been reduced by cancelling the collateral established by Agora Finanse Sp. z o.o., specified in current report no. 13/2018 of 18 May 2018.

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

### 1. THE CAPITAL STRUCTURE OF THE ISSUER AND SUBORDINATED ENTITIES

The list of companies within the Group:

**Tab. 22**

		% of shares held (effectively)	
		31 December 2019	31 December 2018
<b>Subsidiaries consolidated</b>			
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%	75.9%
12	Doimporta Sp. z o.o., Warsaw	100.0%	100.0%
13	Optimizers Sp. z o.o., Warsaw (1)	100.0%	100.0%
14	Yieldbird Sp. z o.o., Warsaw (9)	93.7%	81.5%
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	100.0%	100.0%
18	Foodio Concepts Sp. z o.o., Lodz (3)	82.3%	82.3%
19	Step Inside Sp. z o.o., Lodz (3), (6)	91.4%	-
20	Piano Group Sp. z o.o., Warsaw (1), (10)	60.0%	-
21	Benefit Multimedia Sp. z o.o., Warsaw (5), (10)	60.0%	-
22	Benefit Multimedia Sp. z o.o. S.K.A., Warsaw (5), (10)	60.0%	-
23	HRlink Sp. z o.o. (formerly: Online Technologies HR Sp. z o.o.), Szczecin (11)	79.8%	46.2%
<b>Joint ventures and associates accounted for the equity method</b>			
24	Hash.fm Sp. z o.o., Warsaw	49.5%	49.5%
25	Instytut Badan Outdooru IBO Sp. z o.o., Warsaw (1)	50.0%	50.0%
26	ROI Hunter a.s., Brno (8)	23.9%	13.4%
27	Eurozet Sp. z o.o., Warsaw (7)	40.0%	-
<b>Companies excluded from consolidation and equity accounting</b>			
28	Polskie Badania Internetu Sp. z o.o., Warsaw	16.7%	16.7%

(1) indirectly through AMS S.A.;

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

(3) indirectly through Helios S.A.;

(4) indirectly through Next Film Sp. z o.o.;

(5) indirectly through Piano Group Sp. z o.o.;

(6) on January 11, 2019 the District Court for Lodz - Srodmiestcie registered the company set up, in which Helios S.A. holds 100% share in equity;

- (7) acquisition of shares on February 20, 2019;
- (8) acquisition of additional shares on June 17, 2019;
- (9) acquisition of additional shares on August 8, 2019;
- (10) acquisition of shares on July 15, 2019;
- (11) acquisition of additional shares on September 12, 2019 and the change of the company's business name from Online Technologies HR Sp. z o.o. to HRLink Sp. z o.o. on November 28, 2019;

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

### ■ Agora Finanse Sp. z o.o.

**On June 6, 2019**, the Extraordinary Shareholders Meeting of Agora Finanse Sp. z o.o. ("Agora Finanse") adopted a resolution on increasing the share capital of Agora Finanse from PLN 5 thousand to PLN 205 thousand by creating 4,000 new shares to be taken up by Agora S.A. On July 4, 2019, the District Court for Warsaw in Warsaw registered the above change. Currently, Agora S.A. holds 4,100 shares in Agora Finanse representing 100% of its share capital and giving rights to 4,100 votes representing 100% of the voting rights at the company's shareholders' meeting.

**On December 23, 2019**, the Extraordinary Shareholders Meeting of Agora Finanse Sp. z o.o. has decided to: (i) release the collateral established by Agora Finanse, as indicated in current report No. 13/2018 of May 18, 2018, (ii) agreeing to the redemption by Agora Finance Management Board of money market fund units.

### ■ Agora – Poligrafia Sp. z o.o.

**On March 5, 2019**, the Extraordinary Shareholders Meeting of Agora - Poligrafia Sp. z o.o. adopted a resolution on phasing out the business activities of Agora - Poligrafia Sp. z o.o. in the area of printing services. At the same time, the Extraordinary Shareholders Meeting of Agora - Poligrafia Sp. z o.o. stated that the said resolution did not represent a resolution on the dissolution of a company referred to in Article 270 point 2) of the Commercial Companies Code.

### ■ Doradztwo Mediowe Sp. z o.o.

**On December 18, 2019**, the Extraordinary Shareholders Meeting of Doradztwo Mediowe Sp. z o.o. adopted a resolution on consent to the payment of an advance dividend for 2019 to the sole shareholder.

### ■ Eurozet Sp. z o.o.

**In the current report of January 25, 2019**, the Management Board of Agora S.A. informed that the Company started negotiations regarding the potential acquisition of shares in Eurozet sp. o.o. with its registered office in Warsaw ('Eurozet') from their current owner.

The company started negotiations with the seller together with SFS Ventures s.r.o. with its registered office in Prague (Czech Republic) ('SFS Ventures') concerning the purchase of all the shares in the share capital of Eurozet as follows:

1. SFS Ventures would acquire 60% of shares in Eurozet;
2. Agora would acquire 40% of shares in Eurozet.

SFS Ventures is a company incorporated under Czech law. The majority stake is owned by a subsidiary, Sourcefabric z.ú., with its registered office in Prague (the Czech Republic), offering open source software solutions for the media and the minority stake is owned by Salvatorska Ventures LCC, a US registered subsidiary of Media Development Investment Fund.

At the same time, in connection with the commencement of the said negotiations, the Company also started negotiations with SFS Ventures to establish detailed principles of the potential investment in Eurozet by SFS

Ventures as a majority shareholder and the Company as a minority shareholder, as well as of the future cooperation of the two as shareholders of Eurozet.

The Company and SFS Ventures are conducting negotiations of the acquisition of shares in Eurozet on a non-exclusive basis. The potential 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 Group on selected markets on which it already operates.

**In the current report of February 20, 2019**, the Management Board of Agora S.A. informed on closing negotiations on: (i) acquisition of a legal title to shares in Eurozet Sp. z o.o. with its registered office in Warsaw ('Eurozet') and (ii) determination of detailed rules for an 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:

- a. SFS Ventures, as a buyer of 60% of the shares in Eurozet, and
- b. the Company, as a buyer of 40% of the shares in Eurozet;

2. a final agreement for the sale of the above-mentioned shares in Eurozet, by and between the Company, SFS Ventures and the Seller ('Final Agreement'), concluded as part fulfilling 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 in 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 voting rights at the shareholders' meeting of Eurozet in exchange for an initial consideration of PLN 130,754,689. The Preliminary Agreement provides for an adjustment of the initial consideration based on the Eurozet Group's ('Group') audited financial statements for 2018 and the final values of certain economic and financial parameters of the Group, as set forth in the Preliminary Agreement.

As above, Agora, based on the audited financial statements for 2018, verified the purchase price and presented the final purchase price. The company does not anticipate a material adjustment to the purchase price of shares in Eurozet. In accordance with the provisions of the Shareholders' Agreement, with a view to protecting Agora's investment in Eurozet and protecting Agora's position as a minority shareholder of Eurozet, Agora has been granted the 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. Agora will have these rights as long as Agora and its related entities have at least 34% plus one shares / voting rights in the share capital of Eurozet / at the Eurozet shareholders' meeting. However, Agora, as a minority shareholder, will not have influence on, among other things, the operating activities of Eurozet or the programming strategy of the radio station.

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

- the right to demand that the second shareholder joins in the sale with respect to all its shares ('Drag Along Right'), together with the principles for securing the effective sale of the shares in relation to which the Drag Along Right has been exercised,



- 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 other shareholder ('Tag Along Right'); and
- Agora's right to acquire all the remaining shares of Eurozet held by SFS Ventures ('Callable Shares') ('Call Option'), together with the principles for securing the effective acquisition of the shares in the event of exercising the Call Option.

Agora has the right (but not an obligation) 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 20, 2022, if Agora submits to SFS Ventures a declaration of will to exercise the Call Option. In specific cases described in the Shareholders' Agreement concerning a 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 a formula set out in the Shareholders' Agreement, which takes into account SFS Ventures' achievement of certain financial indices. 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 antimonopoly permission.

Within the meaning of the Polish Accounting Act, Eurozet is an associate of Agora S.A.

The acquisition of 40% of shares in Eurozet was financed partially from the Company's own resources, and PLN 75.0 million was financed with an overdraft facility which will be converted into a non-revolving loan on the basis of a Credit Line Agreement executed on May 25, 2017 with DNB Bank Polska S.A and amended by Annex no. 1 of May 18, 2018.

On March 6, 2019, the Company received a letter from the President of the Office of Competition and Consumer Protection calling on the Company to provide information and documents as part of an investigation procedure aimed at determining whether or not an obligation to notify of an intended concentration involving the Company, SFS Ventures s.r.o. and Eurozet sp. z o.o. exists. The investigation procedure is an inquiry and is not conducted against the Company. As at the date of these financial statements the investigation procedure is pending.

**In the current report of September 1, 2019**, the Management Board of Agora S.A., in addition to the Company's current report No. 3/2019 of 20 February 2019, announced that on 17 September, 2019 Agora and SFS Ventures s.r.o. with its registered office in Prague, the Czech Republic, as the buyers, and Czech Radio Center a.s. with its registered office in Prague, the Czech Republic (the "Seller"), as the seller, determined the final purchase price for the shares of Eurozet sp. z o.o. with its registered office in Warsaw ("Eurozet") in accordance with the provisions of the preliminary agreement on the sale of shares in the share capital of Eurozet, concluded on 20 February 2019 ("Preliminary Agreement").

As a result of applying the price adjustment mechanism set forth in the Preliminary Agreement, the final consideration for 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 to exercise 40% of the total number of votes at the shareholders' meeting of Eurozet, acquired by Agora on 20 February 2019, amounted to PLN 130,673,268 (whereas the amount originally paid by the Company as initial consideration was PLN 130,754,689).

In connection with the foregoing, pursuant to the provisions of the Preliminary Agreement and given the result of applying the price adjustment mechanism, the Company is entitled to receive from the Seller a price adjustment (surplus) amounting to PLN 81,421 within five business days from the date of determining the amount of the final consideration.

**In the current report of September 18, 2019**, the Management Board of Agora S.A., referring to the Company's current report No. 3/2019 of 20 February 2019, announced that on 18 September 2019 it adopted a resolution on the intention to exercise the call option for all the shares in the share capital of Eurozet sp. z o.o. with its registered office in Warsaw („Eurozet”) held by SFS Ventures s.r.o. with its registered office in Prague, the Czech Republic („SFS Ventures”), pursuant to the provisions of the shareholders' agreement of 20 February 2019 concluded by the Company with SFS Ventures (the "Call Option"), regulating the detailed rules for investment in Eurozet by SFS Ventures, as the majority shareholder, and the Company, as a minority shareholder, as well as the cooperation of both entities as shareholders of Eurozet (the "Shareholders' Agreement").

Accordingly, on 18 September 2019, the Company decided to prepare and submit to the President of the Office of Competition and Consumer Protection a notification regarding the intended concentration of business enterprises ("Antitrust Filing") which would consist in the acquisition by the Company of all the shares held by SFS Ventures in the share capital of Eurozet, as a result of which Agora would take control over Eurozet, by exercising the Call Option. The Company submitted the Antitrust Filing on October 28, 2019.

Company's decision to exercise the Call Option is not tantamount to exercising it, nor does it create an obligation for the Company to exercise the Call Option in accordance with the provisions of the Shareholders' Agreement. The final decision of the Company on the possible submission to SFS Ventures of a declaration of the will to exercise the Call Option (the „Call Option Request“) is contingent, in particular, on obtaining the consent of the President of the Office of Competition and Consumer Protection for the acquisition by the Company of all the shares in the share capital of Eurozet held by SFS Ventures.

Pursuant to the provisions of the Shareholders' Agreement, the Call Option Request may be submitted by the Company not earlier than after the lapse of 12 months after the conclusion and performance of the promised sale agreement regarding the shares in Eurozet concluded on 20 February 2019 between the Company, SFS Ventures and Czech Radio Center a.s. with its registered office in Prague, the Czech Republic.

The details concerning the rules for exercising the Call Option by the Company in accordance with the Shareholders' Agreement were presented in the Company's current report No. 3/2019 of 20 February 2019.

► **Foodio Concepts Sp. z o.o.**

On May 28, 2019, the Extraordinary Shareholders Meeting of Foodio Concepts Sp. z o.o. ("Foodio") adopted a resolution on increasing the share capital of Step Inside from PLN 5 thousand to PLN 10 thousand by creating 100 new shares to be taken up by Foodio's shareholders. Helios S.A. took up 90 new shares in exchange for a cash contribution of PLN 5 million, with an amount of PLN 4,995 thousand was allocated for supplementary capital. On June 28, 2019, the District Court for Lodz-Srodmiestec in Lodz registered the above change. Currently, Helios S.A. holds 180 shares in Foodio representing 90% of its share capital and giving rights to 180 votes representing 90% of the voting rights at the Company's Shareholders' meeting.

► **Goldenline Sp. z o.o.**

On January 20, 2020, Agora S.A. she concluded with G.C. Geek Code Ltd. with its registered office in Cyprus, a sales agreement, the subject of which was the purchase of 22 shares in the share capital of Goldenline Sp.z o.o. with its registered office in Warsaw with a total nominal value of PLN 22,000, for the amount of PLN 10,000. Currently Agora S.A. holds 300 shares in Goldenline Sp. z o.o. representing 100% of the share capital of this company and giving rights to 300 votes representing 100% votes at the Company's Shareholders' meeting.

► **Grupa Radiowa Agory Sp. z o.o.**

On December 18, 2019, the Extraordinary Shareholders Meeting of Grupa Radiowa Agory Sp. z o.o. adopted a resolution on consent to the payment of an advance dividend for 2019 to the sole shareholder.

► **Hash.fm Sp. z o.o.**

On February 27, 2020, Agora S.A. concluded a sales agreement of 4,499 shares in Hash.fm Sp.o.o with a nominal value of PLN 50.00 (fifty zlotys) each and with a total nominal value of PLN 224,950.00 (two hundred twenty four thousand nine hundred and fifty zlotys) to the other partner of this company. Currently Agora S.A. holds 1 share of Hash.fm Sp. z o.o. representing 0.01% of the share capital of this company and giving rights to 1 vote representing 0.01% of the vote at the shareholders meeting of Hash.fm Sp. z o.o.

**► Helios S.A.****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 on its agenda passing a resolution on mandatory sell-out of the Shares ("the Call").

As a result of: (i) the Call, (ii) further 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 Article 418 of the CCC) are being finalized at Helios S.A., aimed at the acquisition by two shareholders of Helios S.A., including Agora S.A., the Shares held by the Minority Shareholder and other minority shareholders.

**(i) Sell-out procedure**

As part of the sell out of the Shares, by June 30, 2016, Agora transferred to Helios S.A. PLN 2,938 thousand representing the sell out price calculated in accordance with Article 418(1) para. 6 of the CCC. As at December 31, 2016, the Agora Group recognized on its balance sheet an obligation to purchase the Shares from minority shareholders of Helios S.A. totalling PLN 3,185 thousand. This included PLN 2,938 thousand already transferred by Agora S.A. to Helios S.A. (with the corresponding entry in the Group's equity under retained earnings/(accumulated losses) and the net profit or loss for the current year) and the total amount transferred by another shareholder of Helios S.A. under the sell out procedure. As part of the sell out procedure, on June 2, 2017, PLN 3,171 was transferred by Helios S.A. to the Minority Shareholder for 318,930 shares sold out. Also on June 2, 2017, a total of PLN 14 thousand was transferred to other minority shareholders for the sell out of 1,460 shares in total. As a result of these transactions, the Group fulfilled its obligation to buy shares recognized on the Group's balance sheet. As a result, Agora S.A. increased its shareholding in Helios S.A. from 10,277,800 to 10,573,352 shares, i.e. by 295,552 shares. Currently, Agora S.A. holds 91.44% of the shares in Helios S.A.

The shareholders whose shares are subject to the sell out and squeeze out procedures did not agree to the sell out share price calculated in accordance with Article 418(1) para. 6 of the CCC, and based on Article 418(1) para. 7 of the CCC submitted a motion to the registration court to appoint a registered auditor to determine the price of the shares being sold. The final price of the Shares being subject to the sell out and squeeze out procedures will be determined by the registration court competent for the registered office of Helios S.A. on the basis of an opinion of the registered auditor appointed by the registration court competent for the registered office of Helios S.A., A change in the valuation will result in an adjustment of the price of the shares being sold. The District Court for Lodz Srodmiescie in Lodz, the 20th Department of the National Court Register, appointed a registered auditor to value shares under this procedure, both for the sell out of the Minority Shareholder's shares with regard to 318,930 shares, and for other minority shareholders with regard to 1,460 shares in total.

The Minority Shareholder and other minority shareholders referred to in the preceding sentence which had rights under 1,460 shares appealed from the Court's decision appointing the registered auditor. By a valid decision of the Regional Court in Lodz, the 13th Business Appeal Department of February 20, 2019, the appeal of the other minority shareholders having rights under 1,460 shares was dismissed. To date, the appeal of the Minority Shareholder has not been considered yet.

**(ii) Squeeze-out procedure**

The squeeze out procedure which entered into force on July 14, 2016 is carried out with respect to 10 shares. The holder of these shares did not respond to the Company's call published in accordance with the applicable procedure in Monitor Sadowy i Gospodarczy (Court and Business Gazette) calling minority shareholders holding the said shares to submit the share documents to the Company, within two weeks of the publication of the call, under the sanction of cancelling the shares after that date. In connection with the above, on April 7, 2017, the

Management Board of Helios S.A. adopted a resolution cancelling these shares and announced this in Monitor Sadowy i Gospodarczy of May 8, 2017.

Currently, the valuation of the shares by the registered auditor nominated by the Court is being finalized. As at the date of this report, the sell out and squeeze out procedures have not been completed.

► **IM40 Sp. z o.o.**

**On December 18, 2019**, the Extraordinary Shareholders Meeting of IM40 Sp. z o.o. adopted a resolution on consent to the payment of an advance dividend for 2019 to the sole shareholder.

► **Inforadio Sp. z o.o.**

**On December 18, 2019**, the Extraordinary Shareholders Meeting of Inforadio Sp. z o.o. adopted a resolution on consent to the payment of an advance dividend for 2019 to the sole shareholder.

► **HRLink Sp. z o.o. (formerly Online Technologies HR Sp. z o.o.)**

**In the current report of August 29, 2019**, The Management Board of Agora S.A. informed that on 29 August, 2019, the Company received an offer to conclude an investment agreement regulating the rules for the acquisition of existing and taking up new shares in the jointly controlled company HRLink Sp. z o.o. ("Online Technologies"), developing cutting-edge application HRLink.pl.

The offer anticipates the acquisition of 32 shares in Online Technologies' share capital from existing shareholders and taking up 15 newly created shares in the company's increased share capital. The potential total amount of Agora's investment in Online Technologies based on the submitted offer is about PLN 7.7 million.

If an investment agreement were concluded on the terms set out in the offer, Agora's share in Online Technologies would increase to 79.8%, thus Agora S.A. would become the majority shareholder of this company.

**On August 29, 2019**, Agora S.A., as a Lender, concluded a loan agreement with Online Technologies HR sp. z o.o. with its registered office in Warsaw, as a Borrower. Based on the agreement, Agora S.A. granted a cash loan of PLN 600,000.00, which has been repaid within the period specified in the agreement, until September 11, 2019. The loan interest rate corresponded to market conditions.

**In the current report of September 12, 2019**, the Management Board of Agora S.A., with reference to the current report 23/2019 informed that on September 12, 2019 Agora concluded with two natural persons, shareholders of Online Technologies HR Sp. z o.o. with its registered office in Szczecin ("the Seller") and with the company HRLink Sp. z o.o. ("Online Technologies") investment agreement and shareholders agreement providing, inter alia, Agora's acquisition of 32 shares in this company and acquisition of 15 newly created shares in the share capital of Online Technologies. The above agreement also regulates the mutual rights and obligations of partners, in particular the rules regarding the further operation and management of the company as well as transactions and restrictions related to the sale of shares in the share capital. Agora is, among others authorized to appoint the management board and the majority of members of the Online Technologies supervisory board, and the sellers were banned from conducting competitive activities.

Agora also has the call option (call option) of all remaining shares in Online Technologies that can be exercised, (i) for some Seller's shares after approval of the Online Technologies financial statements for the financial year 2022 (call option 1) and (ii) for all the remaining shares of the Sellers after approval of the Online Technologies financial statements for 2023 (call option 2).

Agora was also obliged under the put option (put option) granted (i) part of Seller's shares in Online Technologies after approving the financial statements of Online Technologies for 2022 (put option 1); (ii) all other Seller's shares in Online Technologies after approval of the company's financial statements for 2023 (put option 2). The purchase price will depend on the value achieved by EBITDA and revenues.

The purchase of Shares was financed from Agora's own funds. The total amount of Agora's investments in Online Technologies is PLN 7.7 million.

Before concluding the contract, Agora held 48 shares constituting 46.15% of the share capital. After concluding the acquisition of 32 shares and taking up 15 newly created shares in Online Technologies, Agora holds 95 shares representing 79.83% of the share capital of Online Technologies.

Agora became a shareholder of Online Technologies in 2012. HRLink Sp. z o.o. is one of the fastest growing technology companies in Central Europe. In 2018, the company made its debut in 26th place in the prestigious Deloitte ranking 'Technology Fast 50 Central Europe'. The company offers its clients first of all a modern HRLink.pl tool available in the subscription model, other IT services related to the recruitment process (e.g. services in the field of creating bookmarks or career-related websites) and brokering the sale of recruitment websites and media. Online Technologies revenues in 2018 amounted to PLN 5.5 million, and the net result to PLN 104 thousand.

The purchase of Shares is a long-term investment of the Agora capital group and is in line with the strategy announced by Agora in June 2018. The transaction will strengthen the position of the Company's capital group on the market of B2B services offered in the SaaS model.

#### ► **Optimizers Sp. z o.o.**

**On July 22, 2019**, Agora S.A., as the Seller, concluded a share sale agreement in a limited liability company, concerning the sale of all shares in Optimizers Sp. z o.o., with AMS S.A., as a Buyer, for a total price of PLN 45,000. As a result of the above transaction, Agora S.A. does not currently hold any shares in Optimizers Sp. z o.o. (directly), but indirectly (through AMS S.A.) Optimizers Sp. z o.o. still remains a subsidiary of the Agora Group.

#### ► **Piano Group Sp. z o.o.**

**In the current report of July 15, 2019**, the Management Board of Agora S.A., on the basis of Article. 17 sec. 1 and 4 of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (regulation on market abuse) and repealing Directive 2003/6 / EC of the European Parliament and of the Council and Commission directive 2003 / 124 / WE, 2003/125 / EC and 2004/72 / EC ("MAR"), hereby disclosed confidential information on the initiation of negotiations on 23 May 2019 to acquire by AMS S.A., i.e. a company from the Agora capital group, 85% shares in Piano Group sp. z. o. o. with its register office in Warsaw and execution of a shareholder agreement with a minority shareholder ("Confidential Information"). The content of the delayed Confidential Information was published on the Company's website.

**In the current report of July 15, 2019**, the Management Board of Agora S.A., with reference to the Current Report No 21/2019, announced that AMS S.A. ("AMS"), i.e. a company from the Agora capital group, concluded an agreement for the sale of 30 shares representing 60% of the shares of Piano Group sp. z o.o., with its registered office in Warsaw ('Piano Group') and carrying 60% of the votes at the General Shareholders' Meeting ('Shares') with three natural persons (two sellers and a guarantor) ('Seller') following the negotiations conducted on 15 July 2019. Pursuant to the Agreement, AMS paid the amount of PLN 6.5 million for the Shares, which constituted an advance payment towards the final Share purchase price.

The final Share purchase price depends on the EBITDA for 2019 and the agreed multiplier, and will be decreased by the net debt. The final Share purchase price will be determined on the basis of the financial statements of Piano Group for the financial year 2019.

In addition, AMS, the Seller and Piano Group Sp. z o.o. concluded a Shareholders' Agreement governing the mutual rights and obligations of the shareholders, in particular the principles regarding further operation and management of the company, as well as transactions and restrictions related to the sale of shares in the Company's share capital. AMS is entitled to appoint the majority of the members of the Management Board and the Supervisory Board of Piano Group, and the Sellers are obliged not to conduct any competitive activities.

AMS was also granted a call option for all the remaining shares in Piano Group, which can be exercised after the approval of the financial statements of Piano Group for the financial year 2021 (call option 1), or after the approval

of the financial statements of Piano Group for the financial year 2022 (call option 2), but no later than by the end of 2022, or by the end of 2023, respectively.

AMS was also obliged under the put option granted to the Sellers to purchase from the Sellers, respectively: (i) 50% of the remaining shares in Piano Group after the approval of the financial statements of Piano Group for 2021 (put option 1); (ii) all the remaining shares in Piano Group after the approval of the financial statements of Piano Group for 2022 (put option 2).

The Share purchase price will depend on the value of the EBITDA, the multiplier assigned to it and the value of the net debt.

The acquisition of the Shares will be financed from AMS's own resources.

The turnover of Piano Group did not exceed EUR 10 million in any of the last two financial years. Piano Group is the holder of 100% of shares in Benefit Multimedia Sp. z o.o. SKA and the sole shareholder of Benefit Multimedia Sp. z o.o., which acts as the sole general partner of Benefit Multimedia Sp. z o.o. SKA. Benefit Multimedia Sp. z o.o. SKA is a provider of services in the DOOH (digital out-of-home) market, in the area of internal advertising of content broadcasting, the sale of advertising content, screen installation and the use of video/TV infrastructure to broadcast video content. Benefit Multimedia Sp. z o.o. SKA cooperates with more than 190 fitness clubs in Poland where the company's infrastructure is installed.

The acquisition of the Shares constitutes a long-term investment by the Agora capital group and is in line with the strategy announced by Agora in June 2018. The transaction will strengthen the position of the Company's capital group in the DOOH market.

**In the current report of 30 January 2020**, the Management Board of Agora S.A., further to current report no. 22/2019 of 15 July 2019 – Completion of the negotiations and conclusion of an agreement on the acquisition of a majority shareholding in Piano Group sp. z o.o. and the Articles of Association – informed that it had decided to revalue the purchase price of Piano Group's shares and the obligation in respect of the option to acquire the other shares in that company, recognized in the financial statements of the Agora Group.

In 2019 the results of operations of Piano Group were better than the forecasted ones, therefore, the Management Board of Agora revalued the price of the purchased shares and the price which AMS will pay for the acquisition of minority interests in Piano Group, adopted for valuing the obligation in respect of the option.

As a result of the update, the purchase price increased to PLN 14.9 million.

The revaluation of the initial value of the Piano Group shares did not affect the financial result of the Agora Group in 2019, but it did increase the goodwill.

#### ► **Polskie Badania Internetu Sp. z o.o.**

**On March 6, 2019**, the shareholders of Polskie Badania Internetu sp. z o.o. ('PBI') adopted a resolution obligating all shareholders of PBI to make contributions totalling PLN 1,429,056. Based on the resolution, each of the shareholders was obliged to contribute an amount attributable to the shareholder corresponding to the percentage share of the shareholder in the share capital of PBI. The contribution attributable to Agora S.A. amounted to PLN 238,152.

#### ► **ROI Hunter a.s.**

**On June 17, 2019**, the shareholders' meeting of ROI Hunter a.s. with its registered office in the Czech Republic ("ROI") adopted a resolution to increase the share capital of ROI from CZK 2,647,860 to CZK 2,970,961 by creating 323,101 shares to be taken up by Agora SA, in exchange for a cash contribution of CZK 51,252,000 with the amount CZK 50,928,899 allocated to the supplementary capital ROI. On the same day, Agora S.A. has concluded a share sale agreement with an ROI shareholders. As a result of this agreement, Agora S.A. acquired 32,310 shares in ROI for CZK 5,125,200. Currently, Agora S.A. holds 710,823 shares in ROI Hunter a.s., representing 23.9% of the share



capital of this company and giving rights to 710,823 votes representing 23,9% votes at the Company's Shareholders' meeting

► **Step Inside Sp. z o.o.**

**In the current report of February 28, 2019**, the Management Board of Agora S.A. informed that on February 28, 2019 Helios S.A., a subsidiary of Agora ('Helios'), commenced negotiations with some of the partners ('Partners') of 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 development 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 planned cooperation within an SPV which is a subsidiary of Helios S.A. (Step Inside Sp. z o. o. with its registered office in Lodz ('Step Inside')). Pre-requisites for establishing cooperation include agreeing 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, among other things, operate up to 10 eateries under the Pasibus brand. For this purpose, Helios provided funds of PLN 10 million to Step Inside. If the consent of the President of UOKiK is obtained and an investment agreement concluded, the Partners will take up shares in Step Inside which will open up to 40 eateries under the Pasibus brand. Simultaneously, the Company informs that the Term Sheet does not constitute binding obligations of the parties.

**On February 28, 2019**, the Extraordinary Shareholders Meeting of Step Inside Sp. z o.o. (Step Inside) adopted a resolution on increasing the share capital of Step Inside from PLN 5 thousand to PLN 100 thousand by creating 1,900 new shares to be taken up by Helios S.A. in exchange for a cash contribution of PLN 9,995 thousand. On April 15, 2019, the District Court for Lodz-Srodmiestec in Lodz registered the above change. Currently, Helios S.A. holds 2,000 shares in Step Inside representing 100% of its share capital and giving rights to 2,000 votes representing 100% of the voting rights at the company's shareholders' meeting.

**In the current report of April 23, 2019**, the Management Board of Agora S.A. informed that the President of the Office of Competition and Consumer Protection granted a consent to concentration by creating a joint venture by Helios S.A. with its registered seat in Lodz (a subsidiary company of Agora) and three entrepreneurs (natural persons) on the basis of existing company Step Inside sp. z o.o. with its registered seat in Lodz ("Step Inside") regulated by rules set out in term sheet, the Company informed about execution of the Term Sheet in regulatory filing 4/2019. The consent of the President of the Office of Competition and Consumer Protection is a significant step in negotiations of detailed principles of cooperation and managing of a joint venture created on the basis of existing company, Step Inside. The joint venture shall develop and operate a network of eateries under the brand Pasibus, which - from the Agora Group's perspective - means increasing the scale of operations on food market. The restaurants will be located in high streets and shopping centres.

**In the current report of 31 January 2020**, further to the regulatory filings: 4/2019 of 28 February 2019 and 10/2019 of 23 April 2019, the Management Board of Agora S.A. informs that on 31 January 2020 Helios S.A. and Step Inside sp. z o.o., Agora's subsidiaries, concluded an investment agreement (the "Investment Agreement") with some of the shareholders (the "Shareholders") of Food for Nation spółka z ograniczoną odpowiedzialnością spółka komandytowa (a limited liability company, limited partnership) and FFN.

The subject of the Investment Agreement is to define the principles of cooperation and run a joint enterprise established on the basis of Step Inside. The objective of Step Inside is to open, run and develop catering outlets with the Pasibus trademark, which will be situated mainly in shopping streets and at shopping centres.

When concluding the Investment Agreement, the Shareholders took up a total of 10% of the shares in the share capital of Step Inside (corresponding to 10% of the total number of votes at the Shareholders' Meeting), whereas Helios subsidized Step Inside with PLN 5 million. The Investment Agreement provides for the possibility of increasing the Individual Investors' interest to 40% in total, on condition that Step Inside fulfils the established financial objectives.



Previously, on the basis of a cooperation agreement with FFN of 28 February 2019 Helios S.A. subsidized Step Inside with PLN 10 million, of which Agora gave information in current report no. 4/2019 of 28 February 2019.

The Investment Agreement specifies, among other things, detailed parameters of the investors' capital investment and the mutual rights and obligations of the parties.

#### ► **Yieldbird Sp. z o.o.**

**On August 8, 2019**, Agora S.A. has concluded three share purchase agreements in a limited liability company regarding the purchase of shares in the company Yieldbird Sp. z o.o., with three shareholders of this company. The agreements included acquisition by Agora S.A., from three partners of Yieldbird Sp. z o.o., in total 116 shares of the company Yieldbird sp. o.o., for the total price PLN 8 million. As a result of the above transaction, Agora S.A. currently holds 891 shares in the share capital of this company, constituting 93.69% of shares in the share capital of this company and entitling to 891 votes, constituting 93.69% of votes at the shareholders meeting.

### **3. PARTICIPATION IN BUSINESS ORGANIZATION, HOME AND FOREIGN**

The Agora Group wants to actively influence the environment it operates in. Therefore, its related companies are active members and participants of organizations involving business specialists in fields important for Company's activities. Group's representatives participate in the activities, inter alia, of the following major organizations:

- Polish:

- Confederation of Private Employers „Lewiatan”,
- Polish Association of Stock Exchange Issuers,
- Press Publishers Chamber,
- National Circulation Audit Office (ZKDP),
- Polish Internet Survey,
- Internet Advertising Bureau Polska,
- IGRZ – Outdoor Advertising Economic Chamber,
- ReproPol (Association),
- Polish Cinemas Association,
- Polish New Cinemas Association,
- IAA Polska – International Advertising Association, Poland,
- ZPAV – Association of Audio Video Producers,
- KIPA – The Polish Audiovisual Producers Chamber of Commerce
- Polish Chamber of Books.

- Foreign:

- INMA – International Newsmedia Marketing Association,
- EPC – European Publishers Council.
- EGTA - *European Group of Television Advertising*,
- UNIC - *International Union of Cinemas*.

Moreover, the Company is active in social and charitable activities, inter alia, through Agora Foundation, *Wysokie Obcasy* Foundation and *Gazeta Wyborcza* Foundation.

### **4. MAJOR DOMESTIC AND FOREIGN INVESTMENTS**

In 2019 carrying amounts of intangible assets of the Group (magazine titles, goodwill, licenses and patents, other) increased by PLN 20.4 million (cost increased by PLN 40.0 million, amortisation and impairment losses for the period increased by PLN 19.6 million). Detailed information on intangible assets is included in note 3 to the consolidated financial statements.

In 2019 carrying amounts of property, plant and equipment of the Group decreased by PLN 60.9 million (cost decreased by PLN 106.1 million, depreciation and impairment losses for the period increased by PLN 45.2 million). Those changes include reclassification of property, plant and equipment in finance lease to the line item right-of-

use assets. Detailed information on property, plant and equipment is included in note 4 to the consolidated financial statements.

In 2019 the Group acquired shares in the companies: Eurozet Sp. z o.o. and Piano Group Sp. z o.o., additional shares in affiliate ROI Hunter a.s., additional shares in HRLink Sp. z o.o. (formerly: Online Technologies HR Sp. z o.o.) and additional shares in subsidiary Yieldbird Sp. z o.o. as described in the section V.B.2 of this Management Discussion and Analysis.

The capital investments (shares, contribution to capital, loans) made outside the Agora Group (companies excluded from consolidation and equity accounting) in 2019 increased by PLN 0.4 million. Detailed information is included in note 6 to the consolidated financial statements.

In 2019, the investments of the Group were financed from own funds, except for capital expenditures shares in the company Eurozet Sp. z o.o., on property, plant and equipment related to new cinema equipment and fit-out works, which were partially financed by means of bank loans and finance lease arrangements.

In 2019, the Group invested its free cash outside its capital group mainly in short-term securities and bank deposits. As at the end of 2019, the amount of such investments was equal to PLN 34.2 million.

## 5. CHANGES IN THE SHAREHOLDERS' STRUCTURE OF THE COMPANY.

In accordance to the formal notifications received from the shareholders, particularly on the basis of Article 69 of Act of July 29, 2005, on public offering, conditions governing the introduction of financial instruments to organised trading, and public companies, as at the day of publication of the annual report for 2019 the following shareholders were entitled to exercise over 5% of voting rights at the general meeting of shareholders of the Company:

**Tab. 23**

	no. of shares	% of share capital	no. of votes	% of voting rights
<b>Agora-Holding Sp. z o.o.</b> <i>(in accordance with the last notification of September 24, 2015) (1)</i>	5,401,852	11.60	22,528,252	35.36
<b>Powszechne Towarzystwo Emerytalne PZU S.A. (Otwarty Fundusz Emerytalny PZU Złota Jesien and Dobrowolny Fundusz Emerytalny PZU)</b> <i>(in accordance with the last notification of December 27, 2012) (1)</i>	7,594,611	16.30	7,594,611	11.92
<b>including:</b> <b>Otwarty Fundusz Emerytalny PZU Złota Jesien</b> <i>(in accordance with the last notification of December 27, 2012) (1)</i>	7,585,661	16.28	7,585,661	11.91
<b>Media Development Investment Fund, Inc. (MDIF Media Holdings I, LLC)</b> <i>(in accordance with the last notification of June 6, 2016) (1)</i>	5 350 000	11.49	5 350 000	8.40
<b>Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A. (Nationale-Nederlanden Otwarty Fundusz Emerytalny and Nationale Nederlanden Dobrowolny Fundusz Emerytalny)</b> <i>(in accordance with the last notification of June 9, 2016) (1)</i>	4 493 055	9.65	4 493 055	7.05

(1) Number of shares according to the shareholder's notification – as at August 23, 2018; proportion of voting rights and percentage of the share capital of Agora S.A. were recalculated by the Company after reduction of the Company's share capital.

**► Significant changes to the shareholders' structure.**

In accordance to the formal notifications received from the shareholders, particularly on the basis of Article 69 of Act of July 29, 2005, on public offering, conditions governing the introduction of financial instruments to organised trading, and public companies, as at the day of publication of this annual report, there were no changes in the shareholding structure.

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

**V.C. OTHER SUPPLEMENTARY INFORMATION****1. TRANSACTIONS WITH RELATED PARTIES**

Following types of transactions are witnessed within the Agora Group:

- advertising and printing services,
- rent of machinery, office and other fixed assets,
- 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.

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

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

In accordance with binding employment contracts concluded with members of the Management Board of Agora S.A., during the period of 18 months starting the day:

- on which the right of the shareholders holding series A shares to nominate candidates to the Management Board is removed from the Company's Statute;
- on which one entity or a group of entities acting in concert exceeds the 50% threshold of the total number of votes at the General Meeting of Shareholders of Agora S.A.;
- on which the Supervisory Board of the Company is appointed by voting by separate groups, should any of these contracts be terminated by the Company (Article 385 § 3-9 of the Code of Commercial Companies), the Management Board member will receive a compensation payment in the total amount being a sum of the following components:
  - (i) the amount equivalent to 12 times the monthly basic remuneration due to the member of the Management Board of Agora S.A. for the month preceding the month in which the member of the Management Board of Agora S.A. receives the termination notice;
  - (ii) the amount equivalent to the annual bonus for the financial year preceding the year of termination of the employment contract.

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

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

The remuneration paid by Agora S.A. to Management Board members in 2019 amounted to PLN 4,771 thousand (2018: PLN 5,372 thousand). This amount includes salary and bonus payments for the period of holding the post of a Management Board member.

The remuneration paid by Agora S.A. to Supervisory Board members in 2019 amounted to PLN 546 thousand (2018: PLN 468 thousand).

Tomasz Jagiello received also remuneration as the President of the Management Board of Helios S.A. in the amount of PLN 356 thousand (in 2018: in the amount of PLN 357 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 2018. The other members of Agora's Management and Supervisory Board did not receive any remuneration for serving as board members in subsidiaries, joint-controlled entities and associates.

Detailed information concerning remuneration of the Management Board and Supervisory Board Members is presented in note 27 to the consolidated financial statements.

The information related to liabilities to former Management Board members is described in note 19.

In 2019 the remuneration of Management and Supervisory Board Members in subsidiaries amounted to PLN 7,455 thousand (in 2018: PLN 6,651 thousand).

The Agora Group also executed incentive programs based on financial instruments, in which Management Board members of Agora S.A. and Management Board members of subsidiary Yieldbird Sp. z o.o. and Foodio Concepts Sp. z o.o. participated. Detailed information concerning these plans is presented in note 28 to the consolidated financial statements.

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

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

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

#### 4.1. SHARES IN AGORA S.A.

**Tab. 25**

	as of December 31, 2019 (no. of shares)	Nominal value (PLN)
Bartosz Hojka	2,900	2,900
Tomasz Jagiello	0	0
Grzegorz Kania	0	0
Anna Krynska – Godlewska	0	0
Agnieszka Sadowska	0	0

#### 4.2 SHARES IN RELATED PARTIES

The status of ownership of shares in subsidiaries and associates by the members of the boards of subsidiaries and associates to Agora S.A. as of December 31, 2019 presents the table below.

**Tab. 26**

	as at December 31, 2019 (number of shares)	Nominal value (PLN)
<b>Members of the Management Board of Agora S.A. holding shares in Agora – Holding Sp. z o.o.</b>		
Bartosz Hojka	1	10,427.84
<b>Members of the Management Board of Helios S.A. holding shares in Helios S.A.</b>		
Tomasz Jagiello	833,838	83,383
Katarzyna Borkowska	68,264	6,826
Grzegorz Komorowski	44,000	4,400
Magdalena Gorzelniak	22 000	2 200
<b>Members of the Management Board of Yieldbird Sp. z o.o. holding shares in Yieldbird Sp. z o.o.</b>		
Marcin Ekiert	20	1000
Bartłomiej Chmiel	20	1000
<b>Members of the Management Board of Hash.fm Sp. z o.o. holding shares in Hash.fm Sp. z o.o.</b>		
Konrad Traczyk	4,600	230,000
<b>Members of the Management Board of IM 40 Sp. z o.o. holding shares in IM 40 Sp. z o.o.</b>		
Jan Chojnacki	933	93,300
<b>Members of the Management Board of HRLink Sp. z o.o. holding shares in HRLink Sp. z o.o.</b>		
Arkadiusz Kuchto	23	1840

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

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

### 5.1. SHARES IN AGORA S.A.

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

**Tab. 27**

	as at December 31, 2019 (number of shares)	Nominal value (PLN)
Andrzej Szlezak	0	0
Dariusz Formela	0	0
Tomasz Karusewicz	0	0
Wanda Rapaczynski	882,990	882,990
Tomasz Sielicki	33	33
Maciej Wisniewski	0	0

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

### 5.2. SHARES IN RELATED COMPANIES

**Tab. 28**

	as of December 31, 2019 (no. of shares)	Nominal value (PLN)
<b>Members of the Supervisory Board of Agora S.A. holding shares in Agora – Holding Sp. z o.o.</b>		
Wanda Rapaczynski	1	10,427.84
<b>Members of the Supervisory Board of Goldenline Sp. z o.o. holding shares in Yieldbird Sp. z o.o.</b>		

Marcin Ekiert	20	1,000
<b>Members of the Supervisory Foodio Concepts Sp. z o.o. holding shares in Helios S.A.</b>		
Katarzyna Borkowska	68,264	6,826
<b>Members of the Supervisory Board of HRlink Sp. z o.o. holding shares in Yieldbird Sp. z o.o.</b>		
Bartłomiej Chmiel	20	1,000
<b>Members of the Supervisory Board of Yieldbird Sp. z o.o. holding shares in Agora - Holding Sp. z o.o.</b>		
Bartosz Hojka	1	10,427.84
<b>Members of the Supervisory Board of AMS S.A. holding shares in Helios S.A.</b>		
Tomasz Jagiello	833,838	83,383

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

In 2019, the Management Board of Agora S.A. decided to gradually phase out activities in two out of three printing houses belonging to the Agora Group, and then decided to include the printing activity carried out in the printing house in Warsaw in the Press segment of Agora S.A. As a result, the printing business ceased to be an independent operating segment.

## 7. INFORMATION ON CREDIT AND LOAN AGREEMENTS TAKEN/TERMINATED IN 2019 AND GUARANTEES RECEIVED BY AGORA S.A. OR ITS SUBSIDIARIES.

In 2019 no credit or loan agreements were terminated for the Company or its subsidiaries and also nor the Company or its subsidiaries terminated any credit or loan agreements.

### a) Agora S.A.

As at December 31, 2019 the Company had an open credit line in DNB Bank Polska S. A. on the basis of the Agreement signed on May, 25 2017.

**Tab. 29**

Creditor	Amount of the credit line	Currency	Interest rate (%)	Agreement date	Maturity date
DNB Bank Polska S. A.	PLN 135 million	PLN	WIBOR 1M or 3M + bank margin	May 25, 2017, December 23, 2019 (annex)	the non-renewable credit - I tranche: quarterly 12 instalments from July 1, 2018 to April 1, 2021; II tranche: quarterly 12 instalments from April 1, 2020 to January 2, 2023; credit facility in the current account - may be used by March 31, 2020.

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

### b) subsidiaries

In 2019, the company Helios S.A. received performance guarantees in the total amount of PLN 247 thousand with expiry dates from March 19, 2022 to December 18, 2022.

In 2019, the company Foodio Concepts Sp. z o.o. received performance guarantees in the total amount of PLN 30 thousand with expiry dates from September 11, 2022 to October 3, 2022.

New credit agreements in subsidiaries did not occur. More detailed information concerning loans, including amounts outstanding as at 31 December 2019, is presented in note 15 to the consolidated financial statements.

## 8. INFORMATION ON LOANS GRANTED IN 2019 AND GUARANTEES OR OTHER OFF-BALANCE SHEET ITEMS

Information on loans granted by Agora S.A. or by its subsidiaries in 2019 is described in the table below:

**Tab. 30**

No.	Borrower	Lender	Amount of loan (in PLN thousand)	Currency	Interest rate (%)	Agreement date	Maturity date
1	Eko-Kim Klaudia Przybysz	AMS S.A.	30	PLN	WIBOR 1R + 4%	04/06/2019	31/07/2022
2	Hash.Fm Sp. z o.o.	Agora S.A.	800	PLN	WIBOR 3M + 2%	28/02/2019	31/12/2022
3	HRLink Sp. z o.o.	Agora S.A.	600	PLN	WIBOR 1M + 4%	29/08/2019	12/09/2019
4	Joanna Kaliszewska-Kos	HRLink Sp. z o.o.	5	PLN	6%	29/11/2019	10/10/2020
5	Next Script Sp. z o.o.	Next Film Sp. z o.o. Benefit	12	PLN	WIBOR 3M + 4%	27/05/2019	31/03/2020
6	Piano Group Sp. z o.o.	Multimedia Sp. z o.o. S.K.A.	7	PLN	4,5%	17/12/2019	31/12/2023
7	Foodio Concepts Sp. z o.o.	Helios S.A.	2,000	PLN	WIBOR1M+2,6%	24/01/2019	31/12/2020
8	Foodio Concepts Sp. z o.o.	Helios S.A.	1,000	PLN	WIBOR1M+2,6%	06/03/2019	31/12/2020
9	Foodio Concepts Sp. z o.o.	Helios S.A.	300	PLN	WIBOR1M+2,6%	05/09/2019	31/12/2020
10	Foodio Concepts Sp. z o.o.	Helios S.A.	600	PLN	WIBOR1M+2,6%	20/09/2019	31/12/2020
11	Foodio Concepts Sp. z o.o.	Helios S.A.	850	PLN	WIBOR1M+2,6%	25/10/2019	31/12/2020
12	Foodio Concepts Sp. z o.o.	Helios S.A.	500	PLN	WIBOR1M+2,6%	29/11/2019	31/12/2020
13	Foodio Concepts Sp. z o.o.	Helios S.A.	300	PLN	WIBOR1M+2,6%	20/12/2019	31/12/2020
14	Foodio Concepts Sp. z o.o.	Helios S.A.	300	PLN	WIBOR1M+2,6%	03/04/2019	31/05/2019
15	Foodio Concepts Sp. z o.o.	Helios S.A.	1,200	PLN	WIBOR1M+2,6%	16/04/2019	31/05/2019

Detailed information on off-balance sheet items (including granted guarantees and issued bills of exchange) is presented in note 37 to the consolidated financial statements.

## 9. THE SYSTEM OF CONTROL OF EMPLOYEE SHARE SCHEMES

In 2019 there was not any employee share scheme.

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

**On March 30, 2017** the Supervisory Board selected the certified auditor of the Company's financial statements. On the basis of both, the Supervisory Board resolution and the Company's Statute, KPMG Audyt Spolka z ograniczona



odpowiedzialnoscia spolka komandytowa with its registered seat in Warsaw at 4A Inflacka Street, registered under the number 3546 as an entity entitled to audit financial statements, was elected the certified auditor of the Company that is to audit financial statements of the Company for the years 2017, 2018 and 2019.

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

Tab. 31

in PLN thousand	Financial year ended 31 December 2019	Financial year ended 31 December 2018
Remuneration for audit (1)	191.2	121.2
Other attestation services, including remuneration for review (1)	80.8	80.8

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

On November 7, 2019 the Supervisory Board selected the certified auditor of the Company's financial statements. On the basis of both, the Supervisory Board resolution and the Company's Statute, KPMG Audyt Spolka z ograniczona odpowiedzialnoscia spolka komandytowa with its registered seat in Warsaw at 4A Inflacka Street, registered under the number 3546 as an entity entitled to audit financial statements, was elected the certified auditor of the Company that is to audit financial statements of the Company for the years 2020, 2021 and 2022.

## 11. INFORMATION ABOUT FINANCIAL INSTRUMENTS

Information about financial statements in respect of:

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

is disclosed in notes 34 and 35 to the consolidated financial statements.

## 12. INFORMATION ON CAPABILITY OF EXECUTION OF INVESTMENT PLANS

As at the date of this MD&A report, considering the cash position, the cash pooling system functioning in the Group and available credit facility, the Agora Group does not anticipate any liquidity problems with regards to its further investment plans (including capital investments) in 2020.

## 13. THE DESCRIPTION OF BASIC HAZARDS AND RISK

### ▀ Macroeconomic risk

The Group's revenues depend on the general economic situation in Poland and Europe. These incomes increase during periods of economic recovery and are limited during the economic slowdown. Changes in factors such as GDP dynamics, unemployment rate, salaries or consumption levels affect the purchasing power of the Group's customers and consumers of its products and services. The propensity for consumer spending is also shaped by the advertising budgets of the Group's clients. We estimate that in 2019, advertisers spent 3.0% more on advertising than a year earlier. Advertising expenditure increased in most segments of the advertising market. Advertising expenditure was limited only in the press and on the radio. It should be remembered that the value of advertising revenues depends not only on the volume of ads and advertisements, but also on the prices obtained by the media, which makes it even more difficult to estimate the value of expenditure on individual advertising markets. The economic situation in Poland is sensitive to the political situation in the country and is currently accompanied by the risk of rapid legislative changes, the full impact of which on which business operations are conducted, we are not able to predict at present. An additional risk, exerting an increasing impact on the global and Polish economy, is the spreading coronavirus epidemic. The fear of COVID-19 infection, the growing number of cases and

the potential disruption of the supply chain can reduce the sense of security for consumers and businesses, limiting their propensity to consume and invest. At present, however, it is difficult to estimate what impact this may have on the economic growth rate in Poland, individual consumption or the advertising market. In addition, administrative restrictions related to preventing the spread of the coronavirus epidemic or combating it may have a negative, difficult to estimate impact on economic development.

#### ► **Seasonality of advertising spending**

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

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

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

The Group's advertising revenues are generated by the following media: dailies, outdoor advertising, radio stations, magazines, internet and cinemas. As a result of structural changes and media convergence particular media in the Agora Group's portfolio compete both with their business competitors and with television broadcasters - constituting almost half of the advertising market expenditure (44.5%) in 2019. The next largest segment of advertising market – Internet held 36.0% share in total ad spend. Ad expenditure in magazines and dailies constituted 4.0% and 1.5% share of total ad spend, respectively. Outdoor advertising held, in 2019, 6.0% of the advertising market share and radio ad spend constituted 6.5% of total ad expenditure. Cinema advertising in Poland constituted 1.5% of all advertising expenditure. Bearing in mind the dynamics of particular and the current Company's estimates of advertising market growth in 2020 there is a risk that the share of particular media in the advertising market will change. This may influence the Group's position and its revenues.

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

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

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

#### ► **Press**

Presently paid press experiences a worldwide trend of copy sales decrease and shrinking of advertising expenditure. Press titles, published by the Group and its competitors, are not resistant to the changes taking place on the press market. The process of classifieds migration from press to Internet is taking its place. The dynamics of the above mentioned processes may have a negative impact on dailies copy sales and the revenues of the Group. At the same time, the Group digitalizes its content by means of metered paywall on websites related to *Gazeta Wyborcza*. At the end of 2019, the number of *Gazeta Wyborcza* active paid subscriptions totalled 218.0 thousand (increased by 28% comparing to 2018). Nowadays the Company focuses on the growth of average revenue from each subscription and growth of online advertising revenues. It is hard to predict if the Company will be able to deliver above expectations, because of the competitive internet market.

#### ► **Press distribution**

The main distribution channel for newspapers, which is used by all press publishers in Poland, are the networks of newspaper sales points located in places with high traffic. Historically, the distribution market in Poland was concentrated - the two largest distributors had over 80% share in press distribution. In 2018, RUCH S.A. has

stopped paying its publisher accounts. The poor financial condition of this entity had an impact on the limitation of cooperation with him and further decreases in the sale of copy printed press. Financial or operational problems of any of the other distributors will have a negative impact on copy sales and the results of the Group. The internet is also a growing distribution channel for paid press content. Press publishers use both sales solutions on their own websites and e-kiosks.

#### Internet

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

#### Responsibility for published content

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

#### Outdoor

The outdoor advertising market in Poland is very competitive. AMS S.A. competes with Polish companies and international corporations both to acquire and retain customers as well as to extend and acquire new contracts for the disposal of locations for advertising spots. In addition, operations on the outdoor advertising market are subject to a high risk of changing the law, including construction and tax law, and its interpretation. The introduction of new rules for conducting advertising activities in urban agglomerations, as well as a change in the interpretation and application of applicable regulations and contracts may affect the amount of fees, taxes and potential penalties related to the business, which may affect the Group's result. On September 11, 2015, the Act amending certain acts in connection with the strengthening of landscape protection tools entered into force. Under its provisions, municipal self-governments acquired broader powers to enact local law governing the presence of visual advertising and street furniture in public space, and to download the so-called advertising fees. In April this year the adjustment period of the Gdansk landscape resolution is coming to an end. At present, it is difficult to precisely determine its impact on AMS results, as it is difficult to assess how the market will react to the reduced supply of media in the long run. The costs of disassembly of carriers resulting from the application of the provisions of the resolution will have a slight negative impact on the current AMS results. The effects of resolutions in other major cities are expected at the earliest in 2022.

#### Cinema

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

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

Important factors influencing the results of this business are prices for tickets to Helios cinemas and the number of people visiting cinemas. Helios constantly observes the competition and adjusts the prices of tickets offered to the market situation, so that its offer remains competitive. The persistent price rivalry between the main players on the market may have a negative impact on the results achieved by Helios S.A. and thus the Agora Group.

The increase in energy costs and new rules of settlements with organizations representing artists may have a negative impact on the results of cinema operations. At present, the scale of changes in burdens resulting from the entry into force of this Act is unknown. In preparation for the effects of the entry into force of this Act, Helios increased the tied reserve for fees arising from this Act. In addition, an increase in the rate per hour of work from PLN 14.7 to PLN 17.0 will have a significant impact on the increase in the costs of this business.

On March 11, 2020, the World Health Organization assessed that the Covid-19 epidemic could be characterized as a pandemic. At present, it is difficult to predict the further development of the related situation and estimate the scale of its negative impact on economic growth in Poland and Europe, as well as the related tendency of advertisers to promote their products and services. As part of the fight against the epidemic, the Polish authorities issued a regulation pursuant to which from 12 to 25 March 2020 all educational and cultural institutions, including cinemas, were closed. In the Company's opinion, closing the Helios network cinemas for a period of 2 weeks will not have a significant impact on the results of the Agora Group in 2020. It is also difficult to predict how the situation will look after these two weeks, and therefore its impact on the condition of the industry cannot be assessed. in Poland and results of the Agora Group.

#### ▀ Risks of running licensed business

The Group has been running its activities in radio market for years and since 2014 it started to operate in TV market. Radio and TV operations are licensed activity in Poland. The license entries determine the scope and form of business during the time for which the license is granted.

There is a risk that demand, from radio and TV audience, for a certain radio or TV format may decrease, while the Group will not be able to adjust to the market requirements due to the obligation to respect program entries stated in the license.

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

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

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

#### ▀ Radio stations

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

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

**Movie business**

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

**Risk related to the impossibility of realizing the benefits of past or future acquisitions**

Achieving benefits from past or future acquisitions by the Agora Group depends, among other things, on the possibility of implementing the planned investments, including obtaining approvals from relevant authorities, and efficient integration of business processes, which should translate into revenue and cost synergies. The Agora Group increases the scale of its operations and constantly undertakes actions aimed at integrating business processes within its structure. Failure to implement the Group's plans regarding past or future acquisitions or delay in the process of integration of acquired companies may result in the loss of key employees and disrupt the current operations of individual business segments. This may have a negative impact on the realization of the assumed benefits related to already made or potential acquisitions. Incorporation of new entities into the capital group may also result in additional unforeseen costs or problems in the integration process. The above circumstances may have an adverse effect on the results of the Agora Group, its financial position and development prospects.

**Risk of claims as a result of intellectual property rights infringement**

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

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

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

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

Additionally, tax regulations in Poland are a subject to often changes. Changes in VAT and other kinds of tax burden may negatively impact the operations and financial results of the Group.

The Group is also a subject of risk in changes of tax rules interpretation by tax organs which may affect operations and financial results of the Group.

**Risk related to proceedings before supervisory authorities**

As part of its business operations, the Agora Group is regularly monitored by institutions supervising specific areas of its operations. In the Company's opinion, all activities undertaken by the Group are in accordance with applicable law, which is why - despite the fact that the Company currently does not expect that any of the proceedings to which it is a party may have a significant negative impact on its financial position and results of operations - neither is it certain that the final result of current or future proceedings will not have such an effect on the results or financial situation of the Group

**Impairment tests**

Inline with the *International Financial Reporting Standards*, the Group runs impairment tests. In the past and in the current period, some of the tests resulted in impairment loss which was reflected in the income statement (unconsolidated and/or consolidated). There is no certainty that the tests run in the future will give positive effects.

**► Currency risk**

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

**► Interest rate risk**

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

**► Risk of losing key employees**

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

**► The risk of collective dispute**

On December 12, 2011 an Inter-union trade organization *NSZZ Solidarnosc* AGORA S.A. i INFORADIO SP. Z O.O. ("OM") was created. The trade unions operate in Agora S.A., Inforadio Sp. z o.o., Agora Poligrafia Sp. z o.o., AMS S.A., Domiporta Sp. z o.o. and Grupa Radiowa Agory Sp. z o.o. In December 2018 OM included GoldenLine Sp. z o.o. and in January 2019 Tandem Media Sp. z o.o. According to the law requirements the management boards of the companies in which trade unions operate consult or negotiate with them decisions in legally determined cases. The Group tries to maintain good relations with its employees and solve any problems as they appear, however it can not be excluded that in the future the Group may experience a collective dispute in law determined cases.

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

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

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

#### **14. FACTORS AND UNUSUAL EVENTS WHICH HAD INFLUENCE ON THE RESULTS OF BUSINESS ACTIVITIES FOR 2019 WITH THE ESTIMATION OF THEIR INFLUENCE**

In 2019, the factors that had a negative impact on the Group's results were: the provision related to group layoffs in Agora Poligrafia and in Agora S.A. in the amount of PLN 5.6 million and an impairment write-off on assets in GoldenLine Sp. z o.o. in the amount of PLN 7.4 million.

#### **15. LEGAL ACTIONS CONCERNING LIABILITIES OR DEBTS OF THE ISSUER OR ITS SUBSIDIARIES**

In 2019, there were no significant legal actions in court, competent authority for arbitration procedures or public institutions related to liabilities or debts Agora S.A. or its subsidiaries.



## 16. INFORMATION ON PURCHASE OF OWN SHARES

In 2019, the Issuer did not conduct a program of purchasing own shares.

## 17. DIVISIONS OF THE COMPANY AND OF ITS SUBSIDIARIES

Agora S.A. has 18 divisions and the major headquarters in Warsaw. Other companies from the Group do not have local divisions.

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

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

## 19. ISSUING OF SECURITIES

In 2019 the Company did not issue any securities.

## 20. OTHER INFORMATION

### ► Conclusion of a property sale contract.

**In the current report of February 6, 2020,** The Management Board of Agora S.A. with its registered seat in Warsaw („Agora”, „Company”) informed that on February, 5th 2020 the Company concluded an agreement to sell ownership rights to plot of land number 133, precinct: 4-07-05, area 0.4623 ha, constituting part of the real estate for which the District Court for Warsaw - Mokotów in Warsaw, IX Land and Mortgage Register Department keeps land and mortgage/land registration No. WA3M / 00516612/1 (former No. WA3M / 00171401/8), together with the main building and buildings placed on the above plot of land („Property”) and a contract for the sale of ownership rights of selected movables, specified in detail in the transaction documentation („Movables”).

The decision to sell Property and Movables results from the fact that the Company does not effectively use the entire area of Real Estate for operating activities.

At the same time, the Management Board of the Company informed that the process of Property contract conclusion, which resulted in signing the Agreement, have been recognized as a process extended in time. In the course of this process, the Company has identified intermediate stages, each of which meets the criteria of confidential information. The provision of confidential information on the intermediate stages in the process of contract conclusion was delayed until the conclusion of an agreement for the sale of Property and Movables, pursuant to Article 17 clause 1 and 4 of the Regulation of the European Parliament and of the Council No 596/2014 of 16 April 2014 on market abuse (Market Abuse Regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC („MAR”) and Article 4 of Commission Implementing Regulation (EU) 2016/1055 of 29 June 2016 laying down implementing technical standards with regard to the technical means for appropriate public disclosure of inside information and for delaying the public disclosure of inside information in accordance with Regulation (EU) No 596/2014 of the European Parliament and of the Council („Implementing Regulation”), due to the protection of the Issuer's legitimate interest, i.e. the risk of negative impact of providing the information on the possibility of completing an agreement of sale of Property and Movables by the Company. One of the intermediate stages was conclusion of preliminary agreement of sale of ownership rights to Property, accompanied by conclusion of the contract to sell ownership rights of selected movables.

Total amount of inflow from sale of all assets amounted to PLN 11.0 million net, and its impact on the operating result of the Agora Group in 1Q2020 shall amount to ca PLN 6.6 million.



The following intermediate stages of the negotiation process were delayed:

- of 26 November 2019 commencing negotiations on the sale of Property and Movables
- of 9 December 2019 preliminary agreement of sale of ownership rights to plot of land number 133, precinct: 4-07-05, area 0.4623 ha, constituting part of the real estate for which the District Court for Warsaw - Mokotów in Warsaw, IX Land and Mortgage Register Department keeps land and mortgage/land registration No. WA3M / 00171401/8, together with the main building and buildings placed on the above plot of land („Property”) and the ownership rights of selected movables, specified in detail in the transaction documentation („Movables”).

The content of the delayed confidential information was published on the Company's website.

■ **The agreed plan of merger of Agora S.A. and Agora-Poligrafia sp. z o.o. and first notice to shareholders of intention to merge.**

**In the current report of February 12, 2020** the Management Board of Agora S.A. informed that on February 12, 2020 Agora agreed with Agora-Poligrafia sp.z o.o. („Agora-Poligrafia”) the merger plan („Merger Plan”) between the companies.

According to the Merger Plan, the merging entities are Agora („the Acquiring Company”) and Agora-Poligrafia („the Acquired Company”). The merger will take place in accordance with art. 492 § 1 item 1 of the Polish Commercial Companies Code (the „CCC”), i.e. by transferring all assets of the Acquired Company to the Acquiring Company. The merger will also take place under a simplified procedure pursuant to art. 516 § 6 of the CCC, without increasing Agora's share capital, as well as without changing the Company's statute, because Agora is the only shareholder of Agora Poligrafia.

In accordance with art. 516 § 5 of the CCC, the merging companies do prepare reports of the Management Boards justifying the merger and the Merger Plan will not be verified by a certified auditor as to its correctness and reliability.

Along with this regulatory filing, Agora will publish the Merger Plan, prepared on the basis of art. 499 and the following CCC. In accordance with art. 500 § 21 CCC, the Merger Plan is available on the websites of Agora (agora.pl) and Agora-Poligrafia (agorapoligrafia.pl).

The decision to merge companies is justified by the need to consolidate assets in the Acquiring Company. Until July 2019, the Acquired Company provided, among others printing services, employing staff specialized in these activities. Currently, the Acquired Company only manages its fixed assets and provides space rental services related solely to these assets, mainly for the Acquiring Company and related companies. At the end of February 2020, the last contract of employment will be terminated at the Acquired Company's workplace and the management of its assets will be taken over by Agora S.A.

Accordingly, the merger is a natural consequence of the changes described above. Its purpose is to simplify the organizational structures of the Acquiring Company capital group, which will improve management and eliminate some unnecessary processes, and as a result reduce the costs of managing the assets of the Acquired Company.

The Management Board of Agora S.A. hereby informed that in accordance with article 504 § 1 and § 2 of the Polish Commercial Companies Code (the „CCC”), notified for the first time on the intention to merge Agora (the Acquiring Company) with Agora-Poligrafia (the Acquired Company) on the Company's website.

**In the current report of February 28, 2020** the Management Board of Agora S.A. informed that in accordance with article 504 § 1 of the Polish Commercial Companies Code (the „CCC”), notified shareholders for the second time on the intention to merge Agora (the Acquiring Company) with Agora-Poligrafia (the Acquired Company). First notice of intention to merge was published in a regulatory filing 6/2020 dated 12 February 2020.

As a result of the merger, on the date of entry in the National Court Register, Agora will take over all of Agora-Poligrafia's assets through universal succession.

Pursuant to Art. 505 § 31 of the CCC, the Company, respecting the shareholders' right to information about the merger, makes available on its website ([agora.pl/en](http://agora.pl/en)): (i) financial statements and reports of the Board accompanied by opinions and reports of a certified auditor for the last three financial years, (ii) Merger Plan with attachments. These documents constitute an attachments to the regulatory filing 6/2020, available on the Company's website. Shareholders can also familiarise themselves with the documents on the Agora-Poligrafia's website ([agorapoligrafia.pl](http://agorapoligrafia.pl)).

Pursuant to art. 499 of the CCC, with regard to the fact that Agora is a public listed company and in line with the regulations on public offering and conditions for introducing financial instruments to organized trading system and on public companies, it publishes and presents to shareholders semi-annual financial reports, it is not required for the Acquiring Company to prepare information on its book value prepared for the purpose of the merger according to art. 499 § 2 point 4 of CCC.

The Extraordinary General Meeting with Shareholders of the Acquiring Company, whose agenda includes a resolution on the merger, was convened by the Acquiring Company on March 27, 2020 in regulatory filing 07/2020 dated 28 February 2020.

#### ■ Information on impairment tests conducted.

**In the current report of February 6, 2019**, the Management Board of Agora S.A. informed that in accordance with the requirements of the International Financial Reporting Standards, the Agora Group ('The Group') was in the process of verifying the valuation of its assets, among other things, on the basis of long-term financial forecasts for individual segments of the Group.

The analyses performed showed that impairment losses had to be recognized on assets in the Print and Internet segments. The total amount of the impairment losses recognized had an impact on the net profit of both the Company and the Agora Group for the fourth quarter of 2018. The impact of the abovementioned impairment loss on net result of Agora S.A. amounts to approximately PLN 9 million and on consolidated net result of the Agora Group amounts to PLN 5.6 million.

The individual amounts of the remaining impairment losses were not significant from the Company's and the Agora Group's perspective. The Company also decided to write-off the remaining part of receivables from RUCH SA which were at risk of being uncollectible. The impact of this write-off on the net profit of both Agora S.A. and the Agora Group amounted to PLN 3.3 million in the fourth quarter of 2018. The total negative impact of all one-off events amounted to ca. PLN 14.3 million on Agora's net profit and ca. PLN 11.4 million on the Agora Group's net profit.

**In the current report of January 17, 2020**, the Management Board of Agora S.A. informed that the Agora Group ("the Group") was in the process of verifying the valuation of its assets in accordance with the International Financial Reporting Standards, inter alia on the basis of an analysis of long-term financial forecasts for the individual business segments of the Group, the possible recoverable residual value of assets and the review of other assumptions made in the asset valuation models.

The above mentioned analyses show the necessity for revision of the value of assets in GoldenLine company and the value of Agora's stake in that company due to, inter alia, failure to achieve financial and operating targets by the company in 2019. The Management Board of Agora S.A. decided to write off the value of assets in the company to their estimated recoverable value.

The company estimates that the impact of impairment of assets in GoldenLine company on Agora's net result shall amount to ca PLN 11.2 million. The impact on the consolidated net financial result of the Agora Group shall amount to ca PLN 6.5 million and on the Group's operating result on the EBIT level to ca PLN 7.4 million in the fourth quarter of 2019.

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

**In the current report of March 5, 2019**, the Management Board of Agora S.A. informed that on March 5, 2019, in accordance with the provisions of the Act of March 13, 2003 on Special Rules for Termination of Employment for Reasons Not Attributable to Employees, the Management Board adopted a resolution on initiating the consultation procedure relating to group layoffs with the trade unions operating in the Company. Additionally, in accordance with the Act of April 7, 2006 on informing and consulting employees, consultations were also conducted with the works councils of the Company and Agora Poligrafia Sp. z o.o.

Agora's decision to undertake optimization measures, including group layoffs, was related to the ongoing decrease in revenues from the sale of print services in the coldset technology in which Agora Group's printing plants specialized. 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. Orders from clients from other market segments, including those executed in the heatset technology, have a significantly lower contribution to the Group's revenue from the printing activity; due to infrastructural constraints, they never were nor are able to compensate the decrease in revenues from coldset printing services.

Considering the prospects for coldset printing services and the progressing digitization of the 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 was necessary to take decisive optimization measures aimed at concentrating Agora's printing business in the Warsaw printing plant and gradually phasing out the operating activity of the printing plants in Pila and Tychy until June 30, 2019. The printing plant in Warsaw offers the largest range of printing services both in coldset and heatset technologies, thereby it most fully meets the needs of Agora and its customers. A decrease in the scale of Agora Group's printing business entails a significant reduction in employment in the Print segment.

The Management Board of Agora intended to lay off up to 153 employees, mainly in the Print segment of the Agora Group (which represented 57% of all employees of this segment, including 90% of employees in the Tychy print plant and 90% of employees in the Pila print plant, as at March 1, 2019) within up to 30 days from the date of signing an agreement on the terms and conditions of group layoffs with the trade unions and works councils of both companies in which the layoffs will take place. On March 5, 2019, the Management Board of Agora requested that the trade unions operating at the Company and the works councils operating in Agora S.A. and in Agora Poligrafia Sp. z o.o. participate in consultations on the said matter, and notified the relevant Labour Offices of its intention to conduct group lay-offs in Agora S.A. and Agora Poligrafia Sp. z o.o.

**In the current report of March 25, 2019**, with reference to current report no. 5/2019 of March 5, 2019, the Management Board of Agora S.A. informed about:

- concluding on March 25, 2019 trilateral agreements ('Agreements') with trade unions operating at the Company (in compliance with the provisions of article 3, Section 1 of the Act of March 13, 2003 on Special Rules for Termination of Employment for Reasons Not Attributable to Employees) and with work councils in the Company and in Agora Poligrafia Sp. z o.o. (which constitute agreements as specified in the Act of April 7, 2006 on informing and consulting employees);
- adopting by the Management Board of the Company, on March 22, 2019, a resolution to execute group lay-offs in the Print segment of the Agora Group, in accordance with the provisions of the Agreements.

The group lay off was executed between March 25 and April 23, 2019 and covered 147 employees, mainly of the Print segment of the Agora Group (which represented 56% of all employees of this segment, including 89% of employees of Agora S.A.'s Pila print plant and 88% of employees of Agora Poligrafia Sp. z o.o.'s Tychy print plant, as at March 1, 2019).

Under the Agreements concluded, the dismissed employees received wider support than that resulting from the applicable laws. Additional cash benefits equal to the gross basic salary received by an employee during the notice period, plus a compensation equal to 2-month's gross basic salary of the employee, was added to the severance pay resulting from the applicable law, provided that the employee actually performed work during the notice period. On the same terms, the Company and Agora Poligrafia Sp. z o.o. dismissed their employees who will still be

employed in the printing plants in Tychy and Pila after June 30, 2019. Employees were also covered by protective measures, including job search support and retraining.

In accordance with the requirements of the law, the Company submitted appropriate information, including the contents of the Agreements signed, to the Poviát Labour Office.

The Company implemented these changes taking care of the employees by offering them a number of protective and supporting measures.

The provision for group lay-offs which will be charged to the Agora Group's result in 1Q2019 amounted to ca. PLN 5.6 million.

► **Recommendation of the Management Board of Agora S.A. about pay dividend.**

**In the current report of May 14, 2019**, the Management Board of Agora S.A. informed about adoption of the resolution on May 14, 2019 to recommend to the General Meeting of Shareholders payment of dividend in the amount of PLN 23,290,415.50 (PLN 0.50 per one share).

The dividend was paid in part from the net profit for the financial year 2018, and in part from the supplementary capital of the Company.

The proposed dividend day was July 12, 2019, and the proposed distribution date – August 1, 2019.

The proposed period between the date of setting the right to dividend and the date of payment of the dividend does not exceed the period of 15 working days, as recommended by the Best Practices of companies listed on the Warsaw Stock Exchange.

The above recommendation of the Company's Management Board was consistent with the dividend policy announced by the Company on February 14, 2005 and was based on the analyses of Agora's financial situation and its balance sheet structure in the context of the Company's main objectives for the coming years, including further development projects.

The above application received a positive opinion of the Supervisory Board. The recommendation of the Company's Management Board was presented to the General Meeting of Shareholders of the Company, which made the final decision on these matters.

**In the current report of June 12, 2019**, the Management Board of Agora S.A. informed that the Annual General Meeting of the Company held on June 12th, 2019 adopted a resolution on dividend payment. The amount of PLN 23,290,415.50 was allotted for dividend, i.e. PLN 0.50 per one share. All shares of the Company, in the number of 46,580,831 were entitled to the dividend.

Record date was July 12, 2019, payment date was August 1, 2019

► **General Meeting of Shareholders of Agora S.A.**

**In the current report of May 16, 2019**, the Management Board of Agora S.A. informed about convening, for June 12, 2019, at 11 a.m., the Ordinary General Meeting of Shareholders of Agora S.A. ("General Meeting of Shareholders").

**In the current report of May 16, 2019**, draft resolutions were published, subject to submission to the General Meeting of Shareholders.

**In the current report of June 5, 2019**, the Management Board of Agora SA informed that on June 5, 2019, it received by the Company in accordance with the provisions of § 21 section 1 (a) (i) of the Company's Statute, proposal from a shareholder of the Company - Agora-Holding Sp. z o. o., shareholder holding 100% of preferred series A registered shares, including candidates for the Company's Supervisory Board: Mr. Dariusz Formela, Mr.

Tomasz Sielicki, Mr. Andrzej Szlezak, Mrs. Wanda Rapaczynski, Mr. Maciej Wisniewski. Detailed CVs of the candidates have been published on the Company's website.

**In the current report of June 5, 2019**, the Management Board of Agora SA informed that on June 5, 2019 it received information that according to § 21 section 1 (a) (ii) of Company's Statute, Company's shareholder - Powszechne Towarzystwo Emerytalne PZU S.A. representing Otwarty Fundusz Emerytalny PZU "Złota Jesien", submitted the candidature of Mr. Tomasz Karusewicz to the Supervisory Board of Agora SA. Detailed CV of the candidate has been published on the Company's website.

**In the current report of June 12, 2019**, the Management Board of Agora S.A. informed the public about the contents of the resolutions adopted by the General Meeting of Shareholders, including the resolutions concerning: (i) appointment of Mr. Dariusz Formela, Mr. Tomasz Sielicki, Mr. Andrzej Szlezak, Mrs. Wanda Rapaczynski, Mr. Maciej Wisniewski and Mr. Tomasz Karusewicz for the Supervisory Board a joint term starting with the end of this General Meeting, which will expire on the day of the General Meeting approving the financial statements for 2021, (ii) appointing Andrzej Szlezak as the Chairman of the Supervisory Board of Agora SA, (iii) changes in the monthly remuneration for members of the Supervisory Board.

**In the current report of June 12, 2019**, the Management Board of Agora S.A. informed that at the General Meeting of Shareholders held on June 12, 2019, the following shareholders held more than 5% of votes at that general meeting:

- Agora-Holding Sp. z o.o.: 22,528,252 votes, i.e. 48.89% of votes at that Ordinary General Meeting of Shareholders and 35.36% of the total number of votes;
- Otwarty Fundusz Emerytalny PZU "Złota Jesien": 8,126,000 votes, i.e. 17.63% of votes at that Ordinary General Meeting of Shareholders and 12.76% of the total number of votes;
- MDIF Media Holdings I, LL: 5,355,645 votes, i.e. 11.62% of votes at that Ordinary General Meeting of Shareholders and 8.41% of the total number of votes;
- Nationale-Nederlanden Otwarty Fundusz Emerytalny: 4,480,000 votes, i.e. 9.72% of votes at that Ordinary General Meeting of Shareholders and 7.03% of the total number of votes.

**In the current report of June 12, 2019** the Management Board of Agora SA informed that on June 12, 2019, pursuant to art. 385 § 1 of the Commercial Companies Code and the provisions of § 20 and 21 of the Company's Statute, the Company's General Meeting appointed: Ms. Wanda Rapaczynski, Mr. Andrzej Szlezak, Mr. Maciej Wisniewski, Mr. Tomasz Sielicki, Mr. Dariusz Formela, and Mr. Tomasz Karusewicz for the Supervisory Board.

**In the current report of June 26, 2019**, the Management Board of Agora S.A. communicated the content of the replies given on 26 June 2019 to shareholder's questions, submitted in accordance with art. 428 couples 5 of the Code of Commercial Companies. The content of the questions and answers provided was published on the Company's website.

**In the current report of February 28, 2020**, the Management Board of Agora S.A. informed about convening, for March 17, 2020, at 11 a.m., the Extraordinary General Meeting of Shareholders of Agora S.A. ("General Meeting of Shareholders").

**In the current report of February 28, 2020**, draft resolutions were published, subject to submission to the General Meeting of Shareholders.

#### **■ Appointment of a registered audit company**

**On 7 November 2019**, the Company's Supervisory Board appointed a registered audit company. By resolution of the Supervisory Board and in accordance with the provisions of the Company's Articles of Association, KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa, with its registered seat in Warsaw at ul. Inflancka 4A, a registered audit company with the reference number 3546, was appointed registered auditor to the Company and the Group, which will audit the financial statements for 2020, 2021 and 2022.

► **Dates of publication of periodic reports in 2020**

**In the current report of January 29, 2020**, The Management Board of Agora S.A. ("Company") announced the publication dates of Agora Group's periodic reports in 2020.

At the same time, the Company announced that it will not:

- (i) publish separate stand-alone quarterly reports. Consolidated quarterly reports of the Agora Group will include condensed consolidated quarterly financial statement.
- (ii) published an individual semi-annual report, therefore, the consolidated semi-annual report will include a condensed semi-annual financial statement along with the report of the entity authorized to audit the statements and abridged additional information,.
- (iii) publish consolidated quarterly report for the fourth quarter of 2019 and second quarter of 2020.

► **Correction of Annual Report for 2018.**

**In the current report of April 10, 2019**, the Management Board of Agora SA informed that due to technical reasons during the publication of the annual report for 2018 on March 8, 2019, the attachment containing, among others, evaluation of the Company's Supervisory Board compliance of the financial statements of the Company and the Agora Group for 2018 and the report of the Agora SA Management Board on the business of Agora SA and Agora Group S.A. with books, documents and actual status was not attached.

Other documents and data included in the unconsolidated and consolidated annual report for 2018 submitted by the Company on March 8, 2019 have not changed.

Taking the above into account the Company hereby provides mentioned above evaluation and will publish a supplemented version of consolidated and unconsolidated annual report for 2018 with all attachments.

► **Loan for an associated company.**

**On February 28, 2019**, Agora S.A., as a Lender, concluded a loan agreement with Hash.fm sp. z o.o. with its registered office in Warsaw, as a Borrower. Based on the agreement, Agora S.A. granted a cash loan of PLN 800,000.00 repayable by the Borrower in quarterly instalments until December 31, 2022. The interest rate on the loan corresponds to market conditions. The loan has been secured by, among others, a pledge established on a part of the shares owned by a shareholder of Hash.fm Sp. z o.o. As at December 31, 2019, it was covered by a write-down of PLN 600,000.



## **VI. REPORT AND DECLARATION RELATING TO AGORA S.A. COMPLIANCE WITH THE CORPORATE GOVERNANCE RULES IN 2019**

This Statement and Report on compliance with corporate governance rules at Agora S.A. in 2019 has been prepared on the basis of § 70(1)(14) of the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state.

### **1. CORPORATE GOVERNANCE CODE APPLICABLE TO THE COMPANY IN 2019**

In 2019, the Company complied with all rules set out in the Code of Best Practice. The recommendation on providing shareholders with the possibility to participate in general meetings using electronic communication means (IV.R.2), as regards enabling shareholders to participate through real-time bilateral communication where shareholders may take the floor during a general meeting from a location other than the general meeting, was complied with by means of a dedicated e-mail address.

### **2. RECOMMENDATIONS FOR BEST PRACTICE FOR LISTED COMPANIES**

#### **3.1. Disclosure policy and investor communications**

In terms of the information policy pursued, the Company complies with the recommendations by providing anyone interested with an easy and non-discriminatory access to information through a variety of communication tools.

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

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

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

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

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

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



Serving on the Management Board of the Company is the main area of the professional activity of Management Board members. The division of responsibilities for individual areas of the company's activity among Management Board members is published by the Company on its corporate website. As part of the division of duties between members of the board in 2019, one of them also served as the president of the management board of the subsidiary Helios S.A., which is part of the business segment directly supervised by him. It is currently the largest enterprise in the scale of the Group. In the opinion of the Management Board, this supports the effective implementation of the development plan of the Movies and Books segment, as well as the entire enterprise of the issuer.

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

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

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

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

At the same time, the Supervisory Board reviews and issues opinions on matters to be discussed at the general meeting. Representatives of the Supervisory Board always participate in the General Meeting in a composition enabling them to answer any questions from shareholders, to the extent permitted by the applicable law. In 2019, the Supervisory Board was represented at the General Meeting by its Chairman, Mr. Andrzej Szlęzak.

Each year, the Supervisory Board also prepares a report on its activities in the financial year. The Board will also prepare the report on its activities in 2019. This report will comprise information on: composition of the Board and its Committees, the Board members' fulfilment of the independence criteria, number of meetings of the Board and its Committees in the reporting period and self-assessment of the Supervisory Board's performance. The Supervisory Board will also present its assessment of the company's compliance with the disclosure obligations concerning compliance with the corporate governance principles defined in the Exchange Rules and the regulations on current and periodic reports published by issuers of securities, as well as an assessment of the rationality of the company's policy for sponsorship, charity or other similar activities or information about the absence of such policy.

Where there is any relationship between a member of the Supervisory Board and any shareholder who holds at least 5% of the total vote in the company, such member notifies the Company's Management Board and other members of the Supervisory Board of this fact. On September 5, 2019, Mr. Tomasz Karusewicz, acting on the basis of detailed principle II.Z.5 of the Good Practices of WSE Listed Companies 2016 (hereinafter: "DPSN 2016") submitted a declaration of non-compliance with the independence criteria indicated in principle II.Z.4 DPSN 2016, which makes the criterion of compliance with independence, in particular, subject to: (i) meeting the requirements set out in Annex II to the European Commission Recommendation 2005/162/EC of February 15, 2005 regarding the

role of non-executive or supervisory directors of listed companies and board committees (supervisory) and (ii) compliance with the requirement of being unrelated to a shareholder holding at least 5% of the total number of votes in the company. Bearing in mind the connection of Mr. Tomasz Karusewicz with Universal Pension Company PZU SA, i.e. a shareholder holding over 5% of votes at the general meeting of Agora SA, the Supervisory Board of the Company adopted on September 5, 2019, Resolution No. 4, in which Mr. Tomasz Karusewicz was found not to meet the abovementioned independence requirements. The same happens in the event of a conflict of interest or the possibility of its arising.

The same applies if there is a conflict of interest or a potential conflict of interest.

### 3.3. General meeting and shareholder relations

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

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

The company aims to hold an ordinary general meeting as soon as possible (also taking into account the organization of the Agora Group's operations) after the publication of the annual report, taking into account the relevant legal provisions. On June 12, 2019, the General Meeting of the Company, convened at the request of the Management Board, met at its headquarters in Warsaw, and all documents related to its organization and course, including video recording, were on the Company's corporate website. Its course was in accordance with the provisions of the Code of Commercial Companies and the regulations of the General Meeting. Members of the Management Board and Supervisory Board and the auditor present during the meeting were ready to provide explanations regarding their competences and legal provisions. Shareholders' questions asked during the general meeting and the answers given to them are available to everyone by transmitting the course of the general meeting in real time. In addition, when the need arises, the Company draws up a list of questions asked before and during the general meeting and the answers to these questions. Answers to questions are provided by representatives of the Management Board and Supervisory Board of the Company present at the general meeting. During the General Meeting on June 12, 2019, one of the shareholders addressed questions to the Company's Management Board pursuant to art. 428 § 5 of the Commercial Companies Code. The company answered the questions on June 26, 2019 in the form of a regulatory filing. At the same time, the responses were published in the section on the General Meeting, which contained all information and documents regarding this general meeting of shareholders.

During the Ordinary General Meeting of the Company held in 2019, no amendments were made to the rules of the General Meeting and the Company's Statutes.

The General Meeting approved the Company's annual separate and consolidated financial statements for the financial year 2017 and the Management's Report on the Company's activities in the financial year 2018 and adopted the payment of dividend for the shareholders in the amount of PLN 23 290 415,50.

The General Meeting determined the number of members of the Supervisory Board of the term of office beginning with its termination for 6 persons, appointing to its composition: Andrzej Szlezak, Tomasz Sielicki, Dariusz Formela, Maciej Wisniewski, Tomasz Karusewicz and Wanda Rapaczynski. Andrzej Szlezak was elected the Chairman of the Company's Supervisory Board.

For several years, the Company has provided real-time broadcast of the general meeting in Polish and in English. During general meeting held in 2019, the Company provided shareholders with the possibility of bilateral real-time communication using electronic means of communication via a dedicated e-mail address. Due to significant

financial and technological expenditure and potential legal doubts, the Company does not enable shareholders to exercise, in person or by proxy, their voting rights during the general meeting using electronic means of communication.

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

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

The General Meeting of Agora ("GM") acts on the basis of the Commercial Companies Code and Agora's Statutes. Pursuant to Section 16(2) of the Statutes, the GM may adopt the Rules of the General Meeting, setting out the rules of its operation. The adoption, amendment or revocation of the Rules require three-quarters of the votes cast to be valid. The Rules of the GM is available at URL: <https://www.agora.pl/media/Dokumenty/By-laws%20of%20the%20General%20Meeting%20of%20the%20Shareholders%20of%20Agora%20SA.pdf>. The GM is convened in accordance with the provisions of the Code of Commercial Companies.

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

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

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

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

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

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

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

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

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

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

Bearer shares may not be converted into registered share.

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

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

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

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

##### **5.1. Management Board**

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

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

Pursuant to § 35 of the Statutes, members of the Management Board are bound by a non-competition clause. In particular, they may not engage in any competitive business or participate in such business as its participant, shareholder or member of its governing bodies. This prohibition does not pertain to the participation by members

of the Management Board in supervisory and management bodies of competing entities in which the Company directly or indirectly holds any shares and the acquisition by members of the Management Board of no more than 1% of the shares in competing public companies.

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

- Bartosz Hojka - President of the Management Board,
- Tomasz Jagiełło - Member of the Management Board,
- Agnieszka Sadowska - Member of the Management Board,
- Anna Kryńska-Godlewska - Member of the Management Board,
- Grzegorz Kania - Member of the Management Board.

The term of office of the current management board will expire on the day of the General Meeting of the Company approving the financial statements for 2022.

#### **Bartosz Hojka**

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

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

Born in 1974, graduate of journalism faculty at the University of Silesia.

#### **Tomasz Jagiełło**

Since 28 June 2013, a member of Agora's Management Board. He supervises Helios, NEXT FILM and Agora's Publishing House, as well as the General Counsel department of Agora. He is a member of the Supervisory board of AMS S.A. Tomasz Jagiełło is the founder and president of the management board of Helios S.A., the largest cinema operator in Poland in terms of the number of cinemas. Co-founder of the company's success, from the beginning responsible for its development and strategy. He represented the company during the acquisition of 5 cinemas from the Kinoplex network in 2007 and during the acquisition of a majority stake in Helios by Agora SA in 2010. He was one of the initiators of establishing the company NEXT FILM Sp. z o.o., so that Helios has expanded its activities into film distribution market.

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

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

#### **Agnieszka Sadowska**

Member of Agora's Management Board since 1 March 2017. She supervises majority of the Group's operating segments: the Internet, Press and Outdoor segments, Data Strategy and Analysis department.

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

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

In 2013–2018, Agnieszka Sadowska was developing television business in the Agora Group, including development of Stopklatka TV, a TV channel run in cooperation with Kino Polska TV S.A. She was the President of the Management Board of Green Content Sp. z o.o. which received a license to broadcast the METRO channel. Agnieszka Sadowska also participated in the process of acquisition by Agora of strategic investor for the development of METRO, as well as in the subsequent sale of the channel to Discovery Poland.

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

#### **Anna Kryńska-Godlewska**

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

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

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

#### **Grzegorz Kania**

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

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

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

## **5.2. Supervisory Board**

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

Members of the Supervisory Board are appointed for a joint term of office of three years. Consequently, the term of office of the previous Supervisory Board expired on the date of the Company's General Meeting approving the financial statements for 2018, i.e. on 20 June 2019. On the same day, the General Meeting of the Company's



Shareholders appointed the current Supervisory Board whose term of office will expire on the date of the Company's General Meeting approving the financial statements for 2021.

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

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

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

- Andrzej Szlezak – Chairman of the Supervisory Board,
- Tomasz Karusewicz – Member of the Supervisory Board,
- Dariusz Formela – Member of the Supervisory Board,
- Wanda Rapaczynski – Member of the Supervisory Board,
- Tomasz Sielicki – Member of the Supervisory Board,
- Maciej Wisniewski – Member of the Supervisory

**Andrzej Szlezak, Ph.D.**

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

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

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

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



**Tomasz Karusewicz**

A graduate of the University of Szczecin, Faculty of Economic Sciences and Management - specializing in enterprise management. He also completed postgraduate studies at the Warsaw University of Technology - IT resource management at the Institute of Control and Computation Engineering and Executive Master of Business Administration studies at the French Institute of Management.

He also has the qualifications of an internal auditor and the right to sit on the supervisory boards of state-owned companies.

He was associated with, among others with the Ciech Group (in 2006-2008). He served as deputy director of the Corporate Supervision Office and later a member of the Supervisory Board of Ciech S.A. He was also a member of supervisory boards in the Ciech Group companies, i.e. Zakłady Chemiczne Alwernia S.A. and Ciech Polfa Sp. z o.o. In 2007-2009 he was employed as the deputy director of the Foreign Investment Office (Business Development Office) at PZU S.A. In the period 2010-2012 he was associated with Telewizja Polska S.A., first as the deputy director of the Management Board and Corporate Affairs Office, then as the director of the Audit and Internal Control Office.

In addition, he sat on the supervisory board, including of Enea S.A. with its registered office in Poznań, IKS Solino S.A., Zakłady Azotowe w Tarnów - Mościce S.A. (currently Grupa Azoty S.A.), ZWiK w Szczecinie Sp. z o.o. He also served on the supervisory board and the management board of PWPW S.A.

In 2016-2019 he was again a member and later chairman of the supervisory board of Grupa Azoty S.A.

From 2016, he was again associated with the PZU Group. He was appointed a member of the management board of PZU Życie S.A. and the director of the PZU S.A. Group, where he oversaw the Information Technology Division and the Operations Division. Currently, he is a member of the management board of the Mutual Insurance Association Polish Mutual Insurance Company in the PZU Group.

**Dariusz Formela**

Since 1 September 2018 he is a member of Management Board of the Black Red White S.A. with its registered office in Biłgoraj and since 1 December 2018 he is a president of that company.

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

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

Dariusz Formela is a chairman of the Audit Committee in Agora's Supervisory Board and since August 9<sup>th</sup>, 2018 a member of the Human Resources and Remuneration Commission.

**Wanda Rapaczynski**

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

In 1984–1992, she was the Head of New Product Development in Citibank NA in New York. Previously, for two years she was the director of a research project at the Faculty of Psychology at Yale University, and in 1977–1979 a

research worker at Educational Testing Service in Princeton, New Jersey. Her professional career began as a psychology lecturer at universities in New York and Connecticut.

She was a member of the Supervisory Board of Adecco S.A. since 2008 to 2018, a Swiss company operating internationally, specialized in recruiting activities, where she chaired the Corporate Governance Committee. For years she was a member of the Council of the Central European University in Budapest, where she chaired its Audit Committee. She was also a member of the International Advisory Council at the Brookings Institution in Washington for many years. Since 2002 she has been a member of Polish Group in the Trilateral Commission.

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

#### **Tomasz Sielicki**

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

He is a member of, among others, the Information Society Development Foundation Council, Council of the Gessel Foundation for the National Museum in Warsaw, Trilateral Commission and Public Affairs Institute and Supervisory Board of Ovid Works S.A.

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

#### **Maciej Wisniewski**

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

Since December 2018 he has been a chairman of The Board Of Directors in MacroEquity Global Investments UCITS SICAV.

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

Maciej Wisniewski is a chairman of the Human Resources and Remuneration Commission and a member of the Audit Committee in Agora's Supervisory Board.

### **5.3 Committee and Commission established within the Supervisory Board**

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

#### *(i) Audit Committee:*

- **Dariusz Formela** – Chairperson of the Audit Committee, an independent member of the Supervisory Board with knowledge and skills in the field of accounting acquired in the course of current professional activity,
- **Tomasz Sielicki** – a member of the Supervisory Board with knowledge about the business which the Company operates,
- **Maciej Wisniewski** – an independent member of the Supervisory Board with knowledge and skills in the field of accounting acquired in the professional education in the Faculty of Finance and Banking at the Warsaw School of Economics and the Faculty of Finance at London Business School as well as in the course of current professional activity.

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

systems, internal audit and risk management, and performing supervisory activities with respect to monitoring the independence of external auditors.

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

The meetings of the Audit Committee are convened when necessary, but at least four times per year. In 2018 the Audit Committee was convened ten times.

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

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

Pursuant to a resolution of the Supervisory Board of 30 March 2017 and in accordance with the provisions of the Company's Statutes, KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered office in Warsaw at ul. Inflancka 4A, a registered audit entity No 3546, was selected as the Company's statutory auditor who will audit the financial statements for 2017, 2018 and 2019. The auditor was selected prior to entry into force of provisions on the statutory obligation to conduct the audit firm selection process pursuant to the Act on Statutory Auditors, Audit Firms and Public Supervision of 11 May 2017. Pursuant to the resolution of the Supervisory Board of November 7, 2019 and in accordance with the provisions of the Company's Articles of Association, KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa based in Warsaw at 4A Inflancka Street, entered on the list of entities authorized to audit financial statements with the number 3546, was chosen as the certified auditor of the Company and the Group who will examine the financial statements for 2020, 2021 and 2022. This selection was made in accordance with the Policy of selecting the audit company to audit financial statements of Agora SA and Agora S.A. Capital Group

In December 2017, the Supervisory Board of the Company adopted, in the form of a resolution, the "Policy on selection of the audit firm for auditing the financial statements of Agora S.A. and Agora S.A. Capital Group", which also included provisions concerning the policy for the provision by the audit firm conducting the audit, by entities associated with this audit firm and by a member of the audit firm network of permitted non-audit services, and "Procedure of selection of the audit company in Agora S.A. and the Agora S.A. Capital Group". The obligation to adopt the above documents resulted from the Act of 11 May 2017 on statutory auditors, audit firms and public supervision.

The policy on selection of the audit firm for auditing the financial statements of Agora S.A. and Agora S.A. Capital Group sets out the rules and guidelines for the procedure aimed at selecting an audit firm authorised to conduct statutory audits and reviews of financial statements of Agora S.A. and Agora S.A. Capital Group by the Supervisory Board of the Company following a tender procedure provided for in the Selection Procedure, containing transparent and non-discriminatory selection criteria for the audit firm.

Pursuant to the policy for the provision by the audit firm conducting the audit, by entities associated with this audit firm and by a member of the audit firm network of permitted non-audit services together with the catalogue of prohibited services, neither the statutory auditor nor the audit firm conducting statutory audits of the Company nor any member of the network of which the statutory auditor or the audit firm are members shall provide, directly or indirectly to the Company, its parent company or any entities controlled by the Company within the European Union, any prohibited non-audit services or services other than financial auditing activities. Provision of services that are not prohibited by these entities shall be acceptable only to the extent not related to the Company's tax policy, after the Audit Committee has conducted an assessment of risks and independence safeguards, and provided its consent.

The audit firm KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered office in Warsaw provided permitted non-audit services to Agora S.A. in the financial year 2019, i.e. services within the scope of review of condensed interim individual financial statements of Agora S.A., covering the period from 1 January 2019 to 30 June 2019, and within the scope of review of condensed interim consolidated financial statements of Agora S.A. Capital Group, covering the period from 1 January 2019 to 30 June 2019.

*(ii) Human Resources and Remuneration Commission:*

- Maciej Wisniewski - chairperson of the Human Resources and Remuneration Commission,
- Tomasz Karusewicz,
- Dariusz Formela,
- Andrzej Szlezak.

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

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

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

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

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

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

### **6.1. Appointment**

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

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

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

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

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

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

## 6.2. Dismissal

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

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

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

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

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

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

## 6.3. Powers of the management personnel

In accordance with § 27 of the Company's Statutes, the Management Board of the Company manages its affairs and represents the Company in dealings with third parties.

Responsibilities of the Management Board include all matters related to conducting the Company's affairs not reserved for other governing bodies of the Company.

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

## 6. SHAREHOLDERS WITH MAJOR HOLDINGS OF SHARES

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

	number of shares	% of share capital	number of votes at GM	% of votes at GM
<b>Agora-Holding Sp. z o.o.</b> <i>(in accordance with the last notification dated 24 September 2015) (1)</i>	5,401,852	11.60	22,528,252	35.36

	number of shares	% of share capital	number of votes at GM	% of votes at GM
<b>Powszechne Towarzystwo Emerytalne PZU S.A. (Otwarty Fundusz Emerytalny PZU Złota Jesien and Dobrowolny Fundusz Emerytalny PZU)</b> <i>(in accordance with the last notification dated 27 December 2012) (1)</i>	7,594,611	16.30	7,594,611	11.92
<i>of which:</i> <b>Otwarty Fundusz Emerytalny PZU Złota Jesien</b> <i>(in accordance with the last notification dated 27 December 2012) (1)</i>	7,585,661	16.28	7,585,661	11.91
<b>Media Development Investment Fund, Inc. (MDIF Media Holdings I, LLC)</b> <i>(in accordance with the official notification received on 6 June 2016) (1)</i>	5,350,000	11.49	5,350,000	8.40
<b>Nationale – Nederlanden Powszechne Towarzystwo Emerytalne S.A. (Nationale – Nederlanden Otwarty Fundusz Emerytalny and Nationale Nederlanden Dobrowolny Fundusz Emerytalny)</b> <i>(in accordance with the last notification dated 9 June 2016) (1)</i>	4,493,055	9.65	4,493,055	7.05

(1) proportion of voting rights and percentage of share capital of Agora S.A. were recalculated by the Company after registration of the reduction of Company's share capital on August 23, 2018.

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

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

### Series A Shares

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

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

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

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



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

## **8. RESTRICTIONS ON TRANSFER OF OWNERSHIP RIGHTS TO THE ISSUER'S SECURITIES**

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

## **9. LIMITATIONS ON THE EXERCISE OF VOTING RIGHTS**

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

a) shareholders holding the preferred series A shares;

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

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

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

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

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

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

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

Each month, following the closing of the books, the members of the Management Board of the Parent Company and the management staff of the Group receive management information reports, including analyses of key financial data and operating ratios of the business segments. On a monthly basis, meetings of the Management



Board with management staff are also organized to discuss the Company's and the Group's performance by segment and division.

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

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

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

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

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

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

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

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

## **11. RULES OF AMENDING THE STATUTES OF AGORA S.A.**

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

## **12. REMUNERATION POLICY**

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

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

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

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

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

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

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

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

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

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

The remuneration system for members of the Management Board of Agora operates on the basis of three elements:

- a fixed part (base salary),
- a variable part (incentive system and discretionary bonus) and
- non-wage benefits, the range of which is determined by the Supervisory Board.

#### **Remuneration paid to the Management Board members in 2019 (PLN '000)**

Member of the Management Board	Total	Base salary	Variable remuneration	Other benefits
Bartosz Hojka	1,386	803	579	4
Tomasz Jagiełło	574	240	334	-
Agnieszka Sadowska	938	600	334	4
Grzegorz Kania	938	600	334	4
Anna Kryńska-Godlewska	935	600	334	1

Remuneration paid by Agora S.A. to members of the Management Board in 2019 amounted to PLN 4,771 thousand (in 2018: PLN 5,372 thousand) and this amount also includes payments of bonuses.

Tomasz Jagiello received additional remuneration for the function of President of the Management Board of Helios S.A. in the amount of PLN 356 thousand (in 2018: PLN 357 thousand) and Agnieszka Sadowska for the function of a Management Board Member of Stopklatka S.A. in the amount of PLN 175 thousand in 2018. Other members of the Management Board and Supervisory Board did not receive any remuneration for serving on the governing bodies of subsidiaries, jointly controlled entities and associates.

In 2019, four out of five members of the Management Board used company cars acquired by the Company. Tomasz Jagiello used a company car purchased by Helios S.A.

The Agora Group also operated two incentive schemes based on financial instruments, in which members of the Management Board of Agora S.A. and members of the Management Boards of the subsidiaries Yeldbird Sp. z o.o. and Foodio Concepts Sp. z o.o. participated. For details on these schemes, see note 28 to the consolidated financial statements.

In 2019, there were no significant changes in the manner of remuneration of members of the Company's Management Board.

In 2019, remuneration for serving as members of management and supervisory bodies of subsidiaries in the Agora Group amounted to PLN 7,455 thousand (in 2018: PLN 6,782 thousand).

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

#### Remuneration paid to the Supervisory Board members in 2019 (PLN '000)

Member of the Supervisory Board	Base salary
Andrzej Szlezak (Chairman of the Supervisory Board)	126
Wanda Rapaczynski	84
Tomasz Sielicki	84
Dariusz Formela	84
Andrzej Dobosz (1)	32
Maciej Wiśniewski	84
Tomasz Karusewicz (2)	52

(1) Andrzej Dobosz performed the function of a Member of the Supervisory Board until June 12, 2019

(2) Tomasz Karusewicz has been performing the function of a Member of the Supervisory Board from June 13, 2019

The total remuneration amounted to PLN 546 thousand (2018: PLN 468 thousand).

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

Existing employment contracts concluded with members of the Management Board of Agora S.A. provide that in the period of 18 months from the date:

- on which the right of the shareholders holding series A shares to nominate candidates to the Management Board is removed from the Company's Statutes,

- ▶ on which one entity or a group of entities acting in concert exceeds the 50.0% threshold of the total number of votes at the General Meeting of Agora S.A.;
- ▶ on which the Supervisory Board of the Company is appointed by voting by separate groups, pursuant to Article 385 § 3-9 of the Code of Commercial Companies, should any of these contracts be terminated by the Company, the member of the Management Board of Agora S.A. will receive severance pay in the amount equal to the sum of the following components:
  - (i) the amount equivalent to 12 times the monthly base salary payable to the member of the Management Board of Agora S.A. for the month preceding the month in which the member of the Management Board of Agora S.A. receives the termination notice;
  - (ii) the amount equivalent to the annual bonus for the financial year preceding the year of termination of the employment contract.

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

#### Rules for determining the value of the Incentive Plan

Starting from the second quarter of 2018, Management Board members of the Company participate in an incentive scheme ("Incentive Plan"), which one of the components (related to the appreciation of the Company's share price) is a payment in the form of shares settled in cash. According to the Incentive Plan they are eligible to receive an annual bonus based on two components described below:

- (i) the stage of realisation of the target based on the EBITDA of the Agora Group ("the EBITDA target"). The 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 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 during the year, for which the bonus is due.

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

As at 31 December 2019, the value of the EBITDA target bonus provision was estimated based on the best estimate of the expected value of implementation of the EBITDA target in 2019 and was recognized in 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 2019, 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 impact of the Incentive Plan on the separate financial statements of Agora S.A. is presented in the following table:

	2019	2018
Income statement – increase in staff costs*	(1,494)	(1,871)
Income statement – deferred tax	284	355
Accruals – closing balance	1,494	1,167
Deferred tax asset – closing balance	284	222

\* the total cost in financial period includes the plan costs for 2018 and a portion of the cost of the exchange rate element of the plan for 2017, settled in May 2018.

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

	2019	2018
Bartosz Hojka	430	578
Tomasz Jagiello	266	355
Agnieszka Sadowska	266	355
Anna Krynska - Godlewska	266	230
Grzegorz Kania	266	230
Grzegorz Kossakowski (1)	-	99
Robert Musial (2)	-	24
	<b>1 494</b>	<b>1,871</b>

(1) Grzegorz Kossakowski was a member of the Company's Management Board until 5 September 2017 the impact of the plan in 2018 concerns the course element of the Incentive Plan for a period as a member of the Management Board in 2017.

(2) Robert Musial was a member of the Company's Management Board until 28 February 2017 the impact of the plan in 2018 concerns the course element of the Incentive Plan for a period as a member of the Management Board in 2017.

### 13. DIVERSITY POLICY

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

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

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

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

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

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

### **Supervisory Board**

The procedure for the appointment of Supervisory Board members is set forth in the Company's Statutes, other laws and regulations applicable to the Company. The Company has limited impact on the composition of the body supervising its operations.

Despite this, the current 6-person composition of the Supervisory Board in 2017 reflected all the ideas underlying the diversity policy.

### **Management Board**

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

Members of the Company's Management Board have complementary experience and competences – they are graduates of: Warsaw School of Economics, Warsaw University of Technology, University of Silesia, University of Łódź, University of Edinburgh, Wrocław University of Technology, Institute Francais de Gestion, Harvards Business School (professional training courses), University of Economics in Wrocław, MBA at the Warsaw University of Technology Business School.

It is worth emphasizing that the decisive aspect in selecting the governing bodies of the company and its key managers is ensuring versatility and diversity, especially in the area of professional experience, age, education and gender. High qualifications, as well as professional and substantive experience and preparation for the performance of a specific function are of decisive importance in this respect.

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

	Men		Women	
As at the end of	2019	2018	2019	2018
Management Board	3	3	2	2
Supervisory Board	5	5	1	1

### Administrative bodies

The administrative bodies of the Agora Group comprise employees holding managerial positions. The diversity policy for administrative bodies involves the creation of a workplace free from discrimination based on gender, age, origin, health, education, political or religious beliefs, where competence and experience are the basis of the organizational culture. This approach is reflected in the diversity of teams across the Group. Gender equality is one of the key aspects of diversity due to the similar number of male and female employees (women accounted for 55.7% of employees in the entire Group as at 31 December 2019 and men accounted for 44.3%). The gender structure in the administrative bodies confirms that this objective has been achieved.

### Gender structure in administrative bodies (management positions) of Agora Group (as at 31 December 2019).

	% in the Agora Group	
	Women	Men
Agora Group	51.8%	48.2%

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

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

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

### 15. SOCIAL AND SPONSORING ACTIVITIES POLICY

The Agora Group has a social and sponsorship policy adopted by the company's management board in 2016 as an expression of a strategic approach to corporate social responsibility. The goals set in the document include: education, individual and social development; shaping civic attitudes and caring for human rights; promotion of culture and universal access to it; promotion of health and a healthy lifestyle; care for the environment; concern for others expressed in charity and social actions. They refer largely to the UN Sustainable Development Goals (SDGs).

Agora Group's social and sponsorship activities are an expression of its social responsibility and concern for the fate of the regions in which the Group operates as places where it is worth living, working and implementing plans. These activities are also aimed at building a positive image of the Group and its brands as entities friendly to people and involved in the life of the community. The content of the document can be found at [agora.pl](http://agora.pl).



In 2019, the Agora Group continued its long-term activities under the social, educational, cultural and charity pillars, while also initiating new activities. These included nationwide but also regional projects.

As part of **social activities**, the companies and media from the Agora Group undertook primarily initiatives to support diversity in society - both in terms of gender and age. They included, among others, **Kobiety na mury (Women on the Walls)** campaign by *Wysokie Obcasy* and a series of events organized by its editorial team under the slogan **Kobiety wiedzą, co robią (Women know what they are doing)**. The editorial team of *Wysokie Obcasy* nominated also 12 women in the 4th edition of *the Superbohaterka (Superhero)* plebiscite. Jury, as well as the readers of the magazine decided, that Iwona Hartwich received the title – the mother of the disabled Jakub Hartwich, who protested in the Sejm. Activities for the elderly were carried out as part of the Silesian **DługoWIECZNI (Long-LIFE)** initiative, this time under the slogan **Szczęśliwy senior (Happy Senior)**. The functioning of sustainable cities was also an important topic - *Gazeta Wyborcza* organized **Wielki Test Wiedzy o Miastach i Metropoliach (the Great Test of Knowledge about Cities and Metropolises)**, i.e. Warsaw, the Tri-City and Wrocław, which was attended by 400 people; series of debates (e.g. **Kolej na metropolię (Railway for the metropolis)** and **Okrągłe stoły – wielka debata Wyborczej w polskich miastach (Round tables - great electoral debate in Polish cities)**) dedicated to the processes taking place in modern cities related to the search for their further development directions, which could make cities attractive living places for their residents, as well as campaigns, such as the cyclical action of *Gazeta.pl* for Greenpeace Polska **Adoptuj pszczołę (Adopt a bee)**. As a part of the activation of the local community, the series of meetings **Wyborcza na żywo** was continued, as well as the debates **Usłysz swojego posła (Hear Your Representative)** and **Nasza Europa (Our Europe)** organized by Radio TOK FM.

Educational activities undertaken by the Agora Group were targeted at both children and youth (e.g., **festiwal Matematyka się liczy (Mathematics Festival)**, **Family Fest**, Helios **"Kino na Temat"** and **"Kino na Temat Junior"** cinema programs), as well as adults (**Jutronauci** project). The Group's media and brands also initiated a public debate, raising topics such as: roads safety (e.g. **Bezpieczne Poranki z radiem TOK FM** (morning programs in Radio TOK FM dedicated to safety on Polish roads or an action organized by *Logo* monthly - **Prowadzę, nie klikam (I drive, I don't click)**), reminding to pay attention to safety while driving a car and preventing the use of mobile phones while driving a car). *Gazeta.pl* joined the celebration of World Autism Awareness Day, presenting materials on this topic - users of the portal learned, among others how people with the spectrum of autism perceive the world and were also able to test their knowledge in a special quiz.

Editorial team of *Gazeta Wyborcza Trójmiasto* (Tri-City) organized a **Panel of Reporters** devoted to the role of media and contemporary journalism. The conversation was attended by the authors of the most famous reportages of recent months and years, and about 300 people attended.

In their **cultural activities**, companies and brands of the Agora Group in 2019 promoted cultural initiatives - such as AMS bus stops presenting the work of Andrzej Wajda or meetings and events dedicated to books, films and creators in the **Centrum Premier Czerska 8/10** series. In 2019, eight such meetings were held: the premiere of the book *Czapkins. Historia Tomka Mackiewicza*, screening of the film *Mój kraj taki piękny (My Country So Beautiful)*, discussion, meeting and debate about the Catholic Church *Bez plebana*, meetings titled *Kora intymnie* in Warsaw and Krakow, premiere of the biography *Krzysztof Wielicki. Piekło mnie nie chciało* in Warsaw and Katowice and a meeting with Donald Tusk devoted to his *Szczerze*.

**Charity activities** are carried out in the Agora Group not only due to the involvement of readers, users, customers, employees and the local community in actions directly supporting social organizations, but also by promoting philanthropy and charity. For example, Agora's media collected PLN 486,000 in the 27th Final of **Wielkiej Orkiestry Świątecznej Pomocy (the Great Orchestra of Christmas Charity)**. For the 14th time *Gazeta Wyborcza* together with a partner carried out an advertising campaign with a charitable goal on the occasion of Children's Day, and the Wrocław editorial office of the newspaper for the 16th time raised funds in **Fabryka św. Mikołaja (Santa Claus Factory)** action.

Pasibus also joined the charity activities of the Group. In 2019, once again the company's employees prepared a package for a family from around Wrocław as part of the *Szlachetna Paczka* (Noble Package) action. Every year, Pasibus also supports the Great Orchestra of Christmas Charity. Almost PLN 5,500 was collected in 2019 during auctions on *Allegro.pl* and an additional PLN 500 from the challenge on Facebook (5,000 likes and 3,000 comments). In December 2018, on the occasion of Mikołajki (St. Nikolas Name Day), customers could write a Letters to Pasi-Santa, in which they indicated whom and why they would like to help. The final of the action took place in March 2019. The author of the letter, whom Pasibus chose to support, described the difficult situation in

the Neonatology Ward at the Hospital A. Falkiewicz in Wrocław. Pasibus donated a refrigerator for patients to the department.

Additionally, Agora's brands carried out activities in the area of socially engaged marketing, i.e. by engaging readers in supporting important projects. *Gazeta Wyborcza*, thanks to subscribers of the digital version of the journal, collected in total ca. PLN 200,000 in 2019 during the activities conducted under the slogan **#WspieramyNauczycieli** (#Wesupportteachers). The editorial team also actively supported education workers during the strike by issuing special free editions addressed to teachers, students and their parents, as well as reporting protests and creating newsletters. On April 26, 2019, at the headquarters of Agora, a special charity concert of Waldemar Malicki with the band took place, from which all proceeds were donated to support the strikers.

Agora Group companies are also looking for solutions that will ensure access to their products and services to the widest possible audience - especially vulnerable and excluded groups.

The recipients of these activities include both persons with various disabilities, foreigners and veterans. Among such activities are, for example, publishing of *Pryvit* - the first newspaper for Ukrainians living in Poland, a joint venture of the Wrocław editorial office of *Gazeta Wyborcza* and the Ukraine Foundation, as well as participation of Helios cinema network in the **Weterani są wśród nas – Miejsce Przyjazne Weteranom** (*Veterans are among us - Veterans Friendly Place*). In 2019, on the occasion of the 75th anniversary of the outbreak of the Warsaw Uprising, Helios cinema network organized a special action targeted at the heroes of this historic outbreak. Until the end of 2019, people with the status of the Warsaw Insurgent were invited to the Helios cinema for any chosen film screening free of charge. Additionally, Helios as the first cinema operator in Poland introduced in 2018 to its repertoire screenings for Ukrainian-speaking viewers and continued **Kultura dostępna** campaign, during which in 2019 nearly 37 Polish films were screened and gathered in total 114,000 viewers.

All Agora's media outlets aim to develop the recipients' ability to use the resources offered by the media and to think critically. *Gazeta Wyborcza* in cooperation with international partners organized debates under the slogan FREE WORLD FREE PRESS and workshops for the media industry workers accompanying the award ceremony of the prestigious European Press Prize Award 2019.

*Gazeta Wyborcza* launched the **Europe Talks** platform connecting people with different political views from all over Europe - this is a joint project of the Polish daily and 15 other European media outlets, which aimed to enable the debate of many groups before elections to the European Parliament. The editorial team of *Gazeta Wyborcza* also joined forces with the teams of *Le Soir*, *Le Figaro* and *El País*, creating a new media project Sonar Europe. Thanks to this cooperation, attractive, multimedia data-based materials are created on many subjects, showing many points of view from various EU countries. Sonar Europe publications are available in 4 languages of the authors in traditional and digital issues.

Thanks to the organization of competitions and other initiatives, the Agora Group media present their opinions on socially important topics, while at the same time promote culture. The heroes of *Gazeta.pl*'s video microdocumentaries are ordinary people whose attitude is exemplary - they exceed their own limits, break stereotypes, inspire, surprise and do good. In 2019, 13 multimedia materials were created. Jakub Hartwich and Adrian Glinka were the heroes of the protest of Disabled Parents in the Polish parliament; they both use a wheelchair and run a video program titled *W pożyczonych garniturach* (*In borrowed suits*) available on *Wyborcza.pl* since 2018. Radio TOK FM through the Anna Laszuk Prize has been distinguishing people, institutions or organizations for bold, unconventional, unusual activities, works or statements that have had a significant impact on social awareness or changed Polish reality over the past year. *Gazeta Wyborcza* since 2010 co-organizes The Ryszard Kapuściński Award for Literary Reportage, as well as supports the Nike Literary Award. Additionally, in 2018 Agencja Gazeta and *Gazeta Wyborcza* inaugurated the the Krzysztof Miller Photographic Prize for the courage to look.

In 2018, three new social organizations were created with the participation of Agora - two of them within the company's structures. In October 2018, the **Gazeta Wyborcza Foundation** and the **Wysokie Obcasy Foundation** were established, which in 2019 continued their activities. They focus respectively on: cultural and educational activities in the field of development of education, culture, art, journalism and media, as well as supporting equality between women and men. Both foundations were registered in December 2018.

In 2019, the Gazeta Wyborcza Foundation organized a special auction from which the funds (PLN 32,000) were allocated to support its mission of defending media independence as the foundation of democracy. The auction included jubilee souvenirs and attractions prepared especially for readers of the daily.

In November 2019, the Wysokie Obcasy Foundation collected PLN 135,000 in the charity auction *Sztuka Siostrzeństwa (Art of Sisterhood)*. It was the first charity art auction organized by the Foundation. Over 70 artists donated their works for this event held in the Museum of Modern Art in Warsaw, and the income from the public sale supported, among others, Women's Rights Center. The event was hosted by journalist Dorota Wellman. Last year, the Wysokie Obcasy Foundation also donated 6,500 free digital subscriptions of *Wysokie Obcasy* and *Gazeta Wyborcza* to young readers as part of the campaign *Kobiety wiedzą, co czytają (Women know what they are reading)*.

On the other hand, in September 2018, the company, through the Agora Publishing House, together with other founders from the publishing industry, established the Fundacja Powszechnego Czytania (Universal Reading Foundation), dedicated to promoting books in Poland and reading as a valuable form of spending free time.

**The Agora Foundation** has been operating by Agora Holding since 2004. In 2019, the Agora Foundation carried out the *Help your parents* campaign, which main goal was to support older people and their families. In Gdańsk, together with the Hospice Foundation, the local volunteer network was established. **The Academy of Integration Foundation. Job. Education. Sport** operates continuously at AMS. It focuses on problems and issues related to the life, activity and social role of people with disabilities, with particular emphasis on work, education and sport.

The implementation of **Policy of social and sponsoring activities** has brought measurable benefits to the company: it has strengthened its position as a leader among the media in implementing social projects, as well as employee involvement and satisfaction due to participation in undertaken activities.

In Agora's opinion, the implementation of the Policy is in line with the interests of the company and its stakeholders, including shareholders, because it creates goodwill, contributes to social development and expresses the Agora Group's responsibility for its impact on the environment.

Every year activities undertaken by the Agora Group are being monitored. Their detailed description can be found at [agora.pl](http://agora.pl) and in the Agora Group Responsibility Report for 2019.

## VII. MANAGEMENT BOARD'S REPRESENTATIONS

### 1. REPRESENTATION CONCERNING ACCOUNTING POLICIES

Management Board of Agora confirms that, to the best knowledge, the annual consolidated financial statements together with comparative figures, have been prepared according to all applicable accounting standards and give a true and fair view of the state of affairs and the financial results of the Issuer's Capital Group for the period.

The Management Discussion and Analysis of Group's business activities shows true view of the state of affairs of the Issuer's Capital Group, including evaluation of risks and dangers.

### 2. NON-FINANCIAL REPORTING

Fulfilling the requirements of Accounting Act the Company presents separate consolidated and non-consolidated report of Agora S.A. and the Agora Group regarding non-financial reporting for 2019, prepared according to standards set out by Global Reporting Initiative (GRI Standard). According to art 49b point 9 of Accounting Act both reports are available on the corporate website [www.agora.pl](http://www.agora.pl) in Polish and English.

### 3. INFORMATION ON SELECTION OF OF THE AUDIT FIRM FOR REVISION OF ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

The Management Board of Agora S.A. confirms, based on the statement of the Supervisory Board, that the auditing company conducting the audit of the annual consolidated financial statements has been selected in accordance with the right regulations. Pursuant to the resolution of the Supervisory Board of 30 March 2017 and in accordance with the provisions of the Company's Articles of Association, KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa with its registered office in Warsaw at ul. Inflancka 4A, entered in the list of entities authorized to audit financial statements with number 3546, was selected for the Company's certified auditor who will examine the financial statements for 2017, 2018 and 2019. Pursuant to the resolution of the Supervisory Board of November 7, 2019 and in accordance with the provisions of the Company's Articles of Association, KPMG Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa based in Warsaw at 4A Inflancka Street, entered on the list of entities authorized to audit financial statements with the number 3546, has been selected as the certified auditor of the Company and the Group, which will examine the financial statements for 2020, 2021 and 2022.

Agora did not use audit services other than auditing and reviewing financial statements based on the aforementioned agreement.

The Management Board of Agora S.A. indicates that:

- a) the auditing company and the members of the audit team met the conditions for drawing up an unbiased and independent audit report on the annual consolidated financial statements in accordance with applicable regulations, professional standards and professional ethics,
- b) the applicable regulations related to the rotation of the auditing company and the key statutory auditor and mandatory grace periods are observed,
- c) Agora has a policy regarding the selection of an audit firm and a policy regarding the provision to the Agora by an auditing company, an entity related to the auditing company or a member of its network of additional non-audit services, including services conditionally exempt from the prohibition by the audit company.

Warsaw, 12 March 2020

*Bartosz Hojka - President of the Management Board*

*Signed on the Polish original*

*Tomasz Jagiello - Member of the Management Board*

*Signed on the Polish original*

*Agnieszka Sadowska - Member of the Management Board*

*Signed on the Polish original*

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

*Signed on the Polish original*

*Grzegorz Kania - Member of the Management Board*

*Signed on the Polish original*