KPMG

Agora S.A.

Independent Auditor's Report

Financial Year ended

31 December 2017

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
ul. Inflancka 4A
00-189 Warszawa, Polska
Tel. +48 (22) 528 11 00
Faks +48 (22) 528 10 09
kpmg@kpmg.pl

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

INDEPENDENT AUDITOR'S REPORT

To the General Shareholders' Meeting Agora S.A.

Report on the Audit of the Unconsolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

The most significant assessed risks of material misstatements

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

1. Impairment of non-current assets

The carrying amount of investments as at December 31, 2017: PLN 540,089 thousand (as at December 31, 2016: PLN 577,848 thousand), goodwill as at December 31, 2017: PLN 221 thousand (as at December 31, 2016: PLN 2,419 thousand), magazine titles as at December 31, 2017: PLN 12,365 thousand (as at December 31, 2016: PLN 23,359 thousand), property, plant and equipment as at December 31, 2017: PLN 181,947 thousand (as at December 31, 2016: PLN 244,373 thousand).

Based on impairment tests carried out in 2017, impairment losses were recognized in respect of non-financial non-current assets in the total amount of PLN 50,591 thousand and in respect of financial assets in the total amount of PLN 24,691 thousand.

Reference to the unconsolidated financial statements:
Note 2(c) „Property, plant and equipment", Note 2(d) „Intangible assets", Note 2(w) „Impairment losses", Note 3 „Intangible assets", Note 4 „Property, plant and equipment", Note 5 "Investments", Note 37 „Accounting estimates and judgements".

Key audit matters	**Our procedures**
In association with acquiring shares in its subsidiaries in prior years, the Entity recognized investments, which represent a significant line item in the unconsolidated financial statements. Moreover, the Entity recognized significant intangible assets with indefinite useful life relating to magazine titles and other assets. The Agora's and its subsidiaries activities include primarily press publishing, printing activities, internet activities, cinemas, radio and television broadcasting, as well as operations in the outdoor advertising segment. The above components are characterized by different profitability, cyclicality and market volatility. The complexity and diversity of the businesses of the Entity and its subsidiaries as well as the subjectivity of the Management Board judgements related to the allocation of goodwill, other intangible assets and property, plant and equipment to different cash-generating units subject to the impairment tests constitute an additional risk factor. In accordance with relevant financial reporting standards, the Entity is required to perform an impairment test at least annually for any assets with indefinite useful life and assets for which there is an indicator of possible impairment, by comparing the	Our audit procedures included, among others: • evaluating the Entity's accounting policy in respect of impairment testing of investments, goodwill, intangible assets with indefinite useful life and property, plant and equipment against the requirements of the relevant financial reporting standards; • assessing the Management Board's judgments regarding allocation of assets to cash-generating units; • assisted by our own valuation specialists, assessing the correctness and methodological coherence of the Entity's discounted cash flow models, and also comparing the methodology applied to commonly used valuation models; • challenging the Entity's key assumptions and estimates made to determine the recoverable amounts of its assets (or cash generating units), including, among others, the assessment of: ○ the reasonableness of the assumptions made regarding revenues and costs, capital investments and growth rate after the detailed forecast period for assets (or cash generating units) by:

carrying amount of the assets (or cash generating units), to its recoverable amount. The Entity determines the recoverable amount using the discounted cash flow method, which is based mainly on estimates and assumptions made by the Management Board, particularly in relation to the level of advertising spending in Poland in the Entity and its subsidiaries segments, newspapers and magazines sales in the Press segment and customer attendance in the cinema-related segment. Forecasts of future cash flows are particularly exposed to risk stemming from the changing market and regulatory environment. Results of the impairment tests are sensitive to changes in key assumptions, such as forecasted future cash flows, discount rates or growth rates after the period of detailed forecast. An insignificant change in these assumptions may have a significant impact on the estimate of the recoverable amount. Due to the above factors, we considered this area to be a key audit matter.	(i) comparing them to actual amounts in the preceding financial years, adjusted by the impact of forecasted changes in the market environment and the economic situation of the sectors in which each of the assets (or cash-generating units) operates; (ii) assessment of the quality of historical estimates by analyzing the budgets prepared in preceding years against actual outcomes. o the correctness of the discount rate applied by comparing it to external sources, with the support of our own valuation specialists; • evaluation of accuracy and completeness of the financial statements disclosures with respect to key assumptions made, sensitivity of the models to changes in key assumptions and the results of the impairment tests.

2. Recognition of deferred tax assets on unused tax losses

The carrying amount of deferred tax assets as at December 31, 2017: PLN 831 thousand.

The carrying amount of deferred tax liabilities as at December 31, 2016: PLN 8,407 thousand.

Deferred tax expense recognized in the unconsolidated income statement for 2017: PLN 9,287 thousand and for 2016: PLN 3,803 thousand.

The amount of unused tax losses as at December 31, 2017: PLN 113,773 thousand (as at December 31, 2016: PLN 69,843 thousand).

Reference to the unconsolidated financial statements:
Note 2 (p) „Income taxes", Note 15 „Deferred income taxes", Note 29 „Income taxes"

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

Opinion

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

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

Report on other legal and regulatory requirements

Report on the Entity's activities

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

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

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

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

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

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

Opinion on corporate governance statement

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

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

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

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

Information about preparation of statement on non-financial information

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

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

Information, confirmations and statements required by the EU Regulation

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

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

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

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

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

On behalf of audit firm
KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
Registration No. 3546
ul. Inflancka 4A
00-189 Warsaw

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

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

8 March 2018

Ladies and Gentlemen, Dear Shareholders,

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

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

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

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

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

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

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

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

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

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

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

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

AGORA S.A.

Management Discussion and Analysis for **the year 2017** to the unconsolidated financial statements

March 8, 2018

TABLE OF CONTENTS

AGORA S.A.

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

REVENUE PLN 492.5 MILLION
EBITDA PLN (28.8) MILLION
NET LOSS PLN (68.1) MILLION
OPERATING CASH FLOW PLN (34.9) MILLION

Agora S.A. ("the Company", "Agora") is a parent company of the Agora S.A. Capital Group ('the Agora Group', 'the Group').

The presentation according to operating segments, in accordance with *IFRS 8 Operating segments,* is prepared at the Agora Group level in accordance with the management approach and is presented in 'The Management Discussion and Analysis for the year 2017 to the consolidated financial statements' and in 'Consolidated financial statements as at December 31, 2017 and for the year ended December 31, 2017.

To understand the core business activities of the Agora Group, one should read 'The Management Discussion and Analysis to the consolidated financial statements for the year ended December 31, 2017.

Unless indicated otherwise, all data presented herein represent the period of 2017, while comparisons refer to 2016.

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

- Revenues of Agora S.A. amounted to PLN 492.5 million and decreased by 14.5% yoy. The most significant factor affecting the Company's level of revenues were lower by 38.8% yoy inflows from the sales of printing services, which amounted to PLN 82.1 million. This drop results from smaller volume of orders, especially for printing services provided in the coldset technology. Revenues from the advertising services amounted to PLN 207.0 million and shrank by 12.4% yoy, mainly as a result of further decrease in the advertising expenditure in press. The revenues from copy sales decreased by 2.1% yoy and amounted to PLN 138.7 million. In 2017 the level of other sales was affected by the inflows from film activity of the Company. In the second quarter of 2017 Company's production and c-production was transferred to NEXT FILM.
- Total net operating cost of the Company reached PLN 609.7 million and decreased by 6.7% yoy. However, it should be remembered that in the fourth quarter of 2017 the operating cost of the Company was burdened with the impairment costs in the amount of PLN 50.6 million. In 2017 all the categories of operating cost decreased. The largest drop, by 28.0% yoy to PLN 96.2 million, was visible in the cost of materials, energy, consumables and costs of goods sold. This was the result of lower volume of orders in the Print division of Agora S.A. and lower number and volume of Company's own titles. The external services cost decreased visibly, by 16.4% yoy to PLN 146.4 million. The value of this cost position was affected by transfer of Company's film activity (production and co-production) to NEXT FILM, as well as lack of projects similar to the game *The Witcher 3: Wild Hunt*. The cost of external services was higher in Internet division, which was related to larger share of revenues from programmatic advertising. The decline in promotion and marketing

expenditure was related mainly to less robust promotional activities undertaken by *Gazeta Wyborcza* and Agora's magazines. The staff cost decreased also, mainly as a results of group lay-offs executed in 2016.

- In 2017, the Company conducted asset impairment tests based on long-term financial forecasts for each business segment. The analysis showed the necessity to incur impairment loss of fixed assets. The largest impairments of assets took place in the following segments: the Print (PLN 36.1 million), the Press (PLN 13.2 million, mainly the value of the monthly *Cztery Kąty*) and had a negative impact on the Company's operating result. Additionally, the Company impaired the value of its stake in the company Trader.com (Polska) Sp. z o.o. in the amount of PLN 24.2 million, which had an additional negative impact on its net result.
- The Company reached PLN 28.8 million loss on the EBITDA level which means a better result yoy. The Company's results on the EBIT and net result level were burdened by the impairment loss of the fixed assets and intangibles in the amount of PLN 50.6 million. As a result of the impairment losses the net loss of the Company amounted to PLN 68.1 million, and loss on the EBIT level amounted to PLN 117.2 million. The sale of the shares in the company Green Content Sp. o.o. (broadcaster of the TV programme METRO) had a positive impact on the Company's result in the amount of PLN 11.1 million.
- As of December 31, 2017, the Company's monetary assets amounted to PLN 57.1 million, which comprised cash and cash equivalents in the amount of PLN 9.4 million (cash, bank accounts and bank deposits) and PLN 47.7 million invested in short-term securities.
- The Company's bank debt amounted to PLN 29.5 million at the end of December 2017. On the basis of the Credit Line Agreement ("Agreement") with DNB Bank Polska S.A. signed on 25 May 2017 Agora S.A. received a non-renewable loan of PLN 25 million allocated for the repayment of the time credit in Bank Polska Kasa Opieki S.A., which shall be repaid in 12 quarterly instalments starting from 1 July 2018. Moreover, the Company was provided with a credit facility in the current account of up to PLN 75.0 million ("Overdraft 1") that may be used within 12 months after the date of signing the Agreement to e.g. finance or refinance acquisitions, investment expenditure and the working capital. After 12 months since the date of signing the Agreement will be automatically converted into a non-renewable loan repayable in quarterly instalments. The Company was also provided with a credit facility in the current account of up to PLN 35.0 million ("Overdraft 2") that can be used within 12 months after the date of signing the Agreement to finance the working capital and other corporate purposes of the Company including cash pooling facility.

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

1. EXTERNAL FACTORS

1.1. Advertising market *[1]*

According to the Agora S.A. estimates ("Company", "Agora"), based on public data sources, in 2017, total advertising spending in Poland amounted to ca PLN 8.8 billion and increased by over 2.0% yoy. At that time, advertisers limited their expenditure only in press and in outdoor. The growth of advertising expenditure was visible in Internet, cinema and television. Radio advertising market was flat yoy.

The data relating to the changes in the value of advertising expenditure in particular media segments are presented in the table below:

Tab. 1

Total advertising expenditure	Internet	Cinema	Television	Radio	Outdoor	Magazines	Dailies
2.0%	8.0%	4.5%	1.5%	0.0%	(1.5%)	(9.0%)	(14.5%)

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

Tab. 2

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

1.2 Copy sales of dailies [4]

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

2. INTERNAL FACTORS

2.1. Revenue

Revenues of Agora S.A. amounted to PLN 492.5 million and decreased by 14.5% yoy. The most significant factor affecting the Company's level of revenues were lower by 38.8% yoy inflows from the sales of printing services, which amounted to PLN 82.1 million. This drop results from smaller volume of orders. The second important factor that affected the level of Agora's revenues were lower yoy sales from the advertising services which amounted to PLN 207.0 million and shrank by 12.4% yoy. This was the result of further decrease in the advertising expenditure in dailies and decision to cease publication of selected titles. Yet, another variable influencing the level of revenues were lower by 2.1% yoy revenues from copy sales in the amount of PLN 138.7 million. It should be also remembered that in 2016 the level of Company's other sales was positivele affected by revenues from the right to distribute the game *Witcher 3: Wild Hunt.*

2.2. Operating cost

In 2017, **total net operating cost** of Agora S.A. amounted to PLN 609.7 million and decreased by 6.7% yoy. This had been achieved despite the impairment cost incurred in the fourth quarter of 2017 in the amount of PLN 50.6 million.

In 2017, **staff costs** decreased by 2.9% yoy. This drop results from lower yoy staff costs in Press, Internet, Print segments and in supporting divisions.

The Company's **headcount,** at the end of 2017, was 1,720 employees and decreased by 120 FTEs versus the end of 2016.

The Company offers its employees varied incentive plans (for example: cash motivation plans, incentive plans in sales departments, motivation plans for management board members and top managers etc.), whose cost is charged to the staff cost.

In 2017, the level of **costs of external services** decreased by 16.4% to PLN 146.4 million. It was mainly affected by lower yoy cost of film activity related to its transfer from Agora S.A. to NEXT FILM and lower yoy cost of production services.

The **cost of raw materials, energy and consumables** amounted to PLN 96.2 million and decreased by 28.0% yoy as a result of, inter alia, the lower cost of production materials due to significantly lower yoy volume of orders.

Promotion and marketing expense of the Company in 2017 amounted to PLN 53.6 million and decreased by 24.9% yoy due to the lower promotion and marketing costs in Press segment and in Agora's Publishing House.

3. PROSPECTS

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

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

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

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

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

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

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

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

3.1. Revenues

In the Company's opinion in 2018 the Agora's revenue will be lower yoy due to limited volume of orders for printing services, trends on advertising expenditure market in press and lower yoy revenues from copy sales of printed press, i.a, due to lower number of published titles.

3.1.1 Advertising market [3]

In 2017 the advertising market in Poland grew by over 2.0% yoy. Advertisers spent ca PLN 8.8 billion yoy to promote their products and services.

As estimated by the Company, in 2018, the value of advertising spending in Poland should increase from 2% to 4% as compared to 2017. Data on estimated dynamics of ad spending, in total and broken down by individual media, are presented in the table below:

Tab. 3

Total advertising expenditure	Television	Internet	Magazines	Radio	Outdoor	Dailies	Cinema
2%-4%	1%-3%	7%-10%	(9%)-(7%)	1%-3%	1%-3%	(12%)-(10%)	4%-6%

3.1.2 Copy sales

In 2018, negative trends relating to copy sales of dailies and magazines in their print versions will continue, however their dynamics should not be higher than in the previous periods. Agora systematically reviews its press title portfolio. In October 2017 the Company decided to cease publication of two titles: *Dom&Wnętrze* and *Magnolia*. In the beginning of 2018 it sold the rights to publish *Swiat motocykli* to the company set up by the staff member of the magazine. The results of these decisions will be visible in the level of revenues generated by manthlies division. At the same time the Company is working on growing the sales of its digital content. As at the end of 2017, the number of paid digital subscriptions of *Gazeta Wyborcza* reached almost 133 thousand. Only in the fourth quarter of 2017, the number of paid digital subscriptions of *Gazeta Wyborcza* grew by 23 thousand. In the Company's opinion, such activities, together with other factors, should stabilise the Press segment's financial results in the long term.

3.2. Operating cost

In 2018, the Company plans to cut down the level of operating cost in majority of business segments. The drop in operating cost may results from lower costs of printing services and decrease of operating cost in Press segment. The significant factor affecting the level of the Company's operating cost is associated also with the transfer of the film activity (production and co-production) of the Company to NEXT FILM.

3.2.1 Staff cost

The level of staff cost may be influenced by the execution of development projects in the Company. In Print segment the level of staff cost will be affected by the provision for group lay-offs in the amount of PLN 1.6 million in the first quarter of 2018. In the Internet segment, the increase in staff cost may be connected with hiring new employees. In the Press segment staff cost will be lower yoy.

3.2.2 Cost of external services

In 2017, cost of external services amounted to PLN 146.4 million. In 2018, in the Company's opinion level of those cost will be lower yoy due to the lower volume of printing services and transfer of the Company's film activity (production and co-production) to the NEXT FILM company.

3.2.3 Cost of raw materials and energy

In 2017, the value of this cost position decreased yoy. According to the Company's estimates, the level of this cost position in 2018 will be shaped by similar market trends as those observed in 2017. The largest impact on this cost position has Agora's printing division especially the cost of production materials, the volume of production and EUR/PLN exchange rate.

3.2.4 Promotion and marketing cost

In 2017, the promotion and marketing cost was lower by 24.9% yoy. In 2018, the level of this cost position shall decrease yoy, mainly as a result of promotional activity of Press and Internet segments. However, it should be remembered that the dynamics of the changes in individual media, the number of launched development projects, as well as market activities and projects of the Group's competitors may affect the level of these expenses.

4. THE GROWTH DIRECTIONS OF THE ISSUER'S CAPITAL GROUP

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

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

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

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

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

III. FINANCIAL RESULTS

1. PROFIT AND LOSS ACCOUNT OF AGORA S.A.

Tab. 4

in PLN million	**2017**	**2016**	*% change yoy*
Total sales (1)	**492.5**	**576.1**	***(14.5%)***
Advertising revenue	207.0	236.3	*(12.4%)*
Copy sales	138.7	141.7	*(2.1%)*
Printing services	82.1	134.2	*(38.8%)*
Other (2)	64.7	63.9	*1.3%*
Operating cost net, including:	**(609.7)**	**(653.3)**	***(6.7%)***
Raw materials, energy and consumables	(96.2)	(133.7)	*(28.0%)*
D&A	(37.8)	(39.2)	*(3.6%)*
External services	(146.4)	(175.1)	*(16.4%)*
Staff cost	(201.0)	(207.0)	*(2.9%)*
Promotion and marketing	*(53.6)*	*(71.4)*	*(24.9%)*
Cost of group lay-offs (3)	-	*(6.9)*	-
Impairment losses (4)	*(50.6)*	*(0.1)*	*34,789.8%*
Other operating income (5)	-	*6.0*	-
Operating result - EBIT	**(117.2)**	**(77.2)**	***(51.8%)***
Finance cost, net, incl.:	**39.8**	**20.7**	***92.3%***
Revenue from short-term investment	1.1	0.6	*83.3%*
Revenue from dividends	53.0	26.7	*98.5%*
Gain on disposal of shares (6)	11.0	1.8	*511.1%*
Cost from loans, finance lease and cash pooling	(1.5)	(1.2)	*25.0%*
Impairment losses on shares (7)	(24.7)	(9.8)	*152.0%*
Loss before income tax	**(77.4)**	**(56.5)**	***(37.0%)***
Income tax	9.3	3.7	*151.4%*
Net loss for the period	**(68.1)**	**(52.8)**	***(29.0%)***
EBIT margin (EBIT/Sales)	(23.8%)	(13.4%)	*(10.4pp)*
EBITDA (8)	**(28.8)**	**(37.9)**	***23.9%***
EBITDA margin (EBITDA/Sales)	(5.8%)	(6.6%)	*0.8pp*

(1) particular sales positions, apart from printing services, include sales of Agora's Publishing House and film activity;

(2) the amount includes revenues from sub-licence granted by Agora S.A. to the subsidiary company for film distribution;

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

(4) the amounts include impairment losses on property, plant and equipment and intangible assets, in 2017 the impairment losses related mainly to the monthly Cztery Kąty *and non-current assets related to printing activities (described in note 37 to the unconsolidated financial statements);*

(5) the amount in 2016 includes the gain on disposal of property in Lodz (described in note 4 to the unconsolidated financial statements).

(6) the amount includes mainly a gain on disposal of shares in Green Content Sp. z o.o. (described in note 35 to the unconsolidated financial statements);

(7) the amount includes impairment losses on shares in subsidiaries (described in note 37 to the unconsolidated financial statements);

(8) the performance measure "EBITDA" is defined as EBIT increased by depreciation and amortization and impairment losses of property, plant and equipment and intangible assets. Impairment losses are included in the calculation of EBITDA since the fourth quarter of 2017, comparative amounts were adjusted accordingly. Detailed information on definitions of financial ratios are presented in the Notes to part III of this MD&A.

1.1. Main products, goods and services

Tab.5

in PLN million	2017	% change in total sales	2016	% change in total sales	% change yoy
Total sales	**492.5**	**100.0%**	***576.1***	**100.0%**	**-**
Advertising revenue (1)	**207.0**	**42.0%**	***236.3***	**41.0%**	**1.0pp %**
in Internet Department (2)	*86.8*	17.6%	*97.4*	*16.9%*	*0.7pp %*
in Gazeta Wyborcza (2)	*68.5*	13.9%	*82.4*	*14.3%*	*(0.4pp %)*
in Magazines (2)	*24.5*	5.0%	*24.6*	*4.3%*	*0.7pp %*
in Metrocafe.pl (2)	-	0.0%	*11.8*	*2.0%*	*(2.0pp %)*
Copy sales (1)	**138.7**	**28.2%**	***141.7***	**24.6%**	**3.6pp %**
in Gazeta Wyborcza (2)	*92.9*	18.9%	*102.1*	*17.7%*	*1.2pp %*
in Magazines (2)	*11.3*	2.3%	*14.3*	*2.5%*	*(0.2pp %)*
Printing services	**82.1**	**16.7%**	***134.2***	**23.3%**	**(6.6pp %)**
Other sales (1), (3)	**64.7**	**13.1%**	***63.9***	**11.1%**	**2.0pp %**

(1) particular sales positions, apart from printing services, include sales of Agora's Publishing House, which total sales amounted to PLN 60.5 million in 2017 (in 2016: PLN 49.1million);

(2) the amounts do not include revenue generated by Agora's Publishing House;

(3) the amount includes revenues from sub-licence granted by Agora S.A. to the subsidiary company for film distribution.

In 2017 the revenues of the Internet division decreased yoy. This is mainly the result of market trends – increased predominant position of global platforms in online sphere. Additional factor affecting the level of Internet division revenues was the change in the scope of co-operation and the way of settlement for services provided to *Gazeta Wyborcza,* as well as transfer of recruitment services to GoldenLine.

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

In 2017, revenue from copy sales of Magazines decreased by 21.0% yoy. The average number of monthly magazine copies sold by Agora amounted to 214.5 thousand copies (down by 29.4% yoy). This is the result of the publisher's decision to partially stop the distribution of e-editions due to dynamic development of online webistes of Agora's magazines, as well as ceasing the publication of the monthly Pogoda na życie and special editions of various monthlies.

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

1.2. Sales and markets

Over 90% of the Company's total sales were realized in the 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 subscription).

The Company is not dependent on one particular customer. The biggest customers (in respect of the turnover) are press distributors (companies unrelated to Agora S.A.). In 2017, the value of transactions with none of the Company's customers exceeded 10% of the total revenue of Agora S.A.

1.3. Suppliers

The Company does not depend on one particular supplier. Newsprint and printing services are important cost items of the Company. Newsprint used for printing Company's own titles and for external clients is purchased from several suppliers. In 2017, the value of transactions with none of the suppliers exceeded 10% of the Company's total revenue.

1.4. Finance cost, net

Company's result on financial activities in 2017 was positively affected mainly by dividends from related companies and gain on disposal of shares in Green Content Sp. z o.o. The Company's finance costs were influenced by impairment losses on shares in subsidiaries and by bank commissions and interest from the loan facility, finance lease and cash pooling liabilities.

2. BALANCE SHEET OF AGORA S.A.

Tab. 6

in PLN million	31-12-2017	31-12-2016	*% change to 31/12/2016*
Non-current assets	**763.8**	**880.8**	**(13.3%)**
share in balance sheet total	*76.5%*	*79.0%*	*(2.5 pp)*
Current assets	**234.8**	**234.4**	**0.2%**
share in balance sheet total	*23.5%*	*21.0%*	*2.5 pp*
TOTAL ASSETS	**998.6**	**1,115.2**	**(10.5%)**
Equity holders of the parent	**832.6**	**922.3**	**(9.7%)**
share in balance sheet total	*83.4%*	*82.7%*	*0.7 pp*
Non-current liabilities and provisions	**23.7**	**30.1**	**(21.3%)**
share in balance sheet total	*2.4%*	*2.7%*	*(0.3 pp)*
Current liabilities and provisions	**142.3**	**162.8**	**(12.6%)**
share in balance sheet total	*14.2%*	*14.6%*	*(0.4 pp)*
TOTAL LIABILITIES AND EQUITY	**998.6**	**1,115.2**	**(10.5%)**

2.1. Non-current assets

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

The change in non-current assets, versus 31 December 2016, was also affected by disposal of shares in Green Content Sp. z o.o., impairment loss recognised on shares in company Trader.com (Polska) Sp. z o.o. as well as reclassification of some property, plant and equipment to current assets due to their presentation as non-current assets held for sale.

2.2. Current assets

The current assets have not changed significantly. The change in current assets, versus 31 December 2016, was affected by a decrease in accounts receivable, which was compensated by higher balance of short-term securities.

2.3. Non-current liabilities and provisions

The decrease in non-current liabilities and provisions versus December 31, 2016 is caused mainly by a decrease in deferred tax liabilities as a result of lower temporary difference between the carrying amount and the tax base of the non-financial non-current assets.

2.4. Current liabilities and provisions

The decrease in current liabilities and provisions, versus 31 December 2016, stems mainly from a decrease in accounts payable, provisions (as a result of the use of the provision for group lay-offs) and accruals.

3. CASH FLOW STATEMENT OF AGORA S.A.

Tab. 7

in PLN million	**2017**	**2016**	*% change yoy*
Net cash from operating activities	(34.9)	(39.3)	*11.2%*
Net cash from investment activities	60.9	63.8	*(4.5%)*
Net cash from financing activities	(28.6)	(24.2)	*(18.2%)*
Total movement of cash and cash equivalents	**(2.6)**	**0.3**	**-**
Cash and cash equivalents at the end of period	**9.4**	**12.0**	***(21.7%)***

As of December 31, 2017, the Company's monetary assets amounted to PLN 57.1 million, which comprised cash and cash equivalents in the amount of PLN 9.4 million (cash, bank accounts and bank deposits) and PLN 47.7 million invested in short-term securities.

In 2017, Agora S.A. was not engaged in any currency option instruments or other derivatives (used for hedging or speculative purposes).

On the basis of the Credit Line Agreement ("Agreement") with DNB Bank Polska S.A. signed on 25 May 2017 Agora S.A. received a non-renewable loan of PLN 25 million allocated for the repayment of the time credit in Bank Polska Kasa Opieki S.A., which shall be repaid in 12 quarterly instalments starting from 1 July 2018. Moreover, the Company was provided with a credit facility in the current account of up to PLN 75.0 million ("Overdraft 1") that may be used within 12 months after the date of signing the Agreement to e.g. finance or refinance acquisitions, investment expenditure and the working capital and after 12 months since the date of signing the Agreement will be automatically converted into a non-renewable loan repayable in quarterly instalments. The Company was also provided with a credit facility in the current account of up to PLN 35.0 million ("Overdraft 2") that can be used within 12 months after the date of signing the Agreement to finance the working capital and other corporate purposes of the Company including cash pooling facility.

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

3.1. Operating activities

In 2017, the Company recorded an improvement in net cash flows from main operating activities (the operating outflows decreased by 11.2% yoy).

3.2. Investment activities

Net inflows from investing activities in 2017 results mainly from the receipt of dividends, disposal of shares in related companies and the sales of property, plant and equipment. Those inflows were to some extent compensated by expenditure on property, plant and equipment and intangibles, as well as net outlays on the acquisition of short-term securities.

3.3. Financing activities

Net outflows from financing activities in 2017 result mainly from the repurchase of own shares and net outflows within cash pooling facility. Those outflows were to some extent compensated by net inflows from bank loans.

4. SELECTED FINANCIAL RATIOS [2]

Tab. 8

	2017	2016	*% change yoy*
Profitability ratios			
Net profit margin	(13.8%)	(9.2%)	*(4.6pp)*
Gross profit margin	32.5%	29.8%	*2.7pp*
Return on equity	(7.8%)	(5.5%)	*(2.3pp)*
Efficiency ratios			
Inventory turnover	22 days	18 days	*22.2%*
Debtors days	79 days	78 days	*1.3%*
Creditors days (2)	36 days	38 days	*(5.3%)*
Liquidity ratio			
Current ratio	1.6	1.4	*14.3%*
Financing ratios			
Gearing ratio (1)	-	-	-
Interest cover	(107.0)	(87.1)	*(22.8%)*
Free cash flow interest cover	(41.5)	(66.8)	*37.9%*

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

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

Definitions of financial ratios *[2]* are presented in *Notes*.

NOTES

[1] The data refer to advertising expenditures in six media (press, radio, TV, outdoor, Internet, cinema). In this MD&A Agora has corrected the numbers for dailies in the fourth quarter of 2016 and in the first, second and third quarter of 2017, and the data for TV in the first and in the second quarter of 2016 and in the third quarter of 2017; the data for Internet in each of the quarters of 2016 and in the first, second and third quarter of 2017; the data for advertising expenditure in cinema was corrected for the first, second and third quarter of 2017.

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

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

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

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

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.

[2] Definition of ratios:

$$\text{Net profit margin} = \frac{\text{Net profit /(loss)}}{\text{Total sales}}$$

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

$$\text{Return on equity} = \frac{\text{Net profit / (loss)}}{\text{(Equity at the beginning of the period + Equity at the end of the period) / 2}}$$

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

$$\text{Creditors days (1)} = \frac{\text{(Trade creditors at the beginning and the end of the period + accruals for uninvoiced costs at the beginning and the end of the period) / 2}}{\text{(Cost of sales + selling expenses + administrative expenses) / no. of days}}$$

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

$$\text{Current ratio} = \frac{\text{Current Assets}}{\text{Current liabilities}}$$

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

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

Free cash flow interest cover= $\dfrac{\text{Free cash flow (2)}}{\text{Interest charge}}$

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

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

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

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

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

In the Management Board opinion, EBITDA constitutes a useful supplementary financial indicator in assessing the performance of the Company. 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 Company may differ from that applied by other companies.

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

The data on dailies readership are based on PBC General, research carried out by MillwardBrown on a random, nationwide sample of Poles over 15 years of age. The CCS index was used (weekly readership index) - percentage of respondents reading at least one edition of the title within 7 days of the week preceding research. Size of the sample: nationwide PBC General for October – December 2017: N=4, 994; January – December 2017 N = 19 964.

[4] Average paid circulation of monthlies is based on the Agora's own data. Rate card data on magazines obtained from Kantar Media monitoring; commercial brand advertising and sponsored articles, excluding specialized monthlies; accounted for 108 monthlies and 77 other magazines; in total 185 magazines for the period of October - December 2017 and 117 monthlies and 75 other magazines; in total 192 magazines for the period January – December 2017.

IV. ADDITIONAL INFORMATION

IV.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

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

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

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

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

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

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

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

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

The Credit Limit bears a WIBOR rate for one-month or three-month deposits in PLN plus the Bank’s margin. In the event that all or part of the Bank’s receivables are not settled within the deadline specified in the Agreement, it will charge the Company with interest at the base rate plus 3.85 p.p. Apart from this, there are no other provisions for contractual penalties in the Agreement.

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

Establishment of a tax capital group by the Company

In the current report of December 21, 2017, the Management Board of Agora S.A. informed that on December 21, 2017 it adopted a resolution expressing the intention to establish a tax capital group ("TCG") which shall include Agora and the its subsidiaries: Grupa Radiowa Agory Sp. z o.o., Agora TC Sp. z o.o., Trader.com (Polska) Sp. z o.o., Helios S.A., AMS S.A., Yieldbird Sp. z o.o., and Plan A Sp. z o.o.

The establishment of tax capital group required fulfillment a number of formal requirements, including obtaining several corporate consents and registering an application for establishing a tax capital group with the Head of the relevant Tax Office.

In the agreement on the establishment of the tax capital group, Agora was designated as the company representing the TCG with respect to the obligations arising from the Corporate Income Tax Act and from the provisions of the Tax Ordinance. The agreement on the establishment of the TCG was concluded for the period to December 31, 2020.

The Company estimates that the implementation of the project to establish the tax capital group may bring about a reduction, provided for in the legal regulations, in the TCG's tax liability of approximately PLN 5 million in each year of the TCG's functioning.

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

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

IV.B. CHANGES IN CAPITAL AFFILIATIONS OF THE ISSUER WITH OTHER ENTITIES AND CAPITAL INVESTMENTS OF THE ISSUER AND THE SHAREHOLDERS' STRUCTURE

1. THE CAPITAL STRUCTURE OF THE ISSUER AND SUBORDINATED ENTITIES

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

Tab. 9

		% of shares held (effectively)	
		31 December 2017	31 December 2016
	Subsidiaries consolidated		
1	Agora Poligrafia Sp. z o.o., Tychy	100,0%	100,0%
2	Agora TC Sp. z o.o., Warsaw	100,0%	100,0%
3	AMS S.A., Warsaw	100,0%	100,0%
4	Adpol Sp. z o.o., Warsaw (1)	100,0%	100,0%
5	Grupa Radiowa Agory Sp. z o.o. (GRA), Warsaw	100,0%	100,0%
6	Doradztwo Mediowe Sp. z o.o., Warsaw (2)	100,0%	100,0%
7	IM 40 Sp. z o.o., Warsaw (2)	72,0%	72,0%
8	Inforadio Sp. z o.o., Warsaw (2)	66,1%	66,1%
9	Helios S.A. , Lodz (5)	91,4%	88,9%
10	Next Film Sp. z o.o., Lodz(3)	91,4%	88,9%
11	Next Script Sp. z o.o. (formerly Joy Media Sp. z o.o.), Warsaw (4), (6)	68,6%	100,0%
12	Trader.com (Polska) Sp. z o.o., Warsaw	100,0%	100,0%
13	Optimizers Sp. z o.o., Warsaw	100,0%	100,0%
14	Yieldbird Sp. z o.o., Warsaw (7)	77,6%	84,3%
15	GoldenLine Sp. z o.o., Warsaw	92,7%	92,7%
16	Sir Local Sp. z o.o., Warsaw (8)	-	78,4%
17	Sport4People Sp. z o.o. in liquidation, Krakow (9)	-	100,0%
18	TV Zone Sp. z o.o., Warsaw (10)	-	100,0%
19	PTA Sp. z o.o., Warsaw (10)	-	100,0%
20	Plan A Sp. z o.o., Warsaw (11)	100,0%	-
	Joint ventures and associates accounted for the equity method		
21	Green Content Sp. z o.o., Warsaw (12)	-	51,1%
22	Stopklatka S.A., Warsaw	41,1%	41,1%
23	Online Technologies HR Sp. z o.o., Szczecin	46,2%	46,2%
24	Hash.fm Sp. z o.o., Warsaw	49,5%	49,5%
25	Instytut Badan Outdooru IBO Sp. z o.o., Warsaw (1)	40,0%	40,0%
	Companies excluded from consolidation and equity accounting		
26	Polskie Badania Internetu Sp. z o.o., Warsaw	15,8%	15,8%

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

(9) the company was removed from the register of entrepreneurs in the National Court Register on February 16, 2017;

(10) merger of the companies with the company Agora TC Sp. z o.o. on June 30, 2017;

(11) company set up on December 14, 2017;

(12) disposal of shares in the company on September 1, 2017.

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

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

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

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

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

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

On July 21, 2017, the extraordinary general meeting of shareholders of Next Film Sp. z o.o. ("Next Film") adopted a resolution on increasing the share capital of Next Film by creating 500 new shares with a nominal value of PLN 1,000 each and a total nominal value of PLN 500 thousand. The extraordinary general meeting of shareholders of

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

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

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

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

On December 14, 2017, Agora S.A., as the sole shareholder, established Plan A Sp. z o.o., with its registered seat in Warsaw. On December 21, 2017, the District Court for the capital city of Warsaw in Warsaw, XIII Commercial Division of the National Court Register, entered the aforementioned company in the register of entrepreneurs of the National Court Register. Agora S.A. currently holds 100 shares in the share capital of Plan A Sp. z o.o., with a value of PLN 50 each, which have been taken up by Agora S.A. in return for a cash contribution of PLN 5,000. The shares held by Agora S.A. give it a 100% interest in the share capital and 100% of votes at the general meeting of shareholders.

On January 25, 2018, the extraordinary general meeting of shareholders of Optimizers Sp. z o.o. ("Optimizers") adopted a resolution on discontinuing the operating activities of Optimizers to date, in particular on refraining from undertaking any new business activities as part of the operating activities of Optimizers to date. The above resolution does not constitute the resolution on the dissolution of Optimizers referred to in Article 270, item 2) of the Code of Commercial Companies.

On February 28, 2018, Agora S.A., as the sole shareholder, established Agora Finanse Sp. z o.o., with its registered seat in Warsaw and holds 100 shares in the share capital of Agora Finanse Sp. z o.o., with a value of PLN 50 each, in return for a cash contribution of PLN 5,000. The shares held by Agora S.A. give it a 100% interest in the share capital and 100% of votes at the general meeting of shareholders.

Call for the repurchase of shares in a subsidiary

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

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

(i) Sell-out procedure

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

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

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

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

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

(ii) Squeeze-out procedure

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

cancelling the aforementioned shares. The above information was published in the Court and Commercial Gazette on 8 May 2017.
An expert appointed by the court is currently preparing a valuation of the shares.

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

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

3. PARTICIPATION IN BUSINESS ORGANIZATIONS, DOMESTIC AND FOREIGN

Agora wants actively influence the environment it operates in. Therefore, the Company is an active member and participant of organizations involving business specialists in fields important for Company's activities. Company's representatives participate in the activities, inter alia, of the following 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,
    - ReproPol (Association),
    - IAA Polska – International Adversting Association, Poland
    - ZPAV – Association of Audo Video Producers,
    - KIPA – The Polish Audiovisual Producers Chamber of Commerce,
    - Polish Chamber of Books.

- Foreign:
    - INMA – International Newsmedia Marketing Association,
    - EPC – European Publishers Council.

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

4. MAJOR DOMESTIC AND FOREIGN INVESTMENTS

In 2017 carrying amounts of intangible assets of the Company (magazine titles, licenses and patents, other) decreased by PLN 17.9 million (cost did not change, amortisation and impairment losses for the period increased by PLN 17.9 million). Detailed information on intangible assets is included in note 3 to the unconsolidated financial statements.

In 2017 carrying amounts of property, plant and equipment of the Company decreased by PLN 62.4 million (cost decreased by PLN 4.5 million, depreciation and impairment losses for the period increased by PLN 57.9 million). Detailed information on property, plant and equipment is included in note 4 to the unconsolidated financial statements.

In 2017 capital investments (shares and loans) made within the capital group by Agora S.A. increased by PLN 0.2 million and decreased by PLN 37.9 million, as shown in the table below:

Tab. 10

in PLN million	increase	decrease
Shares	0.0	32.7
Loans	0.2	5.2
TOTAL	**0.2**	**37.9**

Detailed information on capital investments is included in note 5 to the unconsolidated financial statements.

In 2017, the investments of the Company were financed from own funds. The non-renewable loan of PLN 25,000 thousand used by Agora S.A. in DNB Bank Polska S.A. was allocated for the repayment of the multi-purpose credit line in Bank Polska Kasa Opieki S.A.

In 2017, the Company invested its free cash outside its capital group mainly in short-term securities and bank deposits. As at the end of 2017, the amount of such investments was equal to PLN 47.9 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 2016 the following shareholders were entitled to exercise over 5% of voting rights at the general meeting of shareholders of the Company:

Tab. 11

	no. of shares	% of share capital	no. of votes	% of voting rights
Agora-Holding Sp. z o.o. *(in accordance with the last notification of September 24, 2015)*	5,401,852	11.33	22,528,252	34.77
Powszechne Towarzystwo Emerytalne PZU S.A. (Otwarty Fundusz Emerytalny PZU Zlota Jesien and Dobrowolny Fundusz Emerytalny PZU) *(in accordance with the last notification of December 27, 2012) (1)*	7,594,611	15.93	7,594,611	11.72
including: Otwarty Fundusz Emerytalny PZU Zlota Jesien *(in accordance with the last notification of December 27, 2012) (1)*	7,585,661	15.91	7,585,661	11.71
Media Development Investment Fund, Inc. (MDIF Media Holdings I, LLC) *(in accordance with the last notification of June 6, 2016)*	5 350 000	11,22	5 350 000	8,26
Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A. (Nationale-Nederlanden Otwarty Fundusz Emerytalny and Nationale Nederlanden Dobrowolny Fundusz Emerytalny) *(in accordance with the last notification of June 9, 2016)*	4 493 055	9,43	4 493 055	6,93
Aegon Powszechne Towarzystwo Emerytalne S.A. (Aegon Otwarty Fundusz Emerytalny) *(in accordance with the last notification of December 7, 2015)*	3,283,154	6.89	3,283,154	5.07

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

Significant changes to the shareholders' structure

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

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

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

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

Tab. 12

	No. of shares	% of share capital	no. of votes	% of voting rights
Agora-Holding Sp. z o.o. *(in accordance with the last notification of September 24, 2015)*	5,401,852	11.33	22,528,252	34.77
Powszechne Towarzystwo Emerytalne PZU S.A. (Otwarty Fundusz Emerytalny PZU Zlota Jesien and Dobrowolny Fundusz Emerytalny PZU) *(in accordance with the last notification of December 27, 2012)(1)*	7,594,611	15.93	7,594,611	11.72
including: Otwarty Fundusz Emerytalny PZU Zlota Jesien *(in accordance with the last notification of December 27, 2012)(1)*	7,585,661	15.91	7,585,661	11.71
Media Development Investment Fund, Inc. (MDIF Media Holdings I, LLC) *(in accordance with the formal notification received on June 6, 2016)*	5,350,000	11.22	5,350,000	8.26
Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A. (Nationale-Nederlanden Otwarty Fundusz Emerytalny and Nationale Nederlanden Dobrowolny Fundusz Emerytalny) *(in accordance with the last notification of June 9, 2016)*	4,493,055	9.43	4,493,055	6.93

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

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

IV.C. OTHER SUPPLEMENTARY INFORMATION

1. TRANSACTIONS WITH RELATED PARTIES

Following types of transactions are witnessed within the Agora Group:

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

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 are disclosed in note 36 of the unconsolidated financial statements.

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

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

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

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

3. REMUNERATION, BONUSES AND BENEFITS RECEIVED BY THE MEMBERS OF MANAGEMENT AND SUPERVISORY BOARD OF THE ISSUER

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

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

Tomasz Jagiello received also remuneration as the President of the Management Board of Helios S.A. in the amount of PLN 356 thousand (in 2016: in the amount of PLN 356 thousand) and Agnieszka Sadowska received remuneration as the Member of the Management Board of Stopklatka S.A. in the amount of PLN 253 thousand. The other members of Agora's Management and Supervisory Board did not receive any remuneration for serving as board members in subsidiaries, joint-controlled entities and associates.

Detailed information concerning remuneration of the Management Board and Supervisory Board Members is presented in note 25 to the unconsolidated financial statements.

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

The Company also executed an incentive program based on financial instruments, in which Management Board members of Agora S.A. participated. Detailed information concerning this plan is presented in note 26 to the unconsolidated financial statements.

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

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

Neither the Management Board members of Agora S.A. owned any shares in related companies with the Group or any shares in Agora S.A., except for described below:

4.1. Shares in Agora S.A.

Tab. 13

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

4.2. Shares in related company Helios S.A.

Tab. 14

	as of December 31, 2017 (no. of shares)	*Nominal value (PLN)*
Tomasz Jagiello	833,838	83,383

4.3. Shares in related company Agora Holding Sp. z o.o.

Tab. 15

	as of December 31, 2017 (no. of shares)	*Nominal value (PLN)*
Bartosz Hojka	1	10,427.84

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

5.1. Shares in Agora S.A.

Tab. 16

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

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

5.2. Shares in related company Agora Holding Sp. z o.o.

Tab. 17

	as of December 31, 2017 (no. of shares)	*Nominal value (PLN)*
Wanda Rapaczynski	1	10,427.84

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

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

7. INFORMATION ON CREDIT AND LOAN AGREEMENTS TAKEN/TERMINATED, GUARANTEES RECEIVED BY AGORA S.A.

In 2017 no credit or loan agreements were terminated for the Company neither the Company terminated any credit or loan agreements.

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

Tab. 18

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

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

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

In 2017, Agora S.A. did not grant any new loans.

Detailed information on off-balance sheet items (including granted guarantees and issued bills of exchange) is presented in note 34 to the unconsolidated financial statements.

9. THE SYSTEM OF EMPLOYEE SHARE SCHEMES CONTROL

In 2017 there was not any employee share scheme.

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

On March 30, 2017 the Supervisory Board selected the certified auditor of the Company's financial statements. On the basis of both, the Supervisory Board resolution and the Company's Statute, KPMG Audyt Spolka z ograniczona odpowiedzialnoscia spolka komandytowa with its registered seat in Warsaw at 4A Inflancka 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):

Tab. 19

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

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

11. INFORMATION ABOUT FINANCIAL INSTRUMENTS

Information about financial statements in respect of:

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

is disclosed in notes 31 and 32 to the unconsolidated financial statements.

12. THE DESCRIPTION OF BASIC HAZARDS AND RISK

- **Macroeconomic risk**

Advertising revenues strictly depend on the general economic situation in Poland and in Europe. They grow in the periods of economic upswing and are marked by considerable decrease in time of the economic slowdown. According to the Company’s estimations in 2017, advertisers spent over 2.0% yoy more on advertising. Advertisers increased their expenditure in majority of advertising market segments. The erosion of advertising expenditure was observed only in press and in outdoor. It should be noted however that the level of advertising revenues is dependent on both the ad volume as well as prices of media purchase which hinders estimations regarding the development of the situation at the particular segments of ad market.

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

- **Seasonality of advertising spending**

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

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

The Company's advertising revenues are generated by the following media: dailies, magazines and internet. As a result of structural changes and media convergence particular media in the Company's portfolio compete both with their business competitors and with television broadcasters - constituting almost half of the advertising market expenditure (almost 47.0%) in 2017.

The next largest segment of advertising market – Internet held 31.5% share in total ad spend. Ad expenditure in magazines and dailies constituted 5.0% and 2.5% share of total ad spend, respectively. Outdoor advertising held, in 2016, 5.5% of the advertising market share and radio ad spend constituted 7.0% of total ad expenditure. Cinema advertising in Poland constituted 1.5% of all advertising expenditure. Bearing in mind the dynamics of particular and the current Company's estimates of advertising market growth in 2018 there is a risk that the share of particular media in the advertising market will change. This may influence the Company'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 Company's advertising revenues. Moreover, due to those changes and technological progress there is no certainty that the Company will be able to react to them in a proper time and manner, which may negatively influence the Company'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 Company's position in the particular media sectors will remain unchanged.

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

- **Press**

Presently paid press experiences a worldwide trend of copy sales decrease and shrinking of advertising expenditure. Press titles, published by the Company 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 Company. At the same time, the Company digitalizes its content by means of metered paywall on websites related to *Gazeta Wyborcza*. At the end of 2017, the number of *Gazeta Wyborcza* active paid subscriptions totalled almost 133 thousand. Nowadays the Company focuses on the growth of average revenue from each subscription and growth of online advertising revenues. It is hard to predict if the Company will be able to deliver above expectations, because of the competitive internet market.

- **Press distribution**

The main channel of press distribution, used by every press publisher in Poland, is networks of kiosks situated in places of intense traffic. Distribution market in Poland is highly concentrated – two main distributors control over 80% of press distribution market. Therefore, significant financial or operational problems of either of them may have a negative impact on copy sales and the results of the Company.

Internet

Polish Internet advertising market is highly competitive and number of internet users in Poland is not growing so fast as in the past. Internet business is highly dependent on technology progress and number of Internet users and maintaining a strong position on that market is possible by means of investment in modern and innovative technology. The development of this medium is also determinated by the available infrastructure. The number of mobile internet users is increasing. Both, changes in the internet usage and increase of internet speed may also affect growth dynamics of individual segments of the internet advertising market. In this segment of advertising market the Company competes with local and international players. There is no guarantee, that on such a competitive market, the Company'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 Company'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 Company will be able to compete with national and foreign players with larger financial resources.

Responsibility for published content

The Company'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 Company could unintentionally violate such lawsand as a result it could be a subject of claims relating to that and as a result it may have to pay relevant compensations.

Risk of claims as a rusult of intellectual property rights infringement

The Company'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 Company may unintentionally violate such laws. As a result the Company 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 Company's operations

Due to the fact that legal regulations in Poland change quite often, they may negatively impact the Company'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, Copyright and related rights Act, as well as acts regulating capital market in Poland and rules of commercial activities in Poland.

New regulations may pose a risk due to the problems with their interpretation, lack of judicial practice, unfavourable interpretations adopted by courts or public institutions.
Additionally tax regulations in Poland are subjetc of often changes. Changes in VAT and other kinds of tax burden may negatively impact the operations and financial results of the Company.

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

Impairment tests

In line with the *International Financial Reporting Standards*, the Company 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 Company's revenues are expressed in Polish zlotys. Part of the operating cost, connected mainly 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 Company'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 Companys's success is dependent on the involvement and qualifications of its key employees who contributed immensely to Company's development and effective optimization of the Agora's operating processes. Due to the market competition for highly qualified specialists there is no guarantee the Company 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., Trader.com (Polska) Sp. z o.o. and Grupa Radiowa Agory Sp. z o.o. According to the law requirements the managment boards of the companies in which trade unions operate consult or negotiate with them decisions in legally determined cases.

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

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

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

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

- **Risk related to print activity**

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

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

A positive impact on the Agora's results in 2017 had an execution of an option by Discovery Polska Sp. z o.o. regarding 51.06% share in the company Green Content Sp. z o.o. on September 1st, 2017. As a result of an option execution Discovery Polska Sp. z o.o. became an owner of 100.0% shares in Green Content Sp. z o.o., whereas

Agora ceased to be a stakeholder of Green Content Sp.z o.o. The above trascation had a positive impact on the net result of Agora S.A. of PLN 11.1 million.

A most significant negative impact on the Agora's results had an impairment loss recognized in the fourth quarter of 2017 in the amount of PLN 75.3 million. They affected mainly Print and Press segments of the Company and the value of shares in Trader.com (Polska) Sp. z o.o.

In the fourth quarter of 2017 the Group reviewed the useful lives of selected fixed assets, which resulted in higher amortization write-offs in Movies and Books segment as well as in general costs of the Agora Group (not attributed to any of the business segments) in total amount of PLN 2.0 million.

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

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

15. DIVISIONS OF THE COMPANY

Agora S.A. has 19 divisions and the major headquarters in Warsaw.

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

The Management Board did not publish any forecasts of the Company'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.

17. INFORMATION ON PURCHASE OF OWN SHARES

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

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

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

On the basis of the Resolution, the Company was authorized to buy, under one or more offers, no more than 1,537,594 (in words: one million five hundred and thirty-seven thousand five hundred and ninety-four) shares which corresponded to no more than 3.23% of the Company's share capital. The authorization to buy the own shares back was granted to the Company's Management Board for the period to the earlier of December 31, 2017 and the exhaustion of the reserve allocated for the implementation of the Share Buyback Program (including the acquisition costs), i.e. PLN 23,832,713 (in words: twenty-three million eight hundred and thirty-two thousand seven hundred and thirteen Polish zlotys). Considering that the Resolution provided for the minimum and maximum purchase price of the Company's shares of PLN 15.50 per share and PLN 20.00 per share, respectively, and the fact that the final share purchase price was set at PLN 20.00 (in words: twenty Polish zlotys), the final number of the Company's shares to be purchased under the Offer was set at 1,191,635, so that the total price for the purchase of the shares would not be higher than the reserve allocated for the implementation of the Own Share Buyback Program.

The offers to sell shares were accepted from the Company's shareholders from October 2, 2017 to October 6, 2017. All the transactions were settled on October 10, 2017.

Millennium Dom Maklerski S.A. managed the Offer and its settlement. Detailed information about the rules of the own share buyback and the reply procedure was included in the Offer which was published on the Company's website, www.agora.pl.

In the current report of October 10, 2017, the Management Board of Agora S.A. informed that on October 10, 2017 the Company bought a total of 1,084,595 own shares as part of the implementation of the Own Share Buyback Program. All the purchased shares were bearer shares listed on the Warsaw Stock Exchange, with a nominal value of PLN 1.0 each, and (as at October 10, 2017) corresponded to a total of 2.28% of the Company's share capital and a total of 1,084,595 votes at the General Meeting of the Company, which represented 1.67% of the total number of votes at the General Meeting of the Company ("Purchased Shares"). The purchase price was PLN 20.0 per Purchased Share and PLN 21,691,900 in total for all the Purchased Shares.

The number of bearer shares offered by the shareholders for sale under the Offer totalled 29,131,971. The shareholders did not offer any registered shares for sale.

Since the total number of the bearer shares offered by the shareholders for sale under the Own Share Buyback Program exceeded the total number of shares which the Company had intended to buy under the Offer (i.e. 1,084,595 shares) from the pool of the bearer shares, the number of shares purchased from individual shareholders was calculated in accordance with the share offer reduction rules, described in detail in point 10 of the Offer. The average reduction rate applied to the pool of the bearer shares was 96.3%.

Before the purchase of the Purchased Shares under the Own Share Buyback Program, the Company did not have any own shares. At present, the Company holds only the Purchased Shares.

In accordance with the applicable laws, the Company does not exercise the shareholders' rights attached to its own shares. The Company plans to redempt the purchased shares at the next general meeting of shareholders.

18. ISSUING OF SECURITIES

In 2017 the Company did not issue any securities.

19. OTHER INFORMATION

Significant events for the Company's business activities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

General Meeting of Shareholders of Agora S.A.

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

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

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

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

- Agora - Holding Sp. z o.o.: 22,528,252 votes, i.e. 49.32% of votes at the Ordinary General Meeting and 34.77% of the total number of votes.
- Otwarty Fundusz Emerytalny PZU "Zlota Jesien": 7,800,000 votes, i.e. 17.07% of votes during the Ordinary General Meeting and 12.04% of the total number of votes.

- MDIF Media Holdings I, LL: 5,355,645 votes, i.e. 11.72% of votes during the Ordinary General Meeting and 8.27% of the total number of votes.
- Nationale-Nederlanden Otwarty Fundusz Emerytalny: 4,000,000 votes, i.e. 8.76% of votes during the Ordinary General Meeting and 6.17% of the total number of votes.
- Aegon Otwarty Fundusz Emerytalny: 3,556,548 votes, i.e. 7.79% of votes during the Ordinary General Meeting and 5.49% of the total number of votes.

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

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

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

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

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

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

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

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

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

Sale of real estate

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Dates of publication of periodic reports in 2018

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

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

Information about tests for asset impairment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The estimated amount of provision for collective redundancies which will be charged to the Agora Group's result in the first quarter of 2018, shall amount to approximately PLN 1.6 million. The Agora Group estimates that the restructuring measures my result in the annual savings may amount to approximately PLN 2.0 – PLN 2.5 million.

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

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

1. CORPORATE GOVERNANCE CODE APPLICABLE TO THE COMPANY IN 2017

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

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

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

3. RECOMMENDATIONS FOR BEST PRACTICE FOR LISTED COMPANIES

3.1. Disclosure policy and investor communications

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.3. General meeting and shareholder relations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Bearer shares may not be converted into registered share.

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

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

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

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

5.1. Management Board

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

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

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

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

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

Bartosz Hojka

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

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

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

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

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

Tomasz Jagiełło

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

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

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

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

Agnieszka Sadowska

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

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

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

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

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

Anna Kryńska-Godlewska

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

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

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

Grzegorz Kania

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

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

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

5.2. Supervisory Board

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

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

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

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

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

- Andrzej Szlęzak – Chairman of the Supervisory Board,
- Andrzej Dobosz – Member of the Supervisory Board,

- Dariusz Formela – Member of the Supervisory Board,
- Wanda Rapaczynski – Member of the Supervisory Board,
- Tomasz Sielicki – Member of the Supervisory Board,
- Maciej Wiśniewski – Member of the Supervisory Board (since 9 November 2017).

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

- Andrzej Szlęzak – Chairman of the Supervisory Board,
- Andrzej Dobosz – Member of the Supervisory Board,
- Dariusz Formela – Member of the Supervisory Board,
- Anna Kryńska – Godlewska – Member of the Supervisory Board,
- Wanda Rapaczynski – Member of the Supervisory Board,
- Tomasz Sielicki – Member of the Supervisory Board.

Andrzej Szlęzak, Ph.D.

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

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

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

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

Andrzej Dobosz

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

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

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

Dariusz Formela

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

He was also responsible for development and implementation of the restructuring plan in the ORLEN Capital Group. Dariusz Formela is a member of the Audit Committee of Avia Solutions Group S.A.

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

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

Wanda Rapaczynski

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

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

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

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

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

Tomasz Sielicki

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

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

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

Maciej Wiśniewski

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

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

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

5.3 Committee and Commission established within the Supervisory Board

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

(i) Audit Committee:

- Dariusz Formela – Chairperson of the Audit Committee,
- Tomasz Sielicki,
- Maciej Wiśniewski.

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

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

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

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

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

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

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

(ii) Human Resources and Remuneration Commission:

- Wanda Rapaczynski - chairperson of the Human Resources and Remuneration Commission,
- Andrzej Dobosz,
- Andrzej Szlęzak.

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

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

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

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

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

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

6.1. Appointment

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

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

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

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

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

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

6.2. Dismissal

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

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

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

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

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

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

6.3. Powers of the management personnel

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

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

7. SHAREHOLDERS WITH MAJOR HOLDINGS OF SHARES

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

	number of shares	*% of share capital*	number of votes at GM	*% of votes at GM*
Agora-Holding Sp. z o.o. *(in accordance with the last notification dated 24 September 2015)*	5,401,852	11.33	22,528,252	34.77
Powszechne Towarzystwo Emerytalne PZU S.A. (Otwarty Fundusz Emerytalny PZU Złota Jesień and Dobrowolny Fundusz Emerytalny PZU) *(in accordance with the last notification dated 27 December 2012)(1)*	7,594,611	15.93	7,594,611	11.72
of which: **Otwarty Fundusz Emerytalny PZU Złota Jesień** *(in accordance with the last notification dated 27 December 2012)(1)*	7,585,661	15.91	7,585,661	11.71
Media Development Investment Fund, Inc. (MDIF Media Holdings I, LLC) *(in accordance with the official notification received on 6 June 2016)*	5,350,000	11.22	5,350,000	8.26
Nationale – Nederlanden Powszechne Towarzystwo Emerytalne S.A. (Nationale – Nederlanden Otwarty Fundusz Emerytalny and Nationale Nederlanden Dobrowolny Fundusz Emerytalny) *(in accordance with the last notification dated 9 June 2016)*	4,493,055	9.43	4,493,055	6.93

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

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

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

Series A Shares

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

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

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

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

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

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

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

10. LIMITATIONS ON THE EXERCISE OF VOTING RIGHTS

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

a) shareholders holding the preferred series A shares;

b) a shareholder who, while having no more than 20% of the overall number of votes at the General Meeting, announced, in accordance with the Act on Public Offering, a tender for subscription for the sale or exchange of all the shares of the Company and in result of such tender purchased shares which, including the previously held Company shares, authorize the said shareholder to exercise at least 75% of the overall number of votes at the

General Meeting. For the purposes of calculating a shareholder's share in the overall number of votes at the general meeting referred to above, it is assumed that the restriction on the voting rights provided for in § 17(1) of the Company's Statues does not exist.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

13. REMUNERATION POLICY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Existing employment contracts concluded with members of the Management Board of Agora S.A. provide that in the period of 18 months from the date:
(i) on which the right of the shareholders holding series A shares to nominate candidates to the Management Board is removed from the Company's Statutes,
(ii) on which one entity or a group of entities acting in concert exceeds the 50% threshold of the total number of votes at the General Meeting of Agora S.A.;
(iii) on which the Supervisory Board of the Company is appointed by voting by separate groups, pursuant to Article 385 § 3-9 of the Code of Commercial Companies, should any of these contracts be terminated by the Company, the member of the Management Board of Agora S.A. will receive severance pay in the amount equal to the sum of the following components:
(i) the amount equivalent to 12 times the monthly base salary payable to the member of the Management Board of Agora S.A. for the month preceding the month in which the member of the Management Board of Agora S.A. receives the termination notice;
(ii) the amount equivalent to the annual bonus for the financial year preceding the year of termination of the employment contract.
The severance pay referred to in the preceding sentence is not due when the employment contract is terminated for reasons indicated in Article 52 § 1 of the Labour Code.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

14. DIVERSITY POLICY

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

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

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

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

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

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

Supervisory Board

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

Management Board

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

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

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

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

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

Administrative bodies

The administrative bodies of the Agora Group comprise employees holding managerial positions. The diversity policy for administrative bodies involves the creation of a workplace free from discrimination based on gender, age, origin, health, education, political or religious beliefs, where competence and experience are the basis of the organizational culture. This approach is reflected in the diversity of teams across the Group. Gender equality is one of the key aspects of diversity due to the similar number of male and female employees (women accounted for

51.7% of employees in the entire Group as at 31 December 2017 and men accounted for 48.3%). The gender structure in the administrative bodies confirms that this objective has been achieved.

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

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

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

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

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

16. SOCIAL AND SPONSORING ACTIVITIES POLICY

The **social and sponsoring activities policy at Agora Group** was adopted by the Management Board in 2016 to reflect the strategic approach to corporate social responsibility. In 2017, the Company continued its long-term activities within the following pillars: social, educational, cultural and charity, while launching new projects. These included national and regional initiatives implemented by Agora S. A. (including "Gazeta Wyborcza" and its branches from all over Poland, Gazeta.pl portal and its services, Agora's Publishing House), as well as by Radio TOK FM and Agora's radio stations, Helios cinema network, AMS outdoor advertising company and Agora Foundation.

As part of its **social** activities, Agora implements long-term campaigns for the benefit of seniors, civil society and sustainable urban development, and is involved in environmental issues. The **DługoWIECZNI** campaign once again addressed the subject of older people, among others thanks to a special supplement available with the "Gazeta Wyborcza" daily - **Koperta życia** (Life Envelope), and in connection with the celebration of the **Seniors' Week in Poznań**. From a civic point of view, important discussions were held with important personalities making up a series of **Wyborcza na żywo** (Wyborcza Live) meetings taking place all over Poland. Last year, nearly 7,000 people participated in almost 80 local meetings held as part of this project. Radio TOK FM prepares regular debates on important social issues – in 2017, the **Usłysz...** (Hear...) formula focused on the reform of education. In addition, for the 7th time Radio TOK FM has awarded its **Anna Laszuk Award** for a character, organization or institution that has an exceptional influence on reality. In 2017, initiatives for the development of cities and their communities, carried out for a number of years, were focused on the nationwide **Pracownia miast** campaign and regional events: **Miasta Idei na Śląsku** and **Śląskiego bez smogu!** The latter campaign was additionally connected with the social campaign **Oddychać po ludzku** (Decent breathing). In the environmental area, it is worth mentioning the activities of the Gazeta.pl portal, which has been involved in the Greenpeace's **Adoptuj pszczołę** (Adopt a Bee) campaign for the third time. Additionally, in 2017 Agora initiated new social projects addressed to various groups of stakeholders. The Wroclaw division of "Gazeta Wyborcza" published a free newspaper for the Ukrainians "**Pryvit**", and the video team of Gazeta.pl prepared socially engaged films: "**Kiedy zobaczyłem Cię po raz pierwszy"** - related to Father's Day and "**Powstańcy 1944"** – commemorating the participants of the Warsaw Uprising, as well as talks with entrepreneurs on social issues as part of the Next.Gazeta.pl series entitled "Next Time". The Agora's Publishing House and the Information Society Development Foundation, together with libraries, promoted reading as part of the "**Paczka literacka**" campaign. On the other hand, the innovative "**Jutronauci**" project created by "Gazeta Wyborcza" supported the promotion of innovative attitudes in many dimensions. In articles, videos, meetings and conferences, visionaries and researchers talked about their inventions, ideas and plans. In addition, 207 projects were submitted to the scholarship program “Bilet za horyzont” by future participants of the “Jutronauci” initiative. **NewsMavens.com**, the first European website created exclusively by women, has initiated an important discussion on the diversity of newsrooms and media coverage from the smaller EU countries. The pioneering project received funding from Google DNI and has already involved 21 female journalists from 13 editorial offices.

Education is a key topic of Agora's corporate social responsibility, and initiatives implemented by Agora include projects addressed to schools, teachers, parents and students. Support for educational institutions in the difficult process of change was the goal of the 16th edition of the **Szkoła z Klasą 2.0** campaign. 95 schools and 642 teachers and other school staff applied to the project implemented by the Szkoła z Klasą Foundation, Civic Education Center and “Gazeta Wyborcza” with the support of the Polish-American Freedom Foundation and the Agora Foundation. A similar educational project was the **Matematyka się liczy** (Mathematics counts) campaign carried out by “Gazeta Wyborcza” in cooperation with the mBank Foundation. Apart from the competition for schools, there was also an educational conference, workshops and fairs, as well as special information materials and the Wyborcza.pl/matematyka website. The Helios cinema network is also developing its educational initiatives. **Kino na temat** and **Kino na temat Junior** are series of film meetings, during which young viewers have the opportunity to discuss important topics preceded by a screening of an interesting movie. Apart from taking part in the screening, the youngest children can participate in general development activities and games. In 2017, more than 2.5 thousand screenings were held throughout Poland.

The Agora Group's media are also involved in activities related to the **promotion and popularisation of culture**. Examples of such long-standing projects include literary awards (**NIKE Award, Ryszard Kapuściński Award**), Warsaw festivals and events (**Co Jest Grane Festival, European Music Fair Co jest Grane 24**) and **Olsztyn Green Festival**. Cultural prizes awarded in many local editorial offices of "Gazeta Wyborcza" are also important, such as Wdechy in Warsaw, WARTO Award in Wrocław, and the Cegła z Gazety – Janoscha Award in Katowice. The **NIKE Award** for the Book of the Year has been awarded since 1998. This award and the NIKE Foundation's activities are funded by Agora and the Agora Foundation. **Ryszard Kapuściński Award,** organized since 2010 by “Gazeta Wyborcza” and the City of Warsaw, is a distinction granted to authors of the best reporter's book of the year and the best translation of the year. Additional activities related to this award are educational initiatives promoting the works of Ryszard Kapuściński among pupils of Warsaw schools. For 14 years now, the “Gazeta Wyborcza” weekly magazine “Co Jest Grane 24" has been organizing the Warsaw cultural awards “**Wdechy**”. Warsaw also hosts two major cultural and musical events: **Co Jest Grane Festival** in the summer and **European Music Fair Co Jest Grane 24** in the autumn. Olsztyn hosts the **Olsztyn Green Festival**. The Agora Group's activities also include promotion of Polish cinema. **Kultura Dostępna w Kinach** (Culture Available in Cinemas) is part of a multi-annual program organized by the National Cultural Centre and the Ministry of Culture and National Heritage throughout the country. Owing to the series, a wide audience can get acquainted with Polish film art. In 2017, nearly 2.2 thousand screenings of almost 50 Polish films were held in the Helios cinema network as part of the series. For 18 years now, AMS has been inviting young graphic designers to create posters focusing on social issues. The **AMS Poster Gallery** is probably the largest competition of this type in Poland. In 2017, the participants submitted nearly 500 projects on the subject “Rzeczpospolita = Rzecz wspólna”. The winning works can be viewed for a year on AMS citylights all over Poland. New cultural initiatives of AMS included activities related to the promotion of Polish literature, which is why special thematic bus stops: “**Przystanek: Literatura”** and **“Przystanek: Wyspiański”** were created. In 2017, "Gazeta Wyborcza" also initiated regular meetings with artists who are talked about and the works that are to be experienced. About 3 thousand people took part in 6 meetings under the slogan **Centrum Premier Czerska 8/10,** while several thousand people watched the broadcasts at Wyborcza.pl and social media. The list of guest included, among others: Agnieszka Holland, Olga Tokarczuk, Elżbieta Dzikowska, Martyna Wojciechowska, Marek Kamiński, Aleksander Doba, Krystyna Janda, creators of the movie “Loving Vincent”, and Dan Brown. 2017 saw the first edition of the **Akademia Opowieści** (Academy of Stories) project, whose aim was to encourage the readers of “Gazeta Wyborcza” to describe the most important character in their lives. The initiative of reporters associated with “Duży Format” and the “Brama Grodzka – Teatr NN” Centre included meetings and workshops held in 12 Polish cities. They were accompanied by articles and materials published in “Duży Format” and on Wyborcza.pl/akademiaopowiesci, as well as a competition and a conference summarising the results. In the contest entitled "The most important person in my life", the readers sent 1655 stories about people who were important, but not widely known.

The last of the pillars of Agora's social activities are **charitable initiatives**, in which the Company's employees are also involved. Examples include the long-term involvement of "Gazeta Wyborcza" in **charity campaigns on Children's Day**, as well as activities undertaken as part of **Fabryka świętego Mikołaja** in Wroclaw and **Krzesło dla ISKIERKI** initiative in Katowice. In addition, as a part of creating equal opportunities, the Agora

Foundation and the Academy for the Development of Philanthropy have been running **Agrafka Agory** program for many years. Employees, readers, listeners, viewers and customers of the Agora Group engage in auctions and fundraising for the benefit of **Wielka Orkiestra Świątecznej Pomocy, WOŚP** (The Great Orchestra of Christmas Charity). In 2017, a total of over PLN 22 thousand was collected and "Gazeta Wyborcza" was the media patron of the 25th Final of WOŚP. The local editorial offices of the daily newspaper and the Helios cinemas helped raising money for the initiative and hosted local WOŚP headquarters. Auctions were organized by Radio TOK FM, Gazeta.pl portal, Radio Złote Przeboje and Helios cinema network. In 2017, Agora Group radio stations also became involved in a special charity campaign "**Odbudowujemy wieś Wysoka Zaborska"** (We are rebuilding the village of Wysoka Zaborska), aimed at helping those who suffered in the August storm. In total, PLN 282 thousand was collected for the benefit of affected families, and PLN 15 thousand was transferred to the account of the Brusy Commune from the sale of a special advertising block. The Agora Radio Group also funded a housing container for one of the most affected families.

Employees' involvement in various pro bono activities is an illustration of the Company's priority approach to social issues. As part of the "Finished – Let's swap" campaign, the books donated by the employees are distributed among others to the single mother's homes and hospitals. In 2017 Agora's employees took part in an unpaid blood donation campaign in which 5 litres of blood were collected. They also participated in the "Recycling of kindness" poll, in which they chose an organization to which the Company transferred funds from the sale of the paper archive of "Gazeta Wyborcza".

The initiatives and projects implemented in the area of social involvement fully reflect the objectives set out in the **Social and sponsoring activities policy at Agora Group**: education, individual and social development, shaping civic attitudes and caring for human rights, promotion of culture and universal access to it, promotion of health and healthy lifestyle, care for the natural environment and other aspects of charity and support activities.

In Agora's opinion, the implementation of the **Social and sponsoring activities policy** is consistent with the interests of the Company and its stakeholders, including shareholders, as it creates goodwill, contributes to social development and reflects the Company's responsibility for its impact on the environment.

VI. MANAGEMENT BOARD'S REPRESENTATIONS

1. REPRESENTATION CONCERNING ACCOUNTING POLICIES

Management Board of Agora confirms that, to the best knowledge, annual 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 Company for the period ended.

Annual Management Discussion and Analysis shows true view of the state of affairs of the Company, including evaluation of risks and dangers.

2. REPRESENTATION CONCERNING ELECTION OF THE COMPANY'S AUDITOR FOR THE ANNUAL AUDIT OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

Management Board of Agora confirms that the Company's auditor, chosen for the audit of annual unconsolidated financial statements, has been elected according to applicable rules and that the company auditing Agora's accounts as well as certified auditors engaged in the audit of Agora met objectives to present an objective and independent opinion about an audited, annual financial statements in accordance with law regulations and professional rules.

3. NON-FINANCIAL REPORTING

Fulfilling the requirements of Accounting Act the Company presents separate consolidated and non-consolidated report of Agora S.A. and the Agora Group regarding non-financial reporting for 2017, prepared according to standards set out by Global Reporting Initiative (GRI G4). According to art 49b point 9 of Accounting Act both reports are available on the corporate website www.agora.pl (https://www.agora.pl/raportCSR-2017) in Polish and English.

Warsaw, 8 March 2018

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

AGORA S.A.

AGORA S.A.

Unconsolidated financial statements

as at 31 December 2017 and for the year ended thereon

March 8, 2018

CONTENTS

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

UNCONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2017

	Note	As at 31 December 2017	As at 31 December 2016
ASSETS			
Non-current assets:			
Intangible assets	3	40,390	58,286
Property, plant and equipment	4	181,947	244,373
Investments	5	540,089	577,848
Receivables and prepayments	6	539	353
Deferred tax assets	15	831	-
		763,796	**880,860**
Current assets:			
Inventories	7	20,041	21,353
Accounts receivable and prepayments	8	120,756	152,490
Income tax receivable		-	7
Short-term securities and other financial assets	9	70,848	37,875
Cash and cash equivalents	10	9,398	11,964
		221,043	**223,689**
Non-current assets held for sale	4	13,747	10,682
		234,790	**234,371**
Total assets		**998,586**	**1,115,231**

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

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

UNCONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2017 (CONTINUED)

	Note	As at 31 December 2017	As at 31 December 2016
Equity nad liabilities			
Equity			
Share capital	11	47,665	47,665
Treasury shares	11	(21,744)	-
Share premium		147,192	147,192
Other reserves		122,164	119,867
Retained earnings and other reserves	12	537,335	607,546
		832,612	**922,270**
Non-current liablilities			
Deferred tax liabilities	15	-	8,407
Long-term borrowings	13	20,920	19,306
Retirement severance provision	16	2,021	2,057
Provisions	17	75	-
Deferred revenues and accruals	18	579	286
Other		80	91
		23,675	**30,147**
Current liabilities:			
Retirement severance provision	16	216	187
Trade and other payables	19	68,070	81,150
Short-term borrowings	13	8,736	5,789
Other financial liabilities	14	26,668	27,715
Provisions	17	745	5,884
Deferred revenues and accruals	18	37,864	42,089
		142,299	**162,814**
Total equity and liabilities		**998,586**	**1,115,231**

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

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

UNCONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017	2016
Revenue	20	492,520	576,059
Cost of sales	21	(332,618)	(404,265)
Gross profit		**159,902**	**171,794**
Selling expenses	21	(143,779)	(174,754)
Administrative expenses	21	(83,644)	(79,313)
Other operating income	22	6,616	9,825
Other operating expenses	23	(56,248)	(4,737)
Operating loss		**(117,153)**	**(77,185)**
Finance income	27	66,069	31,795
Finance cost	28	(26,325)	(11,101)
Loss before income taxes		**(77,409)**	**(56,491)**
Income tax expense	29	9,287	3,737
Loss for the period		**(68,122)**	**(52,754)**
Basic/diluted earnings per share (in PLN)	30	(1.44)	(1.11)

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

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

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
Net loss for the period	**(68,122)**	**(52,754)**
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Actuarial gains/(losses) on defined benefit plans	257	15
Income tax effect	(49)	(3)
	208	12
Items that will be reclassified to profit or loss	-	-
Other comprehensive income for the period	208	12
Total comprehensive income/(loss) for the period	**(67,914)**	**(52,742)**

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

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

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital	Treasury shares	Share premium	Other reserves	Retained earnings	Total equity
Year ended 31 December 2017						
As at 31 December 2016	**47,665**	**-**	**147,192**	**119,867**	**607,546**	**922,270**
Total comprehensive income for the period						
Net loss for the period	-	-	-	-	(68,122)	(68,122)
Other comprehensive income	-	-	-	208	-	208
Total comprehensive income for the period	**-**	**-**	**-**	**208**	**(68,122)**	**(67,914)**
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Reserve capital for share buy-back	-	-	-	23,833	(23,833)	-
Repurchase of own shares (note 11)	-	(21,744)	-	(21,744)	21,744	(21,744)
Total transactions with owners	**-**	**(21,744)**	**-**	**2,089**	**(2,089)**	**(21,744)**
As at 31 December 2017	**47,665**	**(21,744)**	**147,192**	**122,164**	**537,335**	**832,612**

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

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

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017 CONTINUED

	Share capital	Treasury shares	Share premium	Other reserves	Retained earnings	Total equity
Year ended 31 December 2016						
As at 31 December 2015	**47,665**	**-**	**147,192**	**119,855**	**696,049**	**1,010,761**
Total comprehensive income for the period						
Net loss for the period	-	-	-	-	(52,754)	(52,754)
Other comprehensive income	-	-	-	12	-	12
Total comprehensive income for the period	**-**	**-**	**-**	**12**	**(52,754)**	**(52,742)**
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Dividends declared	-	-	-	-	(35,749)	(35,749)
Total transactions with owners	**-**	**-**	**-**	**-**	**(35,749)**	**(35,749)**
As at 31 December 2016	**47,665**	**-**	**147,192**	**119,867**	**607,546**	**922,270**

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

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

UNCONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017	2016
Cash flows from operating activities			
Loss before income taxes		**(77,409)**	**(56,491)**
Adjustments for:			
Depreciation of property, plant and equipment		29,981	31,036
Amortization of intangible assets		7,785	8,167
Interest, net		413	(249)
(Profit) / loss on investing activities		62,956	864
Dividend income		(52,962)	(26,677)
(Decrease) / increase in provisions		(5,071)	5,764
(Increase) / decrease in inventories		1,312	(1,787)
(Increase) / decrease in receivables and prepayments		15,468	32,251
(Decrease) / increase in payables		(14,086)	(22,058)
(Decrease) / increase in deferred revenues and accruals		(3,932)	(10,424)
Other adjustments		670	334
Cash generated from operations		**(34,875)**	**(39,270)**
Income taxes (paid)/returned		-	-
Net cash from operating activities		**(34,875)**	**(39,270)**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment, and intangibles		15,972	20,436
Disposal of subsidiaries, associates and jointly controlled entities	35	19,028	4,000
Dividends received		53,990	25,649
Repayment of loans granted		3,500	12,700
Interest received		981	1,558
Disposal of short-term securities		82,995	103,369
Other inflows (1)		-	11,010
Purchase of property, plant and equipment, and intangibles		(10,575)	(19,924)
Acquisition of subsidiaries, associates and jointly controlled entities		(5)	(27,032)
Acquisition of short-term securities		(105,000)	(63,000)
Loans granted		-	(5,000)
Net cash used in investing activities		**60,886**	**63,766**

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

	Note	2017	2016
Cash flows from financing activities			
Proceeds from borrowings		32,412	25,000
Proceeds from cash pooling		25,344	20,967
Repurchase of own shares		(21,744)	-
Dividends paid		-	(35,749)
Repayment of borrowings		(27,972)	(17,878)
Outflows from cash pooling		(35,344)	(15,369)
Payment of finance lease liabilities		(34)	(14)
Interest paid		(848)	(803)
Other		(391)	(368)
Net cash used in financing activities		**(28,577)**	**(24,214)**
Net increase / (decrease) in cash and cash equivalents		**(2,566)**	**282**
Cash and cash equivalents			
At start of period		11,964	11,682
At end of period		9,398	11,964

(1) other inflows in 2016 comprise the cash related to the subscription for shares of Stopklatka S.A., which was returned to the Company on January 21, 2016.

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

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

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017 AND FOR THE YEAR ENDED THEREON

1. GENERAL INFORMATION

(a) Core business activity

Agora S.A. with its registered seat in Warsaw, Czerska 8/10 street ("the Company") principally conducts publishing activity (including *Gazeta Wyborcza*, magazines, periodicals and books) and carries out internet activity. The Company is also active in the cinema segment through its subsidiary Helios S.A. and in the outdoor segment through its subsidiary AMS S.A. Additionally, the Company controls 4 radio broadcasting companies and offers printing services for external clients in printing houses belonging to the Company and to its subsidiary Agora Poligrafia Sp.z o.o. The Company also engages in projects related to production and coproduction of movies through its subsidiaries Next Film Sp. z o.o. and is also present in TV segment by holding shares in Stopklatka S.A. On September 1, 2017 Agora S.A. sold its shares in Green Content Sp. z o.o., which started broadcasting METRO TV programme on December 2, 2016.

As at 31 December 2017 Agora S.A. controlled 16 subsidiaries, held shares in two jointly controlled entities: Stopklatka S.A. and Online Technologies HR Sp. z o.o. and held shares in two associates: Instytut Badan Outdooru IBO Sp. z o.o. (indirectly through AMS S.A.) and Hash.fm Sp. z o.o.

The Company operates in all major cities in Poland.

(b)Registered Office

Czerska 8/10 street, 00-732 Warsaw

(c) Registration of the Company in the National Court Register

Seat of the court:	Regional Court in Warszawa, XIII Commercial Department
Registration number:	KRS 0000059944

(d)Tax Office and Provincial Statistical Office registration of the Company

NIP:	526-030-56-44
REGON:	011559486

(e)Management Board

During the period reported in the unconsolidated financial statements, the Management Board of Agora S.A. comprised the following members:

Bartosz Hojka	President	for the whole year
Grzegorz Kossakowski	Member	till 5 September 2017
Tomasz Jagiello	Member	for the whole year
Robert Musial	Member	till 28 February 2017
Agnieszka Sadowska	Member	from 1 March 2017
Anna Krynska-Godlewska	Member	from 8 November 2017
Grzegorz Kania	Member	from 8 November 2017

(f)Supervisory Board

The Supervisory Board of the Company comprised the following members:

Andrzej Szlezak	Chairman	for the whole year
Tomasz Sielicki	Member	for the whole year
Wanda Rapaczynski	Member	for the whole year
Dariusz Formela	Member	for the whole year
Andrzej Dobosz	Member	for the whole year
Anna Krynska –Godlewska	Member	till 8 November 2017
Maciej Wisniewski	Member	from 9 November 2017

(g) Information about the financial statements

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

The unconsolidated financial statements were authorised for issue by the Management Board on 8 March 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These unconsolidated financial statements are prepared in accordance with International Financial Reporting Standard (IFRS) applicable to financial reporting, adopted by the European Union.

Information about standards and interpretations, which were published and become effective after the balance sheet date, including those awaiting endorsement by the European Union, is presented in point (ae).

(b) Basis of preparation

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

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

In the preparation of these unconsolidated financial statements, the Company has followed the same accounting policies as used in the Unconsolidated Financial Statements as at 31 December 2016, except for the changes described below.

For the Company's financial statements for the year started with January 1, 2017 the following amendments to existing standards, which were endorsed by the European Union, are effective:

1) Amendments to IAS 7 *Statement of Cash Flows - Disclosure initiative;*
2) Amendments to IAS 12 *Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses.*

The application of the amendments to IAS 7 resulted in additional disclosures for the changes in liabilities arising from financing activities as presented in note 32 p.5.

(c) Property, plant and equipment

Items of property, plant and equipment are stated at historical cost or cost incurred for their manufacture, development or modernization, less accumulated depreciation and impairment losses, if any (see accounting policy from point w).

The cost of property, plant and equipment comprises costs incurred in their purchase or development and modernisation and includes capitalised borrowing costs.

Depreciation is calculated on the straight line basis over the estimated useful life of each asset. Estimated useful life of property, plant and equipment, by significant class of asset, is usually as follows:

Perpetual leasehold of land	86 - 97 years
Buildings	3 - 40 years
Plant and machinery	3 - 20 years
Motor vehicles	3 - 7 years
Other equipment	3 - 20 years

Land is not depreciated.

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

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(d) Intangible assets

Goodwill arising on business combination represents the excess of the cost of the acquisition over the fair value of the net identifiable assets acquired. Goodwill is stated at cost less impairment losses, if any (see accounting policy from point w). Goodwill is tested annually for impairment or more often if there are indications of impairment.

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

Other intangibles are depreciated using the straight line method over the estimated useful life of each asset, except for some special projects related to distribution and co-operation rights for movies and computer games, in case of which the consumption of economic benefits may significantly differ from the straight line approach and the pattern of consumption of economic benefits in particular periods can be reliably determined based on generated revenue and it can be demonstrated that revenue and the consumption of economic benefits of the intangible asset are highly correlated.

Estimated useful lives of intangible assets (apart from acquired magazine titles) are usually between 2 and 15 years.

Acquired magazine titles have indefinite useful lives and are not amortised. Their market position and lack of legal and market barriers for their publishing determined such qualification. Instead they are tested annually for impairment or more often if there are indications of impairment (see accounting policy from point w).

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Internally generated intangible assets comprise expenditure related to developing computer software and internet applications, including costs of employee benefits, which can be directly allocated to the development phase of an internal project. During the development phase and after its completion the internally generated intangible assets are assessed whether there are indications of impairment according to the accounting policy described in point w.

(e) Cash and cash equivalents

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

(f) Derivative financial instruments

Derivative financial instruments are recognized initially and subsequently measured at fair value. The Company does not apply hedge accounting and any gain or loss relating to the change in the fair value of the derivative financial instrument is recognized in the income statement.

Upon signing an agreement that includes derivative financial instruments embedded, the Company assesses whether the economic characteristics of the embedded derivative instrument are closely related to the economic characteristics of the financial instrument ("host contract") and whether the agreement that embodies both the embedded derivative instrument and the host contract is currently measured at fair value with changes in fair value reported in income statement, and whether a separate instrument with the same terms as the embedded instrument would meet the definition of a derivative instrument. Derivatives embedded in foreign currency non-financial instrument contracts are not separated from the host contracts if these contracts are in currencies which are commonly used in the economic environment in which transactions take place. If the embedded derivative instrument is determined not to be closely related to the host contract and the embedded derivative instrument would qualify as a derivative instrument, the embedded derivative instrument is separated from the host contract and valued at fair value with changes recorded in the income statement.

(g) Loans

Loans originated by the Company are financial assets created by the Company providing money, goods, or services to a debtor, other than those created with the intent to be sold in the short-term. Loans originated by the Company comprise loans provided to subsidiaries, associates and other entities and loans originating on the buy-sell back treasury bonds transactions. Originated loans are carried at amortized cost, less impairment losses recognised. At the end of each reporting period, the Company assesses, whether there is objective evidence of impairment of financial assets. An impairment loss is calculated as the difference between the asset`s carrying amount and the present value of the estimated future cash flows discounted with the effective interest rate. Changes in impairment losses are recognized in profit or loss. Accrued interest is included in net profit or loss for the period in which it arises. The Company immediately recognises impairment losses for all interest accrued, if its recovery is doubtful.

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

Financial assets at fair value through profit or loss are those that the Company principally holds for the purpose of short-term profit taking. Subsequent to initial recognition (at which date available-for-sale financial assets are stated at cost), all available-for-sale financial assets are measured at fair value. Financial gains or losses on financial assets are recognised in net profit or loss for the period (finance income or cost).

(i) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories of financial assets. Subsequent to initial recognition (at which date available-for-sale financial assets are stated at cost), all available-for-sale financial assets are measured at fair value. Unrealised gains or losses of available-for-sale financial assets are recognised in equity. For interest-bearing financial assets interest is calculated using the effective interest method and is recognised in the income statement.

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

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

(k) Derecognition of financial instruments

Financial assets are derecognised, when the contractual rights to the cash flows from the financial asset have expired or the Company has transferred the contractual rights to the cash flows to a third party and simultaneously transferred substantially all the risks and rewards of ownership of the asset.

The financial liabilities are removed from the balance sheet, when the obligation specified in the contract is discharged, cancelled or has expired.

(l) Foreign currency

Functional and presentation currency for Agora S.A. is Polish zloty. Foreign currency transactions are translated at the foreign exchange rates prevailing at the date of the transactions using:

- the purchase or selling rate of the bank whose services are used by the Company – in case of foreign currency sales or purchase transactions, as well as of the debt or liability payment transactions,
- the average rate specified for a given currency published by the National Bank of Poland as on the date before the transaction date - in case of other transactions.

Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized as financial income or expense in the income statement.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to PLN at the foreign exchange rate set by the National Bank of Poland ruling for that date.

(m)Receivables

Trade and other receivables are stated at amortised cost in accordance with prudent accounting principle. The Company recognises impairment losses for receivables in dispute and doubtful debts. The losses are charged to other operating or financial costs depending on the nature of the amount that was provided for.

(n) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimate of the selling price in the ordinary course of business, less VAT, discounts and the costs of completion and selling expenses. Inventories comprise goods for resale, materials, finished goods and work in progress, including production cost of own movies.

Cost is determined by specific identification of their individual costs for paints and paper and by the first-in, first-out (FIFO) method for other materials, goods for resale and finished goods.

(o) Equity

(i)Share capital

The share capital of the company is presented at the nominal value of registered stock, in accordance with the parent company's statute and commercial registration.

(ii)Treasury shares (purchased for their redemption)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity.

(iii) Share premium

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

(iv) Other reserves

Other reserves includes mainly the equivalent of costs of share-based payments recognised in accordance with the provisions of IFRS 2 in relation to the share incentive plans based on Agora S.A.'s shares, which ended in the first half of 2013 and actuarial gains and losses on defined benefit plans recognised in accordance with the policy described in point (r).

(v) Retained earnings

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

(p) Income taxes and deferred income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax expense is calculated according to tax regulations.

Deferred income tax is provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, and for tax losses carried forward, except for:

(i) the initial recognition of assets or liabilities that in a transaction which is not a business combination and at the time of the transaction affect neither accounting nor taxable profit and

(ii) differences relating to investments in subsidiaries and associates to the extent the parent is able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

The principal temporary differences arise on depreciation of property, plant and equipment and various transactions not considered to be taxable or tax-deductible until settlement. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. At each balance sheet date deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

(q) Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

(r) Retirement severance provision

The Company makes contributions to the Government's retirement benefit scheme. The state plan is funded on a pay-as-you-go basis, i.e. the Company is obliged to pay the contributions as they fall due and if the Company ceases to employ members of the state plan, it will have no obligation to pay any additional benefits. The state plan is defined contribution plan. The expense for the contributions is charged to the income statement in the period to which they relate.

Employees of the Company are entitled to retirement severance payment which is paid out on the non-recurrent basis at the moment of retiring. The amount of payment is defined in the labour law. The Company does not exclude assets that might serve in the future as a source of settling liabilities resulting from retirement payments. The Company creates provision for future liabilities in order to allocate costs to the periods they relate to. The Company's obligation in respect of retirement severance provision is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The amount of the liability is calculated by actuary and is based on forecasted individual's entitlements method. Changes in the value of the liability are recognized in profit or loss, except for actuarial gains and losses, which are recognized in other comprehensive income.

(s) Interest-bearing borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method.

(t) Trade and other payables

Trade and other payables are stated at amortised cost.

(u) Revenue recognition

Sales revenue comprises revenue earned (net of value added tax (VAT), returns, discounts and allowances) from the provision of services or goods to customers.

(i)Sale of goods

Revenues are recognised when the significant risk and rewards of ownership have been transferred to the buyer and the amount can be measured reliably.

(ii)Sale of services

Revenue from sales of advertising services is recognized as services are provided.

(iii)Interest income

Revenue is recognised as the interest accrues (using the effective interest method).

(iv)Dividend income

Dividend income is recognised when the right to receive payment is established.

(v) Operating segment reporting

The segment presentation is prepared at the Agora Group level in accordance with the management approach and is presented in ‘Consolidated financial statements as at December 31, 2017 and for the year ended thereon’.

(w) Impairment losses

The carrying amount of the Company’s assets, other than inventories (see accounting policy from point n), and deferred tax assets (see accounting policy from point p) for which other procedures should be applied, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets’ recoverable amount is estimated (the higher of net selling price and value in use). The value in use is assumed to be a present value of discounted future economic benefits which will be generated by the assets.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement.

At each balance sheet date the Company reviews recognised impairment losses whether there is any indication showing that some of the recognised impairment losses should be reversed. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversal on an impairment loss is recognised in the income statement.

An impairment loss for goodwill is not reversed.

(x) Operating lease payments

Leases which do not transfer substantially all the risks and rewards incidental to ownership are classified as operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

(y) Finance lease

In the financial statements of lessees

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. Assets acquired under finance lease agreements are initially recognised at fair value or, if lower, the present value of the minimum lease payments. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over its useful life, but no longer than the lease term. In other cases the depreciation policy is consistent with that for depreciable assets as described in point (c).

Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is calculated using constant internal rate of return. Finance charge is recognised as an expense during the lease period.

In the financial statements of lessors

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

(z) Borrowing costs

Interest and other costs of borrowing are recorded in the income statement using effective interest rate in the period to which they relate, unless directly related to investments in qualifying assets, which require a substnatial period of time to get ready for its intended use or sale, in which case they are capitalized.

(aa) Share-based payments

There are incentive plans carried out in the Company, described in note 26, in which one of the components is accounted for in accordance with IFRS 2. These are cash-settled plans with rules based on - inter alia - share price quotations and appreciation. In this plans, members of the Management Board of the Company are entitled to a reward based on the realization of the Target of Share Price Rise. The value of the provision for the cost of the reward concerning the realization of the Target of Share Price Rise, is estimated on the basis of the Binomial Option Price Model (Cox, Ross, Rubinstein model), which takes into account – inter alia – actual share price of the Company (as at the balance sheet date of the current financial statements) and volatility of the share price of Company during the last 12 months preceding the balance sheet date. The value is charged to the staff costs in Income Statement in proportion to the full period of the Plan with a corresponding figure recognised within accruals. The changes in the value of this accrual are included in staff costs.

(ab) Grants related to property, plant and equipment or intangible assets

Grants received for the financing of acquisition or construction of property, plant and equipment or intangible assets are recognized, when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching thereto. The grants are initially recognised at fair value as deferred income and credited to the income statement as other operating income on a systematic basis over the useful life of the respective assets.

(ac) Dividend distribution

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

(ad) Related parties

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

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

The Company did not early applied new standards and interpretations, which were published and endorsed by the European Union or which will be endorsed in the nearest future and which become effective after the balance sheet date.

Standards and interpretations endorsed by the European Union:

1) IFRS 15 *Revenue from Contracts with Customers* (effective for annual periods beginning on or after January 1, 2018 or later)

The Standard provides a framework that replaces existing revenue recognition guidance in IFRS. Under the new standard, entities will apply a five-step model to determine when to recognize revenue, and at what amount. The model specifies that revenue should be recognized when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that depicts the entity's performance or at a point in time, when control of the goods or services is transferred to the customer. The Standard includes new qualitative and quantitative disclosure requirements to enable financial statements users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Company conducted the processs of assessing the impact that the application of the main provisions of the new standard may have on the unconsolidated financial statements, in particular in relation to multiple-element arrangements, licence agreements, customer bonuses and services provided with the engagement of subcontractors. On the basis of the analysis, the Company assesses that the initial application of the standard will have no material impact on the timing or amount of revenue recognised in the financial statements. At the same time, the Company assesses, that the new standard will influence the presentation of selected balance sheet line items and will increase disclosures in financial statements as required by the standard. In case of balance sheet, there will be a change in presentation of returns provision, which will be reclassified from the line item "Accounts receivable and prepayments" to the line item „Trade and other payables". In the current accounting policy the returns provision (at the amount of PLN 9,795 thousand as at 31 December 2017) decreases the carrying value of trade receivables. The above change will increase the balance sheet total. Additionally, the Company plans to reclassify the accruals balance from the line item „Deferred revenues and accruals" to the line item „Trade and other payables". After implementation of the standard the current line item „Deferred revenues and accruals" will comprise only deferred revenue resulting from contracts with customers. The above change will impact only the presentation of line items within liabilities and will not impact the balance sheet total. The approximate range of this change results from the amounts disclosed in note 18 to the unconsolidated financial statements.

2) IFRS 9 *Financial Instruments (2014)* (effective for annual periods beginning on or after January 1, 2018 or later).

The new standard replaces the guidance included in IAS 39 *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets, including a model for calculating impairment losses. One of significant changes relates to the changes in classification categories of financial assets. On initial recognition, financial assets will be classified into one of three categories:

- financial assets measured at amortized cost;

- financial assets measured at fair value through profit or loss; or

- financial assets measured at fair value through other comprehensive income (OCI).

The standard retains almost all of the existing requirements from IAS 39 on the classification and measurement of financial liabilities and for derecognition of financial assets and financial liabilities. In respect of the financial assets impairment requirements, IFRS 9 replaces the "incurred loss" impairment model in IAS 39 with an "expected credit loss" model. Under the new approach, it will no longer be necessary for a loss event to occur before an impairment allowance is recognized.

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

3) IFRS 16 *Leasing* (effective for annual periods beginning on or after January 1, 2019 or later)

IFRS 16 supersedes IAS 17 Leases and related interpretations. The Standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases. Bringing operating leases in balance sheet will result in recognizing a new asset – the right to use the underlying asset – and a new liability – the obligation to make lease payments. The right-of-use asset will be depreciated and the liability accrues interest. Lessor accounting shall remain largely unchanged and the distinction between operating and finance leases will be retained.

The Company has started the processs of assessing the impact that the application of the new standard may have on the unconsolidated financial statements. On the basis of the initial analysis, the Company assesses that a part of the operating lease contracts (including in particular the lease of office space) may be classified as lease contracts under IFRS 16. As a result, the initial application of the standard starting on 1 January 2019, may result in increasing assets and liabilities in the balance sheet while decreasing the costs of depreciation and interest expense at the same time. However, it should be noted that the current operating lease costs are recognised on a straight line basis according to IAS 17, while the implementation of IFRS 16 will result in assets costs being recognised on a straight line basis through depreciation charges and interest costs being recognised by using the effective interest method, which will cause higher total contract costs at the beginning of the contract and diminishing charges over the contract period. In 2018 the analysis of the impact of IFRS 16 will be continued, in particular, by considering the contracts linked to future minimum operating lease payments disclosed in note 33 to the unconsolidated financial statements.

4) Amendments to IFRS 4 *Insurance contracts* (effective for annual periods beginning on or after January 1, 2018 or later)

The amendments provide for the scope of applying IFRS 4 after IFRS 9 becomes effective.

The amendments will have no impact on the unconsolidated financial statements.

5) Amendments to IFRS - *Improvements 2014-2016* (effective for annual periods beginning on or after January 1, 2018 or later, except for the changes to IFRS 12 that shall be applied for annual periods beginning on or after 1 January 2017)

Annual changes to IFRS that contain amendments to 3 standards (IFRS 1, IFRS 12 and IAS 28).

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

Standards and interpretations awaiting on endorsement by the European Union:

1) Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective for annual periods beginning on or after January 1, 2016 or later, however, the European Commission decided to defer the endorsement indefinitely)

The amendments remove the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture concerning the recognition of profit or loss on the loss of control of subsidiary and require a full gain or loss to be recognised when the assets transferred meet the definition of a business under IFRS 3 *Business Combinations.*

The amendments will have no impact on the unconsolidated financial statements.

2) Amendments to IFRS 2 *Share-based Payments* (effective for annual periods beginning on or after January 1, 2018 or later)

The amendments, claryfing how to account for certain types of share-based payment transactions, provide requirements on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

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

3) IFRIC 22 *Foreign Currency Transactions and Advance Consideration* (effective for annual periods beginning on or after January 1, 2018 or later)

IFRIC 22 provides requirements about which exchange rate to use in reporting foreign currency transactions when payment is made or received in advance and clarifies that the transaction date is the date on which the company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

The amendments will have no impact on the unconsolidated financial statements. The Company already applies accounting policy consistent with these requirements.

4) Amendments to IAS 40 *Investment Property* (effective for annual periods beginning on or after January 1, 2018 or later)

The amendments provide clarification on transfers to, or from, investment properties. A transfer into, or out of investment property should be made only when there has been a change in use of the property and such a change in use would involve an assessment of whether the property qualifies as an investment property.

The amendments will have no impact on the unconsolidated financial statements.

5) IFRS 17 *Insurance Contracts* (effective for annual periods beginning on or after January 1, 2021 or later)

IFRS 17, which supersedes the interim standard, IFRS 4 Insurance Contracts, establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within its scope.

The amendments will have no impact on the unconsolidated financial statements.

6) IFRIC 23 *Uncertainty over Income Tax Treatments* (effective for annual periods beginning on or after January 1, 2019 or later)

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. If it is probable that the tax authorities will accept the uncertain tax treatment, then the tax amounts recorded in the financial statements are consistent with the tax return with no uncertainty reflected in measuring current and deferred taxes. Otherwise, the taxable income (or tax loss), tax bases and unused tax losses shall be determined in a way that better predicts the resolution of the uncertainty, using either the single most likely amount or expected value method (sum of probability weighted amounts). When assessing the probability of acceptance, an entity shall assume the tax authority will examine the position and will have full knowledge of all the relevant information.

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

7) Amendments to IFRS 9 *Financial Instruments* (effective for annual periods beginning on or after January 1, 2019 or later)

The amendments allow companies to measure prepayable financial assets, with contractual terms that result in contractual cash flows that are solely payments of principal and interest on the principal amount outstanding with so-called negative compensation, at amortized cost or at fair value through other comprehensive income, instead of at fair value through profit or loss, if they meet other relevant requirements of IFRS 9.

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

8) Amendments to IAS 28 *Investments in Associates and Joint Ventures* (effective for annual periods beginning on or after January 1, 2019 or later)

The amendments clarify that companies account for investments in associates or joint ventures, for which equity method is not applied, in accordance with provisions of IFRS 9 *Financial Instruments*.

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

9) Amendments to IFRS - *Improvements 2015-2017* (effective for annual periods beginning on or after January 1, 2019 or later)

Annual changes to IFRS that contain amendments to 4 standards (IFRS 3, IFRS 11, IAS 12 and IAS 23).

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

10) Amendments to IAS 19 *Employee Benefits* (effective for annual periods beginning on or after January 1, 2019 or later)

The amendments require that an entity uses current and updated assumptions when a change to a plan, its amendment, curtailment or settlement, takes place to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.

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

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

3. INTANGIBLE ASSETS

	Magazine titles	Goodwill	Licences and patents	Other	Internally generated intangible assets	Total
Cost as at 1 January 2017	**58,380**	**3,262**	**110,134**	**14,492**	**4,910**	**191,178**
Additions	-	-	1,768	850	1,277	3,895
Acquisitions	-	-	1,274	-	-	1,274
Transfer from assets under construction	-	-	494	850	-	1,344
Internal development	-	-	-	-	1,277	1,277
Disposals	(3,000)	-	-	(850)	-	(3,850)
Sale	(3,000)	-	-	(850)	-	(3,850)
Cost as at 31 December 2017	**55,380**	**3,262**	**111,902**	**14,492**	**6,187**	**191,223**
Amortisation and impairment losses as at 1 January 2017	**35,021**	**843**	**82,256**	**13,880**	**892**	**132,892**
Amortisation charge for the period	-	-	5,647	894	1,244	7,785
Impairment losses (note 37)	10,994	2,198	94	70	365	13,721
Sale	(3,000)	-	-	(565)	-	(3,565)
Amortisation and impairment losses as at 31 December 2017	**43,015**	**3,041**	**87,997**	**14,279**	**2,501**	**150,833**
Carrying amounts						
As at 1 January 2017	23,359	2,419	27,878	612	4,018	58,286
As at 31 December 2017	12,365	221	23,905	213	3,686	40,390

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

3. INTANGIBLE ASSETS – CONT.

	Magazine titles	Goodwill	Licences and patents	Other	Internally generated intangible assets	Total
Cost as at 1 January 2016	**58,380**	**3,262**	**109,275**	**15,086**	**-**	**186,003**
Additions	-	-	2,697	1,302	4,910	8,909
Acquisitions	-	-	2,097	2	-	2,099
Transfer from assets under construction	-	-	600	1,300	-	1,900
Internal development	-	-	-	-	3,043	3,043
Reclassifications	-	-	-	-	1,867	1,867
Disposals	-	-	(1,838)	(1,896)	-	(3,734)
Sale	-	-	(104)	-	-	(104)
Liquidation	-	-	-	(1,859)	-	(1,859)
Reclassifications	-	-	(1,550)	-	-	(1,550)
Transferred as non-cash contribution	-	-	(184)	(37)	-	(221)
Cost as at 31 December 2016	**58,380**	**3,262**	**110,134**	**14,492**	**4,910**	**191,178**

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

3. INTANGIBLE ASSETS – CONT.

	Magazine titles	Goodwill	Licences and patents	Other	Internally generated intangible assets	Total
Amortisation and impairment losses as at 1 January 2016	**35,021**	**843**	**76,877**	**13,627**	**-**	**126,368**
Amortisation charge for the period	-	-	5,886	1,760	521	8,167
Impairment losses	-	-	56	33	56	145
Sale	-	-	(104)	-	-	(104)
Liquidation	-	-	-	(1,503)	-	(1,503)
Reclassifications	-	-	(315)	-	315	-
Transferred as non-cash contribution	-	-	(144)	(37)	-	(181)
Amortisation and impairment losses as at 31 December 2016	**35,021**	**843**	**82,256**	**13,880**	**892**	**132,892**
Carrying amounts						
As at 1 January 2016	23,359	2,419	32,398	1,459	-	59,635
As at 31 December 2016	23,359	2,419	27,878	612	4,018	58,286

Amortisation of intangibles is recognised “cost of sales”, “selling expenses” and “administrative expenses”. Impairment losses are recognised in “other operating expenses” in the income statement. Reversals of impairment losses are recognised in “other operating income” in the income statement.

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

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

4. PROPERTY, PLANT AND EQUIPMENT

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

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

4.PROPERTY, PLANT AND EQUIPMENT – CONT.

	Land	Perpetual usefruct of land	Buildings	Plant, machinery and equipment	Vehicles	Other	Assets under construction	Total
Depreciation and impairment losses as at 1 January 2017	**-**	**7,824**	**101,894**	**439,566**	**3,285**	**18,427**	**-**	**570,996**
Depreciation charge for the period	-	79	7,522	21,722	343	315	-	29,981
Impairment losses (note 37)	-	-	765	35,493	600	12	-	36,870
Sale	-	-	-	(3,032)	(805)	-	-	(3,837)
Liquidation	-	-	(298)	(1,561)	-	(280)	-	(2,139)
Reclassification to non-current assets held for sale	-	(41)	(2,874)	(50)	-	-	-	(2,965)
Depreciation and impairment losses as at 31 December 2017	**-**	**7,862**	**107,009**	**492,138**	**3,423**	**18,474**	**-**	**628,906**
Carrying amounts								
As at 1 January 2017	7,704	5,970	147,278	79,649	843	1,819	1,110	244,373
As at 31 December 2017	7,704	5,772	136,650	27,770	1,049	1,894	1,108	181,947

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

4.PROPERTY, PLANT AND EQUIPMENT – CONT.

	Land	Perpetual usefruct of land	Buildings	Plant, machinery and equipment	Vehicles	Other	Assets under construction	Total
Cost as at 1 January 2016	**7,704**	**28,010**	**263,424**	**517,888**	**4,025**	**20,606**	**2,064**	**843,721**
Additions	-	-	4	8,223	448	247	1,264	10,186
Acquisitions	-	-	4	8,223	448	247	1,264	10,186
Disposals	-	(14,216)	(14,256)	(6,896)	(345)	(607)	(2,218)	(38,538)
Sale	-	(375)	(14,020)	(4,511)	(345)	(86)	-	(19,337)
Liquidation	-	-	(236)	(2,184)	-	(521)	-	(2,941)
Reclassifications	-	-	-	-	-	-	(318)	(318)
Transfer from assets under construction	-	-	-	-	-	-	(1,900)	(1,900)
Transferred as non-cash contribution	-	-	-	(201)	-	-	-	(201)
Reclassification to non-current assets held for sale	-	(13,841)	-	-	-	-	-	(13,841)
Cost as at 31 December 2016	**7,704**	**13,794**	**249,172**	**519,215**	**4,128**	**20,246**	**1,110**	**815,369**

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

4.PROPERTY, PLANT AND EQUIPMENT – CONT.

	Land	Perpetual usefruct of land	Buildings	Plant, machinery and equipment	Vehicles	Other	Assets under construction	Total
Depreciation and impairment losses as at 1 January 2016	**-**	**11,001**	**106,177**	**422,734**	**3,250**	**18,708**	**-**	**561,870**
Depreciation charge for the period	-	191	6,722	23,550	280	293	-	31,036
Sale	-	(209)	(10,768)	(4,403)	(245)	(54)	-	(15,679)
Liquidation	-	-	(237)	(2,154)	-	(520)	-	(2,911)
Transferred as non-cash contribution	-	-	-	(161)	-	-	-	(161)
Reclassification to non-current assets held for sale	-	(3,159)	-	-	-	-	-	(3,159)
Depreciation and impairment losses as at 31 December 2016	**-**	**7,824**	**101,894**	**439,566**	**3,285**	**18,427**	**-**	**570,996**
Carrying amounts								
As at 1 January 2016	7,704	17,009	157,247	95,154	775	1,898	2,064	281,851
As at 31 December 2016	7,704	5,970	147,278	79,649	843	1,819	1,110	244,373

Depreciation of property, plant and equipment is recognised “cost of sales”, “selling expenses” and “administrative expenses”. Impairment losses are recognised in “other operating expenses” in the income statement. Reversals of impairment losses are recognised in “other operating income” in the income statement.

In 2017 the Company purchased vehicles under finance lease agreements in the amount of PLN 122 thousand (in 2016: PLN 110 thousand). Their carrying value as at 31 December 2017 amounted to PLN 181 thousand (as at 31 December 2016: PLN 96 thousand).

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

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

4.PROPERTY, PLANT AND EQUIPMENT – CONT.

a) Collateral for assets

The following property, plant and equipment constitute a collateral for the credit line and finance lease agreement described in note 13:

Assets	Net book value at 31 December 2017
Perpetual usufruct	4,281
Buildings	93,367
Plant, machinery and equipment	6,309
Vehicles	181
Total	**104,138**

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

As at 31 December 2017, non-current assets with the carrying amount of PLN 13,747 thousand (as at December 31, 2016: PLN 10,682 thousand) were presented as held for sale and comprised perpetual usufruct rights to a plot of land located at the Czerniakowska Street in Warsaw and properties located in Gdansk at the Tkacka 7/8 and Welniarska 19/20 streets.

The actions to sell the assets have already been initiated by the Company. The Management Board expects the sales to be completed within the period shorter than 12 months from the balance sheet date and estimates that the fair value less costs to sell of those assets is higher than their carrying amount.

In the current report of December 7, 2017, the Management Board of Agora S.A. informed, further to current reports no. 33/2016 and 25/2017, that by virtue of an Amendment to the Conditional Agreement of December 7, 2017, the sale of the right of perpetual usufruct of the undeveloped plot of land with a total surface area of 6,270 square meters at ul. Czerniakowska 85/87 (“Property”) would take place by the end of February 2018 and not by the end of 2017, as previously informed. The Amendment concluded on December 7, 2017 to the Conditional Agreement concluded on October 27, 2017 did not affect the nature of the Conditional Agreement which remained a sale agreement with binding effects, concluded under the condition that the Mayor of the capital city of Warsaw does not exercise the right of first refusal to the right of perpetual usufruct of the Property (“Condition”). On February 26, 2017, since the condition for sales of the right of perpetual usufruct was fulfilled, the Company signed an agreement transferring the right of perpetual usufruct of the property. The total amount of the transaction is net PLN 19.0 million, and it shall positively impact the operating result of the Company by PLN 8.3 million in 1Q2018.

In the current report of January 22, 2018 The Management Board of Agora S.A. informed that the Company signed a conditional sale agreement of the usufruct right of two land properties located in Gdansk, including the ownership of the building set on the land properties. Detailed information are included in note 39.

c) Sale of property in Lodz

On October 27, 2016 Agora S.A. has entered into a conditional agreement with the sale of the right of perpetual usufruct of two properties of total area of ca. 4.2 thou. square meters located in Lodz, together with the ownership of the buildings erected on one of them, including a historic office building with covered area of ca. 1 thou. square meters (referred to collectively as "the Property"). The agreement was concluded under the condition that the Mayor of Lodz shall not exercise the right of first refusal to the Property vested in the Municipality of the City of Lodz.

The decision to sell the Property stems from the fact that the Company does not utilize effectively the entire Property for its operations. The Company believes that the optimal solution shall be to lease office space adapted to the current scale of operations of the Company in Lodz. Along with the conditional sale agreement, a conditional agreement was settled to lease office space, under which Agora will lease from the buyer office space located in the Property for the period of 5 years.

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

On December 2, 2016 the Company obtained information that the Mayor of Lodz will not exercise the pre-emotive right to the Property vested in the Municipality of the City of Lodz and consequently, on December 8, 2016 the agreement concerning transfer of the rights to the Property was executed.

The net selling price of the Property amounted to PLN 9,700 thousand and its impact on the other operating income of the Company gains in 2016 on disposal of non-financial non-current assets amounted to PLN 5,991 thousand.

d) Contractual commitments

Contractual commitments are disclosed in note 33.

5. INVESTMENTS

Investments include primarily shares and loans granted in related companies.

	2017	2016
Balance as at beginning of the period	**577,848**	**569,446**
Shares	572,801	561,920
Loans granted	5,047	7,526
Additions	**185**	**26,318**
Shares	5	23,255
- acquisitions	5	12,685
- increase of share capital	-	10,570
Loans granted	180	3,063
- grant of loans	-	2,000
- interests charged	180	263
- reversal of impairment losses	-	800
Disposals	**(37,944)**	**(17,916)**
Shares	(32,717)	(12,374)
- sale of shares	(8,026)	(2,172)
- impairment losses (nota 37)	(24,691)	(9,837)
- other	-	(365)
Loans granted	(5,227)	(5,542)
- repayment of loans	(2,717)	(4,742)
- reclassifications	(2,510)	(800)
Balance as at end of the period	**540,089**	**577,848**
Shares	540,089	572,801
Loans granted	-	5,047

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

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

6. NON-CURRENT RECEIVABLES AND PREPAYMENTS

	31 December 2017	31 December 2016
Other long term receivables	406	334
Long term prepayments	133	19
	539	**353**

7. INVENTORIES

	31 December 2017	31 December 2016
Raw materials and consumables	15,644	15,548
Work in progress	3,290	288
Finished goods	913	4,402
Goods for resale	194	1,115
	20,041	**21,353**
Impairment losses recognised	8,739	8,427
Total inventories, gross	**28,780**	**29,780**

The cost of inventories recognised as an expense amounted to PLN 81,082 thousand (2016: PLN 116,869 thousand) and is presented in "cost of sales" in the income statement.

Impairment losses and reversals of impairment losses were recognised in "cost of sales" in the income statement (in 2017 impairment losses in the net amount of PLN 1,421 thousand , in 2016: PLN 956 thousand).

8. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	31 December 2017	31 December 2016
Trade receivables (net of impairment losses)	96,298	100,552
Taxes, social security and similar	1,487	2,998
Prepayments	1,922	4,534
Dividend receivables (note 36)	-	1,028
Other	21,049	43,378
	120,756	**152,490**
Impairment losses recognised	9,417	11,080
Total accounts receivable and prepayments, gross	**130,173**	**163,570**

Other receivables include loans granted to employees from the social fund of PLN 14,048 thousand (31 December 2016: PLN 15,822 thousand). Loans are granted for periods up to 10 years and are repayable in monthly instalments. Loans granted bear a fixed interest rate of 2%.

Additionaly, as at 31 December 2017 other receivables include also the remaining outstanding current part of receivables related to the sale of the printing machines to the subsidiary Agora Poligrafia Sp. z o.o. in the amount of PLN 5,847 thousand (31 December 2016: PLN 17,299 thousand).

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

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

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

Impairment losses are recognised in “other operating expenses” in the income statement. Reversals of impairment losses are recognised in “other operating income” in the income statement.

Ageing of trade receivables - net

	31 December 2017	31 December 2016
Current receivables	64,765	67,720
Overdue receivables within 1 month	18,453	25,741
Overdue receivables between 1 and 3 months	11,815	5,809
Overdue receivables between 3 and 6 months	655	682
Overdue receivables between 6 months and 1 year	482	411
Overdue receivables more than 1 year	128	189
	96,298	**100,552**

Impairment losses on accounts receivable

	2017	2016
Balance as at beginning of the period	**11,080**	**12,604**
Additions	2,054	2,458
Reversals	(1,399)	(980)
Used impairment losses	(2,318)	(3,002)
Balance as at end of the period	**9,417**	**11,080**

9. SHORT-TERM SECURITIES AND OTHER FINANCIAL ASSETS

	31 December 2017	31 December 2016
Certificates in investment funds	47,667	25,126
Loans granted	3,531	2,066
Cash pooling receivables (note 31)	19,650	10,683
	70,848	**37,875**

The loans granted concern transactions with related parties according to the information presented in the note 36.

10. CASH AND CASH EQUIVALENTS

	31 December 2017	31 December 2016
Cash at bank and in hand	9,020	10,824
Short-term bank deposits	271	1,039
Other	107	101
	9,398	**11,964**

Included in cash and cash equivalents is cash in the amount of PLN 7,351 thousand representing cash held on behalf of the social fund (31 December 2016: PLN 8,896 thousand).

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

11. SHARE CAPITAL

Registered share capital

Capital registered at 31 December 2017.

Series	Type of shares	Type of preference	Amount of shares	Par value	Origin of capital
A	preference	voting	4,281,600	4,282	conversion
BiD	ordinary	none	43,383,826	43,383	conversion, issued
			47,665,426	**47,665**	

The nominal value of each share amounts to PLN 1.

Each Registered A share carries five votes at general meetings.

All issued shares are fully paid.

Share Buyback Program in Agora S.A.

On June 21, 2017, the General Meeting of Shareholders adopted the resolutions concerning the authorisation of the Management Board of the Company to acquire Company's own shares for the purposes of their subsequent redemption and general terms of this process as well as the formation of a special-purpose reserve capital allocated for the acquisition of own shares for their redemption in the amount of PLN 23,833 thousand.

The offers to sell shares were accepted from the Company's shareholders from 2 October 2017 till 6 October 2017. All the transactions were settled on 10 October 2017. The Company had bought 1,084,595 of its own shares in total, thereby completing the Share Buyback Program. All the purchased shares were bearer shares listed on the Warsaw Stock Exchange, with a par value of PLN 1.0 each, and (as at 10 October 2017) corresponded to 2.28 percent of the Company's share capital and 1,084,595 votes at the General Meeting of the Company in total, i.e. 1.67 percent of the total votes at the General Meeting of the Company (the "Purchased Shares"). The purchase price was PLN 20.0 per Purchased Share and PLN 21,692 thousand for all the Purchased Shares. The total purchase price (including transaction costs) amounted to PLN 21,744 thousand.

The Purchased Shares were acquired off the regulated market, via Millenium Dom Maklerski S.A., in settlement of the offer to buy shares of Agora S.A. announced by the Company on 26 September 2017. The number of bearer shares offered by shareholders for sale under the Offer totalled 29,131,971. Shareholders did not offer any registered shares for sale. Since the total number of bearer shares offered by shareholders for sale under the Share Buyback Program exceeded the total number of shares which the Company had intended to buy under the Offer (i.e. 1,084,595 shares), the number of shares purchased from individual shareholders was calculated in accordance with the share offer reduction rules detailed in point 10 of the Offer. The average reduction rate applied to the pool of the bearer shares was 96.3 percent.

Before the purchase of the Purchased Shares under the Share Buyback Program, the Company did not have any own (treasury) shares. Now, the Company holds only the Purchased Shares.

In accordance with the applicable laws, the Company does not exercise shareholders' rights attached to its own shares. The Company plans to redempt the purchased shares at the next general meeting of shareholders.

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

12. RETAINED EARNINGS AND OTHER RESERVES

Dividends

Retained earnings may be distributed subject to regulations stipulated in the commercial companies' code and according to dividend policy announced by the Company.

Frame dividend policy announced by the Company on 14 February of 2005 provides for return of excess cash to shareholders, depending on the Company's perspectives and market conditions, through annual dividend and through share repurchases for the purpose of their redemption.

In accordance with the resolution adopted by the General Meeting of Shareholders on June 21, 2017, the net loss of Agora S.A. for the financial year 2016 in the amount of PLN 52,754 thousand was covered from the reserve capital of the Company.

Besides, on June 21, 2017, the General Meeting of Shareholders adopted the resolutions concerning the authorisation of the Management Board of the Company to acquire Company's own shares for the purposes of their subsequent redemption. The share buyback program was described in note 11.

13. LONG TERM AND SHORT-TERM BORROWINGS

	31 December 2017	31 December 2016
Long term bank loans	20,780	19,231
Finance lease liabilities	140	75
Total long term borrowings	**20,920**	**19,306**
Short term bank loans	8,693	5,769
Finance lease liabilities	43	20
Total short term borrowings	**8,736**	**5,789**

Bank loans

Debt repayment schedule:

	31 December 2017	31 December 2016
More than 1 and less than 3 years	20,780	19,231
Total	**20,780**	**19,231**

On the basis of the Credit Line Agreement ("Agreement") with DNB Bank Polska S.A. signed on 25 May 2017 Agora S.A. received a non-renewable loan of PLN 25,000 thousand allocated for the repayment of the time credit in Bank Polska Kasa Opieki S.A., which shall be repaid in 12 quarterly instalments starting from 1 July 2018. Moreover, the Company was provided with a credit facility in the current account of up to PLN 75,000 thousand ("Overdraft 1") that may be used within 12 months after the date of signing the Agreement to e.g. finance or refinance acquisitions, investment expenditure and the working capital and after 12 months since the date of signing the Agreement will be automatically converted into a non-renewable loan repayable in quarterly instalments. The Company was also provided with a credit facility in the current account of up to PLN 35,000 thousand ("Overdraft 2") that can be used within 12 months after the date of signing the Agreement to finance the working capital and other corporate purposes of the Company including cash pooling facility.

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

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

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

As at 31 December 2017, the Company has an outstanding debt related to the non-renewable loan of PLN 25,002 thousand and debt within its current account facility in the amount of PLN 4,471 thousand.

Finance lease liabilities

	31 December 2017	31 December 2016
Future minimum lease payments	205	108
Future finance charges	(22)	(13)
Present value of finance lease liabilities, total	**183**	**95**

Present value of finance lease liabilities by payment period

	31 December 2017	31 December 2016
Within 1 year	43	20
Between 1 and 5 years	140	75
Present value of finance lease liabilities, total	**183**	**95**

Future minimum lease payments by payment period

	31 December 2017	31 December 2016
Within 1 year	53	25
Between 1 and 5 years	152	83
Future minimum lease payments, total	**205**	**108**

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

Creditor	Amount to agreement		Outstanding				Interest	Repayment schedule	Collaterals	Other
	31 December 2017	31 December 2016	31 December 2017		31 December 2016					
			longterm	shortterm	longterm	shortterm				
Credits and loans										
DNB Bank Polska S. A.	135,000	-	20,780	8,693	-	-	WIBOR 1 M or 3 M + bank margin	the non-renewable credit - quarterly 12 instalments from July 1, 2018 to April 1, 2021; credit facility in the current account - may be used by May 24, 2018.	mortgages on propertis in Warsaw (including perpetual usufruct and buildings located on them), pledge on insurance policies, pledges on Company's bank accounts	credit line granted to Agora S.A. (divided into parts: non-renewable credit and ready to use credit facility in the current account)
Bank Pekao S.A.	-	135,000	-	-	19,231	5,769	WIBOR 1 M or 3 M + bank margin	Credit in total repaid in 2017	mortgages on propertis in Warsaw (including perpetual usufruct and buildings located on them), pledge on insurance policies, pledges on Company's bank accounts	credit line granted to Agora S.A. (divided into parts: time credit ready to use and credit facility in the current account)
Finance lease liabilities										
RCI Leasing Polska Sp. z o.o.	232	110	140	43	75	20	lessors margin	repayment in installments till 2022	blank promissory note, object of leasing (cars)	lease agreement signed by Agora S.A.

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

14. OTHER FINANCIAL LIABILITIES

	31 December 2017	31 December 2016
Short-term		
Cash pooling liabilities	26,668	27,715
	26,668	**27,715**

As at December 31,2017 and as at December 31,2016 other short - term financial liabilities include liabilities of Agora S.A. to related companies resulting from settlements related to the cash pooling system functioning within Agora Group.

15. DEFERRED INCOME TAXES

Deferred income taxes are calculated using a rate of 19% (2016: 19%).

Deferred tax assets

	2017	2016
Balance as at beginning of the period	**16,063**	**16,275**
Accruals	6,738	8,895
Financial assets and liabilities	45	124
F/x differences	-	2
Interests liabilities	8	5
Deferred revenues	5,716	4,795
Provisions	1,499	393
Impairment losses for inventories	1,601	1,516
Impairment losses for accounts receivable	456	545
Recognised in the income statement	**(2,594)**	**(169)**
Accruals	(843)	(2,124)
Financial assets and liabilities	(45)	(79)
F/x differences	4	(2)
Interests liabilities	11	3
Deferred revenues	(817)	921
Provisions	(896)	1,109
Impairment losses for inventories	60	85
Impairment losses for accounts receivable	(68)	(82)
Recognised in other comprehensive income	**(49)**	**(3)**
Provisions	(49)	(3)

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

	2017	2016
Non-cash contribution	**-**	**(40)**
Accruals	-	(33)
Impairment losses for accounts receivable	-	(7)
Balance as at end of the period	**13,420**	**16,063**
Accruals	5,895	6,738
Financial assets and liabilities	-	45
F/x differences	4	-
Interests liabilities	19	8
Deferred revenues	4,899	5,716
Provisions	554	1,499
Impairment losses for inventories	1,661	1,601
Impairment losses for accounts receivable	388	456

Deferred tax liabilities

	2017	2016
Balance as at beginning of the period	**24,470**	**28,457**
Accelerated depreciation and amortisation	24,264	28,122
F/x differences	9	-
Interests receivable	24	31
Other	173	304
Recognised in the income statement	**(11,881)**	**(3,972)**
Accelerated depreciation and amortisation	(11,834)	(3,843)
Financial assets and liabilities	98	-
F/x differences	(9)	9
Interests receivable	(18)	(7)
Other	(118)	(131)
Non-cash contribution	**-**	**(15)**
Accelerated depreciation and amortisation	-	(15)
Balance as at end of the period	**12,589**	**24,470**
Accelerated depreciation and amortisation	12,430	24,264
Financial assets and liabilities	98	-
F/x differences	-	9
Interests receivable	6	24
Other	55	173

	31 December 2017	31 December 2016
Deferred tax assets	13,420	16,063
Deferred tax liabilities	(12,589)	(24,470)
Tax assets / (liabilities) net	**831**	**(8,407)**

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

Unrecognised tax assets

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

The amounts of deductible temporary differences and unused tax losses available together with expiry dates for which a deferred tax asset has not been recognised are shown in the table below:

	31 December 2017	31 December 2016	Expiry date
Unused tax losses	113,773	69,843	Up to 2024 *
Temporary differences associated with investments in subsidiaries	59,591	38,369	unlimited

** taking into account the 3-year period of the existence of the Tax Capital Group ("TCG"), during which the utilisation of the tax losses arising before the establishment of the TCG is suspended.*

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

Due to the long term nature of investments in subsidiaries and the Company's ability to control reversals of temporary differences for tax purposes, the Company has not recognised certain deferred tax liabilities. The amount of deferred tax liability would amount to PLN 3,322 thousand (31 December 2016: PLN 3,322 thousand).

Tax Capital Group

On December 21, 2017, the Management Board of Agora S.A. adopted a resolution expressing the intention to establish a Tax Capital Group ("TCG") which shall include Agora and the its subsidiaries: Grupa Radiowa Agory Sp. z o.o., Agora TC Sp. z o.o., Trader.com (Polska) Sp. z o.o., Helios S.A., AMS S.A., Yieldbird Sp. z o.o., and Plan A Sp. z o.o.

On February 15, 2018 , the Management Board of Agora S.A. received a decision issued by the Head of the Second Mazovian Tax Office in Warsaw on the registration of the contract on the establishment of Agora Tax Capital Group.

Agora Tax Capital Group will be established on March 1st, 2018, and each subsequent tax year will overlap with the calendar year. The agreement shall be in force till December 31st, 2020.

In the agreement on the establishment of the tax capital group, Agora was designated as the company representing the TCG with respect to the obligations arising from the Corporate Income Tax Act and from the provisions of the Tax Ordinance.

The Company estimates that the establishment of the tax capital group may bring about a reduction, provided for in the legal regulations, in the TCG's tax liability of approximately PLN 5 million in each year of the TCG's functioning.

16. RETIREMENT SEVERANCE PROVISION

According to the Polish employment regulations, employees have the right to retirement severances payments. The amount of estimated provision as at 31 December 2017 amounted to PLN 2,237 thousand (31 December 2016: PLN 2,244 thousand), including long – term part of the amount of PLN 2,021 thousand (31 December 2016: PLN 2,057 thousand).

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

17. PROVISIONS

	Provision for restructuring	Provision for the cost of compensation and severances for the former Management Board Members	Provision for legal claims	Other	Total
As at 31 January 2017	**5,730**	**-**	**154**	**-**	**5,884**
Additional provisions	-	1,320	13	185	1,518
Provisions used during the period	(5,564)	(844)	-	-	(6,408)
Unused provisions reversed	(149)	-	(25)	-	(174)
As at 31 December 2017	**17**	**476**	**142**	**185**	**820**
Non-current part	**-**	**75**	**-**	**-**	**75**
Current part	**17**	**401**	**142**	**185**	**745**

Provision for restructuring

In the fourth quarter of 2016, in connection with the announcement of a collective dismissal in Agora SA, a provision was established for costs related to this process in the amount of PLN 6,906 thousand. As at 31 December 2017, the total provision outstanding for usage amounted PLN 17 thousand.

Provision for legal claims

The Company is a defendant in court cases. As at 31 December 2017 the Company evaluated the risk of loss and payment of indemnities in those cases. The amount of indemnities was determined based on consultation with Company's lawyers taking into account the present status of those cases and information available.

Additionally, the Company is a party of legal disputes in the amount of PLN 1,210 thousand (as at December 31,2016: PLN 1,880 thousand), in cases when the Management Board estimates the probability of loss for less than 50%. Such disputes are contingent liabilities.

18. NON-CURRENT AND CURRENT DEFERRED REVENUES AND ACCRUALS

	31 December 2017	31 December 2016
Non-current		
Deferred revenues		
- grants for financing property, plant and equipment	40	18
- other	539	268
	579	**286**
Current		
Accruals	**31,148**	**35,424**
- holiday leave pay accrual	6,368	6,914
- employee incentive plan	3,234	4,125
- payroll accrual	4,318	4,184
- accrual for Incentive Plan (note 26)	2,013	1,457
- accrual for costs	15,215	18,744

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

	31 December 2017	31 December 2016
Deferred revenues	**6,716**	**6,665**
- grants for financing property, plant and equipment	39	7
- prepayments for advertising services and subscriptions	3,494	3,179
- court costs to be recovered	220	313
- other (1)	2,963	3,166
	37,864	**42,089**

(1) As at 31 December 2017 and 31 December 2016 the amount includes mainly the received prepayment related to the sale of perpetual usufruct rights to an undeveloped plot of land located at the Czerniakowska Street in Warsaw in the amount of PLN 2,500 thousand.

19. TRADE AND OTHER PAYABLES

	31 December 2017	31 December 2016
Trade payables	36,797	40,430
Other taxes and social security	7,475	14,730
Other	2,176	4,474
Social Fund	21,622	21,516
	68,070	**81,150**

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

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

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

20. REVENUE

	2017	2016
Advertising services	206,974	236,332
Copy sales	138,731	141,741
Sales of goods for resale	16,586	18,091
Sales of printing services	82,067	134,138
Other sales	48,162	45,757
	492,520	**576,059**

Sales include barter sales in the amount of PLN 22,086 thousand (2016: PLN 30,790 thousand).

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

21. EXPENSES BY NATURE

	2017	2016
Depreciation of property, plant and equipment (note 4)	29,981	31,036
Amortisation of intangibles (note 3)	7,785	8,167
Raw materials, energy and consumables	96,140	133,693
Advertising and promotion costs	53,560	71,435
Property operating lease rentals	5,728	5,289
Taxes and similar charges	4,972	5,541
Other external services rendered	160,812	189,220
Staff costs (note 24)	201,023	213,911
Total expenses by nature	**560,001**	**658,292**
Change in the balance of products	238	298
Cost of production for in-house use	(198)	(258)
Total operating costs	**560,041**	**658,332**
Selling expenses	(143,779)	(174,754)
Administrative expenses	(83,644)	(79,313)
Cost of sales	**332,618**	**404,265**

22. OTHER OPERATING INCOME

	2017	2016
Gain on disposal of non-financial non-current assets (1)	351	6,331
Grants received	3,216	1,019
Reversal of impairment losses for receivables	1,399	980
Reversal of provisions	25	272
Donations received	306	248
Liabilities written off	13	78
Other	1,306	897
	6,616	**9,825**

(1) in 2016 includes mainly gain on sale of property in Lodz in the amount of PLN 5,991 thousand (note 4c).

23. OTHER OPERATING EXPENSES

	2017	2016
Impairment losses recognised for receivables	2,054	2,458
Impairment losses recognised for non-financial non-current assets (note 3 and 4)	50,591	145
Donations	458	503
Provisions recognised	1,518	146
Liquidation of fixed assets	9	386
Other	1,618	1,099
	56,248	**4,737**

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

24. STAFF COSTS

	2017	2016
Wages and salaries	170,148	176,373
Social security and other costs	30,875	30,632
Cost of group lay-offs (note 17)	-	6,906
	201,023	**213,911**
Average number of persons employed	1,755	1,888

25. MANAGEMENT BOARD AND SUPERVISORY BOARD REMUNERATION

The remuneration of the Management Board members is based on three elements – fixed remuneration (base salary), variable component (motivation plans and discretionary bonuses) and non-wage benefits, whose scope is determined by the Supervisory Board.

Remuneration paid to Management Board members for the period of holding the post of a Management Board member is presented in the table below:

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

	2016	base salary	variable component (including Three Year Incentive Plan)	other benefits
Management Board				
Bartosz Hojka	2,612	804	1,807	1
Grzegorz Kossakowski	2,148	600	1,547	1
Robert Musial	2,085	594	1,487	4
Tomasz Jagiello	1,727	240	1,487	-
	8,572	**2,238**	**6,328**	**6**

(1) Agnieszka Sadowska was appointed to Managment Board on March 1, 2017.

(2) Anna Krynska – Godlewska and Grzegorz Kania were appointed to Managment Board on 8 November 2017.

(3) Grzegorz Kossakowski held the position of Management Board Member until 5 September 2017.

(4) Robert Musial performed the function of a Member of the Management Board until February 28, 2017.

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

Tomasz Jagiello received also remuneration as the President of the Management Board of Helios S.A. in the amount of PLN 356 thousand (in 2016: in the amount of PLN 356 thousand) and Agnieszka Sadowska received remuneration as the Member of the Management Board of Stopklatka S.A. in the amount of PLN 253 thousand. The other members of Agora's Management and Supervisory Board did not receive any remuneration for serving as board members in subsidiaries, joint ventures and associates.

The impact on staff costs of the incentive plan for the Management Board of Agora S.A. based on financial instruments is described in note 26.

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

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

Supervisory Board	2017	2016
Andrzej Szlezak	108	108
Wanda Rapaczynski	72	72
Tomasz Sielicki	72	72
Dariusz Formela	72	72
Slawomir S. Sikora (1)	-	35
Paweł Mazur (1)	-	35
Anna Krynska - Godlewska (2)	62	37
Andrzej Dobosz	72	37
Maciej Wisniewski (3)	10	-
	468	**468**

(1) Slawomir S. Sikora and Pawel Mazur were Members of Supervisory Board till June 23,2016;

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

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

26. INCENTIVE PLANS BASED ON FINANCIAL INSTRUMENTS

Incentive Plan for the Management Board members for years 2016-2017

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

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

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

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

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

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

As at 31 December 2017, the value of potential reward from the fulfillment of the EBITDA target has been calculated on the basis of the best estimate of the expected fulfillment value of the EBITDA target for 2017 and was charged to the Income Statement.

As at 31 December 2017, the value of the potential reward concerning the realization of the Target of Share Price Increase, was estimated on the basis of the Binomial Option Price Model (Cox, Ross, Rubinstein model), which takes into account – inter alia – actual share price of the Company (as at the balance sheet date of the current financial statements) and volatility of the share price of Company during the last 12 months preceding the balance sheet date. That value was charged to the Income Statement in proportion to the vesting period of this component of the Incentive Plan.

The basic parameters of the Binomial Option Price Model used for calculation of the fair value of the potential reward from the realization of the Target of Share Price Increase are described below:

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

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

	2017	2016
Income statement –increase staff cost*	3,052	1,457
Income statement - deferred income tax	(580)	(277)
Liabilities - accruals - as at the end of the period	2,013	1,457
Deferred tax asset - as at the end of the period	382	277

** the total cost of the plan in the reporting period includes costs of the plan for year 2017 and partial cost of the share price component of the plan for year 2016, which was settled in May 2017;*

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

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

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

(1) Agnieszka Sadowska was appointed to Managment Board on March 1, 2017.
(2) Anna Krynska – Godlewska and Grzegorz Kania were appointed to Managment Board on 8 November 2017.
(3) Grzegorz Kossakowski held the position of Management Board Member until 5 September 2017.
(4) Robert Musial performed the function of a Member of the Management Board until February 28, 2017.

27. FINANCE INCOME

	2017	2016
Dividends	52,962	26,677
Interests on loans and similar items	223	379
Other interest and income from short-term financial assets	1,585	1,426
Gain on sale of financial assets (1)	11,031	1,828
Reversal of impairment losses for financial assets	174	1,142
F/x gains	-	73
Revaluation of contingent payment liability	-	27
Other	94	243
	66,069	**31,795**

1) Gain on sale of financial assets relates mainly to disposal of shares in Green Content sp. z o.o.(note 35)

28. FINANCE COST

	2017	2016
Interest, commissions and other costs on loans and finance lease	1,138	822
Other interest	389	442
Impairment losses recognised for financial assets (note 37)	24,691	9,837
F/x losses	106	-
Other	1	-
	26,325	**11,101**

29. INCOME TAXES

Income tax expense recognised in the income statement

	2017	2016
Current tax expense		
Current year	-	-
Adjustments for prior periods	-	(66)
	-	(66)
Deferred tax expense		
Origination and reversal of temporary differences	9,279	3,203
The amount of benefit from a temporary difference of a prior period	8	600
	9,287	3,803
Total tax expense recognised in the income statement	**9,287**	**3,737**

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

Income tax expense recognised in other comprehensive income

	2017 r.	2016 r.
Actuarial gains/(losses) on defined benefit plans	(49)	(3)
Total tax expense recognised in other comprehensive income	**(49)**	**(3)**

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

	2017	2016
Loss before tax	**(77,409)**	**(56,491)**
Tax calculated at a rate of 19% (2016: 19%)	14,708	10,733
Tax effect of:		
Dividends	10,063	5,069
Other non-taxable revenues	405	98
Other non-deductible expenses	(1,334)	(1,167)
Other temporary differences on which deferred tax was not recognised	(4,691)	(1,677)
Tax losses on which deferred tax was not recognised	(9,872)	(9,853)
Recognition of deferred tax on temporary differences from previous period	8	600
Other	-	(66)
Tax calculated at an effective rate of 12% (2016: 6.6%)	**9,287**	**3,737**

30. EARNINGS PER SHARE

In calculating earnings per share the following variables were used:

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

b) as denominators - the average number of shares in the current year which is 47,421,764 for 2017 (2016: 47,665,426).

Weighted average number of ordinary shares:

	2017	2016
At the beginning of the period	**47,665,426**	**47,665,426**
Effect of shares buy-back	(243,662)	-
At the end of the period	**47,421,764**	**47,665,426**

There are no dilutive factors.

31. FINANCIAL RISK MANAGEMENT

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

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

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

Risk management framework

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

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers, loans granted and investment securities.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The biggest customers (in respect of the turnover) are press distributors and advertisers (companies unrelated to Agora S.A.). Because the value of transactions with none of distributors of the Company has exceeded 10% of the total revenue of Agora S.A., a significant concentration of customers does not exist. As a result, the Company's credit risk is limited due to a great number and diversification of customers.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Based on historic default rates, the Company do not create impairment allowances for receivables from related companies, trade receivables that are past due by up to 90 days or for barter receivables; around 90 percent of the balance, which includes the amount owed by the Company's most significant customers relates to customers that have a good payment record.

The ageing of overdue trade receivables as at balance sheet date is presented in note 8.

Investments

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

Collaterals

The maximum exposure to credit risk corresponds to the carrying amount of financial instruments.

The information related to collaterals held is described in note 32.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. In addition, on 31 December 2017, the Company maintains a credit facility in DNB Bank Polska S.A. (described in note 13) and was a participant of the agreement regarding the implementation of liquidity management system within the Group ("the Cash Pooling Agreement"). The agreement was signed on May 25, 2017 between DNB Bank Polska S.A. on the one side and Agora S.A. and selected subsidiaries companies from the group from the other side. The Cash Pooling Agreement aims to optimize cash liquidity and the most efficient management of cash for entities participating in the cash pooling system. Agora S.A. acts as a cash pool leader within the system. In accordance with this agreement, the Company may use the funds collected by other participants of the cash pooling system up to PLN 80,000 thousand.

Payment deadlines concerning trade payables are described in note 19 and bank loan in note 13. Future estimated cash flows related to financial liabilities are described in note 32.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return rate.

Foreign currency risk

Foreign exchange risk is related to sales of printing services to foreign customers, purchases of newsprint which is contracted in EURO, fixed asset purchases and rent of premises, which are also partly contracted in foreign currencies, mainly EURO and USD.

Accounts receivable in foreign currency amounted to PLN 1,378 thousand (31 December 2016: PLN 4,550 thousand), principally in USD and EURO.

Accounts payable requiring settlement in foreign currency amounted to PLN 771 thousand (31 December 2016: PLN 2,211 thousand), payable principally in EURO and USD.

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

In 2017 Agora S.A. was not engaged in any currency option instruments or other derivatives (used for hedging or speculative ones).

Interest rate risk

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

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

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

Sensitivity analysis

a) Interest rate risk

The Company has many financial instruments (including bank deposits and credits, loans granted, cash pool receivables and liabilities), which fair values and future cash flows connected with them may fluctuate due to changes in interest rates. As at 31 December 2017, assuming a +/- 1pp change in interest rates, the impact of changes in fair value of financial instruments is estimated at the level of net loss/profit of PLN 192 thousand (as at December 31, 2016: at the level of PLN 188 thousand).

b) Foreign currency risk

The Company has financial instruments (including bank deposits, receivables and payables). Their fair values and the fair value of future cash flows connected with them may fluctuate due to changes in interest rates. As at 31 December 2017, assuming the appreciation/depreciation of Polish zloty by 10%, the fair value of financial instruments that will fluctuate, is estimated to impact the net profit/loss in the amount of PLN 85 thousand (as at December 31, 2016: PLN 247 thousand).

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Further growth is the Management Board's overarching priority and the Company plans to use its capital in order to achieve that objective, building its long term value through acquisitions and greenfield projects. The Management Board monitors the ratio levels: ROCE and the paid dividend per share. Each decision concerning dividend payments or share repurchases is made after conducting proper analyses of the Company's financial position, investment capacity at the time, the balance sheet structure and the Company's share price quoted on the stock exchange and is approved by the General Meeting of Shareholders.

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

The Management Board focuses on keeping the balance between possible to reach higher rate on return ratio (if the debt level is higher) and advantages and security reached at the stable capital level.

Neither the Company nor its subsidiaries are obligated to obey externally defined capital rules.

32. INFORMATION ABOUT FINANCIAL INSTRUMENTS

1) General information

	Bank deposits	Short-term financial assets	Loans granted	Bank loan
a) Classification	Loans and receivables	Cerificates in investment funds – financial assets at fair value through profit or loss	Loans and receivables	Financial liability
b) Nature of the instrument	Short-term low investments	Short-term low risk investments	long- and short-term loans	Bank loan
c) Carrying value of the instrument	As at December 31,2017: PLN 271 thousand As at December 31,2016: PLN 1,039 thousand	As at December 31, 2017: PLN 47,667 thousand as at December 31, 2016: PLN 25,126 thousand	As at December 31, 2017: PLN 3,531 thousand As at December 31, 2016: PLN 7,113 thousand	As at December 31,2017: PLN 29,473 thousand As at December 31,2016: PLN 25,000 thousand

	Bank deposits	Short-term financial assets	Loans granted	Bank loan
d) Value of the instrument in foreign currency, if applicable	n/a	n/a	n/a	n/a
e) Purpose of the instrument	Investing of cash surpluses	Investing of cash surpluses	Financing of related companies	Investment credit and current account facility
f) Amount on which future payments are based	Total value of deposits	Total value of investments	Face value	Face value
g) Date of repricing, maturity, expiry or execution	Liquid – overnight or within 3 months	Liquid	According to agreements	Credit line described in note 13.
h) Early settlement option	Any time	Any time	Possible	Possible
i) Execution price or range of prices	Face value plus interests	Market value	Face value plus interests	Face value plus interests
j) Option to convert or exchange instrument to other asset or liability	None	None	None	None
k) Stated rate or amount of interest, dividend or other periodic return and the timing of payments	WIBID minus margin Timing of payments– at maturity	According to valuation of certificates, based on currency market instruments Timing of payments – at maturity; decision of the Company	Most often – WIBOR + margin Timing of payments– instalments or at maturity date	Bank loan – WIBOR + margin Timing of payments– monthly
l) Collateral held or pledged	None	None	None	Bank loans – collateral described in note 13.
m) Other conditions	None	None	None	Financial ratios; Debt Service Coverage Ratio and Net Debt Ratio. Breaking each of them causes a breach of the Loan Agreement
n) Type of risk associated with the instrument	Interest rate, credit risk of financial institution	Interest rate, credit risk of financial institution	Interest rate, credit risk of subsidiaries and associates	Interest rate
o) Fair value of the instrument	Equal to carrying value	Equal to carrying value	Close to carrying value	Close to carrying value
p) Method of fair value determination	Discounted cash flow	Market quatations	Discounted cash flow	Discounted cash flow

Interest rate risk

r) Description of the risk	Due to floating rate	Due to floating rate	Due to floating rate	Due to floating rate

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

s) Contractual repricing or maturity date	See point h)	See point h)	See point h)	See point h)
t) Effective interest rate	Close to nominal	Close to nominal	Close to nominal	Close to nominal

Credit risk

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

The information about trade receivables is included in note 8, about trade payables in note 19 and about cash pooling payables in note 14 and 31.

2) Detailed information about financial instruments

	2017	2016
Interest income on financial assets		
Bank deposits	62	86
Short-term securities (certificates in investment funds)	951	545
Loans granted	223	379
Cash pooling	198	80
Other (1)	366	685
Interest and commissions expense on financial liabilities		
Bank loans	(1,129)	(773)
Finance lease liabilities	(9)	(5)
Cash pooling	(352)	(412)

(1) The position includes mainly interests on receivables related to the sale of the printing machines described in note 6.

3) Fair value hierarchy for financial instruments

The Company applies the following hierarchy for disclosing information about fair value of financial instruments – by valuation technique:

- level 1: quoted prices in active markets (unadjusted) for identical assets or liabilities;
- level 2: valuation techniques in which inputs that are significant to fair value measurement are observable, directly or indirectly, market data;
- level 3: valuation techniques in which inputs that are significant to fair value measurement are not based on observable market data.

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

The table below shows financial instruments measured at fair value at the balance sheet date:

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

	31 December 2016	Level 1	Level 2	Level 3
Certificates in investment funds	25,126	-	25,126	-
Financial assets measured at fair value	**25,126**	**-**	**25,126**	**-**

4) Cash flows related to financial liabilities

The future estimated undiscounted cash flows related to financial liabilites based on contractual maturities at the balance sheet date are presented below:

As at 31 December 2017

	Contractual cash flows	6 months or less	between 6 and 12 months	between 1 and 2 years	between 2 and 5 years	more than 5 years
Bank loans	30,909	4,759	4,445	8,904	12,801	-
Finance lease liabilities	205	27	27	53	98	-
Cash pooling liabilities	26,668	26,668	-	-	-	-
Trade payables	36,797	36,797	-	-	-	-
Payables related to purchase of fixed assets	1,756	1,756	-	-	-	-
Total	**96,335**	**70,007**	**4,472**	**8,957**	**12,899**	**-**

As at 31 December 2016

	Contractual cash flows	6 months or less	between 6 and 12 months	between 1 and 2 years	between 2 and 5 years	more than 5 years
Bank loans	26,538	2,254	4,139	8,207	11,938	-
Finance lease liabilities	108	12	13	25	58	-
Cash pooling liabilities	27,715	27,715	-	-	-	-
Trade payables	40,430	40,430	-	-	-	-
Payables related to purchase of fixed assets	759	759	-	-	-	-
Total	**95,550**	**71,170**	**4,152**	**8,232**	**11,996**	**-**

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

5) Changes in liabilities arising from financing activities

The changes in liabilities arising from financing activities (including changes arising from cash flows and non-cash changes) are presented in table below:

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

33. FUTURE CONTRACTUAL COMMITMENTS

a) Contractual investment commitments

As at December 31, 2017, the commitments for the purchase of property, plant and equipment amounted to PLN 409 thousand (as at December 31, 2016: PLN 1,702 thousand). As at December 31,2017 there was no the commitments for the purchase of intangible assets (as at December 31, 2016: PLN 300 thousand).

b) Commitments under operating leases

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

	31 December 2017	31 December 2016
Within one year	3,111	3,846
Between one and five years	3,573	4,493
Total	**6,684**	**8,339**

The amounts disclosed above include VAT that the Company will be able to recover.

The majority of lease payments are denominated in PLN.

Annual payments of the Group related to the perpetual usefruct of land amount to PLN 1,319 thousand.

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

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

34. CONTINGENCIES, GUARANTEES AND OTHER COLLATERALS

As at 31 December 2017 and 31 December 2016, the Company had contingencies, guarantees and other collaterals arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, other than those noted below:

Benefiting party	Debtor	Valid till	31 December 2017	31 December 2016	Scope of collateral
Guarantees provided by Agora S.A.					
Pekao S.A.	Agora's employees	05.02.2018 - 30.10.2020	233	307	loans for the purchase of photographic equipment
Pekao S.A.	Doradztwo Mediowe Sp. z o.o.	30.06.2017	-	14,400	cash pooling agreement
Pekao S.A.	Optimizers Sp. z o.o.	30.06.2017	-	1,200	cash pooling agreement
Pekao S.A.	Optimizers Sp. z o.o.	25.09.2017	-	375	credit cards
Pekao S.A.	Green Content Sp. z o.o.	25.09.2017	-	375	credit cards

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

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

35. GROUP COMPANIES

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

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

(1) indirectly through AMS S.A.;
(2) indirectly through GRA Sp. z o.o.;
(3) indirectly through Helios S.A., on 22 February 2018, the company changed its seat from Lodz to Warsaw;
(4) indirectly through Next Film Sp. z o.o.;
(5) acquisition of shares from non-controlling shareholders in the sell-out procedure;
(6) acquisition of shares by Next Film Sp. z o.o. and subscription for new shares by non-controlling shareholders, besides, on May 29, 2017 the National Court Register registered the change of the company`s business name from Joy Media Sp. z o.o. to Next Script Sp. z o.o.;
(7) increase of the share capital and subscription for new shares by non-controlling shareholders;
(8) disposal of shares in the company on April 21, 2017;
(9) the company was removed from the register of entrepreneurs in the National Court Register on February 16, 2017;
(10) merger of the companies with the company Agora TC Sp. z o.o. on June 30, 2017;

(11) company set up on December 14, 2017;

(12) disposal of shares in the company on September 1, 2017.

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

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

On April 13, 2017, the extraordinary general meeting of Joy Media Sp. z o.o. adopted a resolution to increase the share capital of the company from the amount of PLN 20 thousand to the amount PLN 240 thousand, by issuing 4,400 new shares, each of the nominal value amounting to PLN 50 and their total nominal value amounting to PLN 220 thousand. As a result of this transaction, Next Film Sp. z o.o. held 4,800 shares in Joy Media Sp. z o.o., comprising 100% of the company's share capital and granting the right to 4,800 votes, comprising 100% votes during the Meeting. On April 25, 2017, the extraordinary general meeting of Joy Media Sp. z o.o., with its registered office in Warsaw, adopted another resolution to increase the share capital of the company from PLN 240 thousand to PLN 320 thousand, by issuing 1,600 new shares, each of the nominal value amounting to PLN 50 and their total nominal value amounting to PLN 80 thousand. The newly issued shares were allocated to the two new shareholders, each receiving 800 shares. The above-mentioned change was registered by the District Court for the Capital City of Warsaw in Warsaw, XIII Economic Division of the National Court Register, on May 29, 2017. On the same day, the District Court for the Capital City of Warsaw in Warsaw, XIII Economic Division of the National Court Register, registered the amendment of the Statutes of Joy Media Sp. z o.o. that involved the change of the business name of the company into Next Script Sp. z o.o. Next Film Sp. z o.o. currently holds 4,800 shares in the share capital of Next Script Sp. z o.o., comprising 75% of the company's share capital and granting the right to 4,800 votes, comprising 75% votes during the Meeting.

On May 29, 2017, Agora TC Sp. z o.o. ("Acquiring Company"), PTA Sp. z o.o. ("Acquired Company 1") and TV Zone Sp. z o.o. ("Acquired Company 2") filed requests at the District Court for the Capital City of Warsaw in Warsaw, XIII Economic Division of the National Court Register, to change data in the Register of Entrepreneurs in respect of the acquisition under Art. 492 § 1 Point 1 of the Commercial Companies Code, by transferring all the assets of the Acquired Company 1 and of the Acquired Company 2 upon the Acquiring Company. On 30 June 2017, the District Court for the Capital City of Warsaw in Warsaw, XIII Economic Division of the National Court Register, registered the above-mentioned change.

On July 21, 2017, the extraordinary general meeting of shareholders of Next Film Sp. z o.o. ("Next Film") adopted the resolution increasing the share capital by issuing 500 new shares with nominal value of PLN 1,000 per share and total nominal value of PLN 500 thousand. The extraordinary general meeting of shareholders of Next Film decided to allocate newly issued shares to the sole shareholder of Next Film, i.e. Helios S.A. Helios S.A. will receive 500 newly issued shares in return for cash contribution in the amount of PLN 8,000 thousand, of which amount of PLN 500 thousand will be allocated to the share capital of Next Film, and amount of PLN 7,500 thousand will be recognized as agio and allocated to the reserve capital of Next Film. On November 14, 2017, the District Court for Lodz-Srodmiescie in Lodz entered the above change in the register of entrepreneurs of the National Court Register. At present, the share capital of Next Film Sp. z o.o. amounts to PLN 1,000 thousand and consists of 1,000 shares with a nominal value of PLN 1,000 each, of which Helios S.A. holds 1,000 shares in the company's share capital, representing 100% of the share capital and 100% of votes at the general meeting of shareholders.

On 9 August 2017, the Extraordinary Meeting of Shareholders of Yieldbird Sp. z o.o. ("Yieldbird") adopted a resolution to increase the share capital through the creation of 75 new shares with a par value of PLN 50 each and total par value of PLN 3,750. The Extraordinary Meeting of Shareholders of Yieldbird Sp. z o.o. decided that the newly created shares would be acquired by three minority shareholders of Yieldbird, in such a way as to allot 30 shares each to two of them and 15 shares to one of them. On 11 October 2017, the District Court for the Capital City of Warsaw in Warsaw, entered the above change in the business register of the National Court Registry. Currently, the company's share capital stands at PLN 47,550 and it is divided into 951 shares with a par value of PLN 50 each, of which Agora S.A. holds 738 shares, corresponding to 77.60 percent of the share capital and 77.60 percent of the votes at a shareholders' meeting.

On December 14, 2017, Agora S.A., as the sole shareholder, established Plan A Sp. z o.o., with its registered seat in Warsaw. On December 21, 2017, the District Court for the capital city of Warsaw in Warsaw, XIII Commercial Division of the National Court Register, entered the aforementioned company in the register of entrepreneurs of the National Court Register. Agora S.A. currently holds 100 shares in the share capital of Plan A Sp. z o.o., with a value of PLN 50 each, which have been taken up by Agora S.A. in return for a cash contribution of PLN 5,000. The shares held by Agora S.A. give it a 100% interest in the share capital and 100% of votes at the general meeting of shareholders.

Disposal of shares in a subsidiary Sir Local Sp. z o.o.

On April 21, 2017, Agora S.A. signed an agreement to sell 2,110 shares in the share capital of Sir Local Sp. z o.o., each of the nominal value amounting to PLN 50 and their total nominal value amounting to PLN 105.5 thousand, to the benefit of the minority shareholder of this company, for the amount of PLN 10 thousand. The transfer of ownership to the shares occurred as of April 24, 2017. As a result of the transaction, Agora S.A. ceased to be a shareholder of the company.

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

Disposal of shares in a jointly controlled company Green Content sp. z o.o.

On September 1, 2017, the Management Board of Agora S.A. received a notification of the exercise of the option to buy 51.06% of shares in Green Content Sp. z o.o. by Discovery Polska Sp. z o.o. Moreover, the Management Board of Agora informed the public that the Company's bank account had been credited with PLN 19,000 thousand, being the selling price of the shares in Green Content. As a result of the exercise of the option, effective from 1 September 2017, Discovery Polska Sp. z o.o. became the holder of 100 percent of shares in Green Content Sp. z o.o. and Agora ceased to be a shareholder of the company.

The share sale transaction had a positive effect on the financial results of the Company in the 2017. The impact of the above transaction on financial income and the net profit of Agora S.A. amounted to PLN 11,071 thousand.

Call for the repurchase of shares in a subsidiary

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

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

(i)Sell-out procedure

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

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

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

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

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

(ii)Squeeze-out procedure

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

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

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

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

36. RELATED PARTY TRANSACTIONS

Table below presents total investments and balances with related parties as at balance 31 December 2017 (with comparative figures):

	31 December 2017	31 December 2016
Subsidiaries		
Shares	527,464	552,247
Non-current loans granted	-	5,047
Current loans granted	2,509	-
Cash pooling receivables	19,650	10,683
Trade receivables	3,467	3,767
Dividend receivables	-	1,028
Other receivables	5,998	17,487
Cash pooling liabilities	26,668	17,897
Trade liabilities	2,601	4,529
Other liabilities and accruals	1,384	5,571
Joint ventures		
Shares	11,593	19,522
Current loans granted	1,022	2,066
Trade receivables	113	475
Cash pooling liabilities	-	9,818
Trade liabilities	1	28
Other liabilities and accruals	100	92
Associates		
Shares	949	949
Trade receivables	31	21
Major shareholder		
Trade receivables	-	5
Management Board of the Company		
Receivables	3	3

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

Table below presents total transactions with related parties in 2017 (with comparative figures):

	2017	2016
Subsidiaries		
Sales	65,855	38,230
Purchases	(56,919)	(81,561)
Other operating expenses	(22)	(9)
Dividend income	52,962	26,317
Finance interests	739	1,054
Other finance income	93	212
Loss on disposal of financial assets	(79)	-
Finance cost - interests on cash pooling	(323)	(398)
Joint ventures		
Sales	1,344	833
Purchases	(427)	(352)
Other operating expenses	(1)	-
Finance interests	43	82
Finance cost - interests on cash pooling	(29)	(14)
Associates		
Sales	38	89
Purchases	(30)	(99)
Dividend income	-	360
Major shareholder		
Sales	52	62
Other operating revenues	300	162
Management Board of the Company		
Sales	2	2

Following types of transactions are witnessed within the Agora Group:

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

Transactions within the Agora Group are carried out on arm’s length basis and are within the normal business activities of companies.

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

37. ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and assumptions are continually evaluated and based on historical experience and best knowledge of the Group as at the date of the estimation. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities concern impairment tests for selected investments in subsidiaries, intangibles with indefinite useful life (magazine titles) and non-current assets related to the printing activities of the Company as a result of the ongoing decrease in revenues from sales of printing services in the coldset technology in which Agora Group's printing plants specialize. In order to determine their recoverable amounts the value in use for the relevant cash generating units was determined on the basis of long-term cash flow projections.

The Company points out that the value of revenue included in the cash flow projections depends on the general economic situation in Poland and in Europe. They grow in the periods of economic upswing and are marked by considerable decrease in time of the economic slowdown. Changes in factors such as GDP dynamics, unemployment rate, amounts of remuneration or level of consumption may influence the purchasing power of the Company`s customers and consumers of its services and goods. Polish economy is sensitive to the country political situation and a looping risk of abrupt legislative changes, whose full impact on the conditions of running business activity in Poland is hard to foresee. Moreover, advertising revenues depend also on the readership figures and shares in radio and television audience. Media market changes dynamically – some sectors can take advantage of the current changes while other can lose its position on the market. There is no certainty that the Company's position in the particular media sectors will remain unchanged. The estimated recoverable amount of the assets is also affected by the discount rate and the applied growth rate after the period of detailed forecast in the so-called residual period.

The Company identified two key assumptions, which have the most significant impact on the estimated recoverable amount of the assets:

1) estimated rate of real free cash flow to firm after the period of detailed forecast in the residual period and

2) pre-tax discount rate.

Basic information about the method applied is summarized below:

	Investment relating to activities in Trader.com (Polska) - Internet	Rights and goodwill related to activities in particular magazine titles	Non-current assets related to printing activities
Assumptions	Financial forecasts and projections of the market for the next years based on the best knowledge of the market, available market data and experience.		
Detailed forecast period	5 years	5 years	10 years
Years:	Estimated rate of free cash flow to firm in the period of detailed forecast (pre-tax)		
2018	(21%)	(29%)	(56%)
2019	61%	(10%)	(40%)
2020	12%	10%	(16%)
2021	(11%)	1%	(19%)
2022	15%	(13%)	(32%)
	Discount rate for the years (pre-tax)		
2018-2022	7.0%	8.2%	7.0%
	The long-term growth rate after the period covered by the forecast		
	0.5%	0.0%	*

** in case of financial projection related to printing activities a 10-year detailed forecast period was assumed and residual value of assets at the end of the forecast period was estimated.*

According to the impairment tests carried out, the impairment losses were recognised in relation to shares in company Trader.com (Polska) in the amount of PLN 24,248 thousand, in relation to press title “Cztery Katy” in the amount of PLN 13,192 thousand (including the amounf of PLN 2,198 thousand related to goodwill of purchased magazines titles) and in relation to the non-current assets assigned to the printing activities in the amount of PLN 36,145 thousand (the amount including: PLN 36,105 thousand related to property, plant and equipment classified to categories “Plant, machinery and equipment”, “Vehicles”and “Other” as presented in note 4, and the remaining amount of PLN 40 thousand related to intangible assets classified to category “Licences and patents”). Disadvantageous change of key assumptions would result in further impairment losses.

In 2017, the Company recognized the impairment losses on shares in company Optimizers Sp. z o.o. in the amount of PLN 443 thousand in relation to the forecasted termination of the company operating activity.

In 2016, according to the impairment tests carried out, the impairment losses on shares relating to the activities of Trader.com (Polska) – Internet were recognised in the amount of PLN 7,700 thousand and in relation to shares in company Sir Local Sp. z o.o. in the amount of PLN 2,108 thousand.

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

38. SELECTED UNCONSOLIDATED FINANCIAL DATA TOGETHER WITH TRANSLATION INTO EURO

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

- income statement and cash flow statement figures using arithmetic average of exchange rates published by NBP and ruling on the last day of each month of four quarters. For the year of 2017 EURO 1 = 4.2447; for the year of 2016 EURO 1 = PLN 4.3757.
- balance sheet figures using the average exchange rates published by NBP and ruling on the last day of the year. Exchange rate as at 31 December 2017 – EURO 1 = PLN 4.1709; as at 31 December 2016 – EURO 1 = PLN 4.4240.

	PLN thousand		EURO thousand	
	Year 2017	Year 2016	Year 2017	Year 2016
Revenue	492,520	576,059	116,032	131,650
Operating loss	(117,153)	(77,185)	(27,600)	(17,639)
Loss before income taxes	(77,409)	(56,491)	(18,237)	(12,910)
Net loss	(68,122)	(52,754)	(16,049)	(12,056)
Net cash from operating activities	(34,875)	(39,270)	(8,216)	(8,975)
Net cash used in investing activities	60,886	63,766	14,344	14,573
Net cash used in financing activities	(28,577)	(24,214)	(6,732)	(5,534)
Net increase / (decrease) in cash and cash equivalents	(2,566)	282	(605)	64
Total assets	998,586	1,115,231	239,417	252,087
Non-current liabilities	23,675	30,147	5,676	6,814
Current liabilities	142,299	162,814	34,117	36,802
Equity	832,612	922,270	199,624	208,470
Share capital	47,665	47,665	11,428	10,774
Weighted average number of shares	47,421,764	47,665,426	47,421,764	47,665,426
Basic/diluted earnings per share (in PLN / in EURO)	(1.44)	(1.11)	(0.34)	(0.25)
Book value per share (in PLN / in EURO)	17.56	19.35	4.21	4.37

39. EVENTS AFTER THE BALANCE SHEET DATE

Sale of property

On January 22, 2018, the Company informed about entered into a conditional sale agreement of the usufruct right of two land properties of 347 square meters, total, in 19/20 Welniarska Street and 7/8 Tkacka Street in Gdansk, including the ownership of the building set on the land properties of net 1,508 square meters ("Property").

On February 20, 2018, the Company signed an annex to above-mentioned preliminary sale agreement. By virtue of the signed annex, the deadline for conclusion of the final Sales Agreement was changed. Originally, the signing of the Agreement was scheduled until February 20th, 2018. The new deadline for concluding the new contract was scheduled until February 27th, 2018.

On February 27, 2018, the Company signed an agreement for sale of the above-mentioned property. The decision to sell the property stems from the fact that the Company does not utilize effectively the entire property for its operations. The Company believes that the optimal solution shall be to lease office space adapted to the current scale of operations of the Company in Gdansk.The total sale price of the Property amounted to PLN 8.65 million net, and its impact on the operating result of the Company in 1Q2018 shall amount to ca PLN 5.6 million.

Moreover, **on February 26, 2018**, since the condition for sales of the right of perpetual usufruct was fulfilled, the Company signed an agreement transferring the right of perpetual usufruct of undeveloped property with the total area of 6,270 square meters in 85/87 Czerniakowska Street in Warsaw. The total amount of the transaction is net PLN 19.0 million, and it shall positively impact the operating result of the Company by PLN 8.3 million in 1Q2018.

Group layoffs in Print segment

On February 7, 2018 The Management Board of Agora S.A informed about:

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

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

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

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

The estimated amount of provision for collective redundancies which will be charged to the Agora Group's result in 1Q2018, shall amount to approximately PLN 1.6 million. The Agora Group estimates that the restructuring measures my result in the annual savings may amount to approximately PLN 2.0 – PLN 2.5 million. The final amounts will be provided in the finacial report for the first quarter of 2018.

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

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

Tax Capital Group

On February 15th, 2018 the Management Board of Agora S.A. received a decision issued by the Head of the Second Mazovian Tax Office in Warsaw on the registration of the contract on the establishment of Agora Tax Capital Group ("TCG"), which is to include: Agora S.A. and the following subsidiaries: Grupa Radiowa Agory Sp. z o.o., Agora TC Sp. z o.o., Trader.com (Polska) Sp. z o.o., Helios S.A., AMS S.A., Yieldbird Sp. z o.o. and Plan A Sp. z o.o.

In the agreement establishing the Tax Capital Group, Agora has been appointed the representative company for the tax group within the scope of obligations resulting from the Corporate Income Tax Act and from the provisions of Tax Ordinance.

Agora Tax Capital Group will be established on March 1st, 2018, and each subsequent tax year will overlap with the calendar year. The agreement shall be in force till December 31st, 2020.

The Company estimates that the establishment of the tax capital group may result in lower tax charges of tax group, as provided for by law, by approximately PLN 5.0 million annually in the period of tax group's operation.

Gastronomic activity in a subsidiary

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

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

As of the day of publication of these unconsolidated financial statements, the District Court for the capital city of Warsaw did not enter the aforementioned company in the register of entrepreneurs of the National Court Register.

Other information

On February 28, 2018, Agora S.A., as the sole shareholder, established Agora Finanse Sp. z o.o., with its registered seat in Warsaw and holds 100 shares in the share capital of Agora Finanse Sp. z o.o., with a value of PLN 50 each, in return for a cash contribution of PLN 5,000. The shares held by Agora S.A. give it a 100% interest in the share capital and 100% of votes at the general meeting of shareholders.

On March 7, 2018, Agora S.A. and Kino Polska TV S.A. ("Kino Polska") signed a letter of intent ("Letter of Intent") regarding the potential purchase of all of Agora's shares in Stopklatka S.A. by Kino Polska ("Transaction"). According to the Letter of Intent, Agora and Kino Polska shall negotiate about the rules and conditions of the potential Transaction. The Letter of Intent does not constitute a binding commitment of Agora and Kino Polska to carry out the Transaction. The Letter of Intent is valid until June 30, 2018.

Warsaw, March 8, 2018

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

Signature of the person responsible for keeping the accounting records

Ewa Kuzio – Chief Accountant	Signed on the Polish original