AGORA S.A.

Unconsolidated financial statements

as at 31 December 2020 and for the year ended thereon

March 18, 2021

CONTENTS

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

UNCONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2020

	Note	As at 31 December 2020	As at 31 December 2019
ASSETS			
Non-current assets:			
Intangible assets	3	46,295	44,855
Property, plant and equipment	4	155,959	158,641
Right-of-use assets	5	26,662	29,601
Long-term financial assets	6	621,992	693,391
Receivables and prepayments	7	915	409
Deferred tax assets	16	8,369	3,173
		860,192	**930,070**
Current assets:			
Inventories	8	9,607	13,712
Accounts receivable and prepayments	9	83,189	94,341
Income tax receivable		733	768
Short-term securities and other financial assets	10	263	13,270
Cash and cash equivalents	11	73,506	13,174
		167,298	**135,265**
Non-current assets held for sale	4	14,500	4,344
		181,798	**139,609**
Total assets		**1,041,990**	**1,069,679**

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 2020 (CONTINUED)

	Note	As at 31 December 2020	As at 31 December 2019
Equity and liabilities			
Equity			
Share capital	12	46,581	46,581
Share premium		147,192	147,192
Other reserves		123,053	121,302
Retained earnings and other reserves	13	456,562	506,381
		773,388	**821,456**
Non-current liabilities:			
Long-term borrowings	14	64,989	82,534
Retirement severance provision	17	1,756	2,219
Provisions	18	286	829
Accruals and other liabilities	19	1,705	439
Contract liabilities	20	177	98
		68,913	**86,119**
Current liabilities:			
Retirement severance provision	17	159	195
Trade and other payables	19	106,886	97,719
Short-term borrowings	14	36,279	29,289
Other financial liabilities	15	48,741	29,273
Provisions	18	1,150	1,374
Contract liabilities	20	6,474	4,254
		199,689	**162,104**
Total equity and liabilities		**1,041,990**	**1,069,679**

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

UNCONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020	2019
Revenue	21	343,186	401,637
Cost of sales	22	(178,342)	(238,393)
Gross profit		**164,844**	**163,244**
Selling expenses	22	(109,019)	(131,724)
Administrative expenses	22	(85,737)	(88,874)
Other operating income	23	20,761	5,905
Other operating expenses	24	(9,859)	(2,910)
Impairment losses for receivables - net	24	2,996	(1,308)
Operating loss		**(16,014)**	**(55,667)**
Finance income	28	20,806	87,988
Finance cost	29	(64,542)	(17,308)
Profit/(loss) before income taxes		**(59,750)**	**15,013**
Income tax expense	30	4,891	5,102
Profit/(loss) for the period		**(54,859)**	**20,115**
Basic/diluted earnings per share (in PLN)	31	(1.18)	0.43

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UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
Net profit/(loss) for the period	**(54,859)**	**20,115**
Other comprehensive income/(loss):		
Items that will not be reclassified to profit or loss		
Actuarial gains/(losses) on defined benefit plans	676	(99)
Income tax effect	(128)	19
	548	(80)
Items that will be reclassified to profit or loss	-	-
Other comprehensive income/(loss) for the period	548	(80)
Total comprehensive income/(loss) for the period	**(54,311)**	**20,035**

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

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Share premium	Other reserves	Retained earnings	Total equity
Year ended 31 December 2020					
As at 31 December 2019	**46,581**	**147,192**	**121,302**	**506,381**	**821,456**
Total comprehensive income for the period					
Net loss for the period	-	-	-	(54,859)	(54,859)
Other comprehensive income	-	-	548	-	548
Total comprehensive income for the period	**-**	**-**	**548**	**(54,859)**	**(54,311)**
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Result of the merger of the companies (note 38)	-	-	1,203	5,040	6,243
Total transactions with owners	**-**	**-**	**1,203**	**5,040**	**6,243**
As at 31 December 2020	**46,581**	**147,192**	**123,053**	**456,562**	**773,388**

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

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

	Share capital	Share premium	Other reserves	Retained earnings	Total equity
Year ended 31 December 2019					
As at 31 December 2018	**46,581**	**147,192**	**121,382**	**509,557**	**824,712**
Total comprehensive income for the period					
Net profit for the period	-	-	-	20,115	20,115
Other comprehensive income	-	-	(80)	-	(80)
Total comprehensive income for the period	**-**	**-**	**(80)**	**20,115**	**20,035**
Transactions with owners, recorded directly in equity					
Contributions by and distributions to owners					
Dividends declared	-	-	-	(23,290)	(23,290)
Other	-	-	-	(1)	(1)
Total transactions with owners	**-**	**-**	**-**	**(23,291)**	**(23,291)**
As at 31 December 2019	**46,581**	**147,192**	**121,302**	**506,381**	**821,456**

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

UNCONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020	2019
Cash flows from operating activities			
Profit/(loss) before income taxes		**(59,750)**	**15,013**
Adjustments for:			
Depreciation and amortisation	22	31,718	26,913
Foreign exchange (gain)/loss		47	(8)
Interest, net		3,511	3,649
Loss on investing activities		58,687	12,143
Dividend income		(20,537)	(86,972)
Increase in provisions		(777)	783
Decrease in inventories		4,105	8,696
Decrease in receivables		17,890	8,525
Increase/(decrease) in payables		9,806	(7,755)
Increase/(decrease) in contract liabilities		2,299	(1,007)
Other adjustments		-	(11)
Cash generated from operations		**46,999**	**(20,031)**
Income taxes - inflows (1)		1,899	7,039
Net cash from operating activities		**48,898**	**(12,992)**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment, and intangibles		11,269	2,163
Disposal of subsidiaries, associates and jointly controlled entities		85	45
Dividends received		12,537	86,972
Repayment of loans granted		150	600
Interest received		44	897
Proceeds from cash pooling		4,524	78,092
Loans granted		-	(1,400)
Purchase of property, plant and equipment, and intangibles		(17,419)	(29,230)
Acquisition of subsidiaries, associates and jointly controlled entities	6	(4,156)	(163,216)
Net cash used in investing activities		**7,034**	**(25,077)**

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

UNCONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

	Note	2020	2019
Cash flows from financing activities			
Proceeds from borrowings		-	83,844
Repayment of borrowings		(10,417)	(17,957)
Proceeds from cash pooling		19,479	7,753
Dividends paid		-	(23,290)
Payment of lease liabilities		(993)	(1,678)
Interest paid		(3,649)	(4,380)
Other		(20)	(90)
Net cash used in financing activities		**4,400**	**44,202**
Net increase in cash and cash equivalents		**60,332**	**6,133**
Cash and cash equivalents			
At start of period		13,174	7,041
At end of period		73,506	13,174

(1) The amount includes settlements with the companies participating in the Tax Capital Group.

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 2020 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 and radio activity. Additionally, the Company is active in the cinema segment through its subsidiary Helios S.A. and in the outdoor segment through its subsidiary AMS S.A. The Company also engages in projects related to production and co-production of movies through the company Next Film Sp. z o.o. and in food service activity through the company Step Inside Sp. z o.o.

As at 31 December 2020 Agora S.A. controlled 19 subsidiaries, held shares in jointly controlled entity: Instytut Badań Outdooru IBO Sp. z o.o. (indirectly through AMS S.A.) and held shares in two associates: ROI Hunter a.s. and Eurozet Sp. z o.o.

The Company operates in all major cities in Poland.

There was no change in name of reporting entity from the end of the preceding reporting period.

(b) Registered Office

Czerska 8/10 street,
00-732 Warsaw, Poland

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

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

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

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

(e) Management Board

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

Bartosz Hojka	President	for the whole year
Tomasz Jagiello	Member	for the whole year
Agnieszka Sadowska	Member	for the whole year
Anna Krynska-Godlewska	Member	for the whole year
Grzegorz Kania	Member	till 28 September 2020

(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
Maciej Wisniewski	Member	for the whole year
Tomasz Karusewicz	Member	for the whole year

(g) Information about the financial statements

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

The unconsolidated financial statements were authorised for issue by the Management Board on 18 March 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation

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

The financial statements of the Company were prepared with the assumption that the Company would continue their business activities in the foreseeable future. Additional information concerning the impact of Covid-19 pandemic on Company business activities is disclosed in note 39.

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 2019, except for the changes described below.

For the Company's financial statements for the year started with January 1, 2020 the following new standards and amendments to existing standards, which were endorsed by the European Union, are effective:

1) Definition of materiality (amendments to IAS 1 and IAS 8);

2) Reform of the interest rate benchmark (Amendments to IFRS 9, IAS 39 and IFRS 7)

3) Definition of the project (Amendments to IFRS 3);

4) Rent concessions related to Covid-19 (Amendments to IFRS 16).

The application of the amendments in points 1)-3) had no significant impact on the unconsolidated financial statements. The Company did not apply the amendments to IFRS 16 for the settlement of rent concessions.

In the cash flow statement, the Company presented an adjustment to operating activity resulting from the depreciation of property, plant and equipment, intangible assets and rights to use assets under the same heading as 'Depreciation and amortisation'. The comparative information has been restated accordingly.

(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 v).

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:

Buildings	3 - 40 years
Plant and machinery	3 - 20 years
Motor vehicles	3 - 7 years
Other equipment	2 - 20 years

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

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 v).

Intangible assets (mainly containing acquired licenses and software) 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:

Licences, software and other	2-15 years
Internally generated intangible assets	2-5 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 v).

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 v.

(e) Right-of-use assets and lease liabilities

Lease contract is a contract or part of a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the commencement date, a lessee shall recognise a right-of-use asset and a lease liability. The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee.

At the commencement date, a lessee shall measure the right-of-use asset at cost, comprising:

a) the amount of the initial measurement of the lease liability;

b) any lease payments made at or before the commencement date, less any lease incentives received;

c) any initial direct costs incurred by the lessee;

d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

After the commencement date, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

The Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

a) fixed payments, less any lease incentives receivable;

b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

c) amounts expected to be payable by the lessee under residual value guarantees;

d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;

e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability by:

a) increasing the carrying amount to reflect interest on the lease liability;

b) reducing the carrying amount to reflect the lease payments made; and

c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

Variable lease payments not included in the measurement of the lease liability shall be recognised in profit or loss in the period in which the event or condition that triggers those payments occurs

To either short-term leases or leases for which the underlying asset is of low value, the Company recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Lease term is the non-cancellable period for which a lessee has the right to use an underlying asset, together with both: periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

When estimating the lease term for contracts concluded for an indefinite period, the Company takes into account the contract enforcement period, which is usually the period of notice and uses the exemption for short-term contracts, if the contract enforcement period is no longer than 12 months.

Lessee’s incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

When estimating the discount rate, the Company takes into account the estimated interest margin that the Company would have to incur in order to finance the subject of the agreement on the financial market, considering the duration of the contract and the contract currency.

(f) Cash and cash equivalents

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

(g) Derivative financial instruments

Derivative financial instruments are recognized initially and subsequently measured at fair value. The 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.

(h) Financial assets measured at amortized cost

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

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

- its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

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

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

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

(a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

(b) the value of money over time; and

(c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

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

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

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

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

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

(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.

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

(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 transactions

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) 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 cost of own publishing and film production.

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.

(n) 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 include 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 (q). Other reserves include also the amount of redemption of share capital from the Share Buyback Program completed in 2018 and 2015.

(v) Retained earnings

Retained earnings represent accumulated net profits / losses, including reserve capital accumulated from prior year's profits.

(o) Income taxes and deferred income taxes

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

Current tax expense is calculated according to tax regulations, including mutual settlements of benefits between companies included in the Tax Capital Group described in note 16.

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 are 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.

(p) 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 and 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 value of money over time 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.

(q) 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.

(r) 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.

(s) Trade and other payables

Trade and other payables are stated at amortised cost.

(t) Revenue recognition

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

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

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

Revenue from advertising services, film distribution in cinemas and from selling a digital access to internet services of *Gazeta Wyborcza* represent revenue recognised over time, because advertising campaigns, film distribution and access to digital subscription represent services performed throughout the specified time agreed in contracts with customers. Revenue from other goods and services of the Company usually represent revenue recognised at a point in time, when control of the goods or services is transferred to the customer, which is at the moment, when the service is completed or goods are delivered to a customer.
Advance consideration received for goods and services, which were not transferred to customers at the balance sheet date and will be realized in future accounting periods are presented in the balance sheet in the line item "*Contract liabilities*".

Sale with a right of return

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

Customer rebates

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

(u) 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, 2020 and for the year ended thereon'.

(v) Impairment losses

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

(w) 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 substantial period of time to get ready for its intended use or sale, in which case they are capitalized.

(x) Share-based payments

There are incentive plans carried out in the Company, described in note 27, 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.

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

Grants received for the financing of acquisition or construction of property, plant and equipment or intangible assets are recognized, when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching thereto. The grants are recognised in the balance sheet and credited to the income statement as other operating income proportionately over the useful life of the respective assets.

In addition, in 2020, the Company received grants on salaries and wages which were included in other operating income (details described in note 23).

(z) 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.

(aa) 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.

(ab) Combinations of entities under the joint control

Combinations of entities resulting from the transfer of shares in entities under the joint control of a shareholder who simultaneously controls the group to which the Company belongs are recognized as if the acquisition took place at the beginning of the earliest comparative period or at the date of the establishment of joint control, if later. For this purpose, comparative data shall be restated unless they are immaterial and do not affect the comparability of the data. Acquired assets and liabilities are recognized at the book value presented in the financial statements of the combining entities.

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

The Company did not early apply 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) Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments*, IFRS 7 *Financial Instruments*: *Disclosures*, IFRS 4 *Insurance Contracts* and IFRS 16 *Leases*: *Interest Rate Benchmark Reform – Phase 2* (effective for annual periods beginning on or after 1 January 2021)

The objective of the Amendments is to assist entities with providing useful information to users of financial statements and to support preparers in applying IFRS Standards when changes are made to contractual cash flows or hedging relationships, as a result of the transition from an IBOR benchmark rate to alternative benchmark rates, in the context of the ongoing risk-free rate reform. The amendments provide practical expedient for particular changes to contractual cash flows and provide a relief from specific hedge accounting requirements.

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

2) Amendments to IFRS 4 *Insurance Contracts* (effective for annual periods beginning on or after 1 January 2021)

The amendments extend the expiry date for the temporary exemption from IFRS 9 *Financial Instruments* by two years to annual periods beginning on or after 1 January 2023 to align with the effective date of IFRS 17 *Insurance Contracts* which replaces IFRS 4 *Insurance Contracts*.

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

Standards and interpretations awaiting on endorsement by the European Union:

1) Amendments to IFRS 3 *Business Combinations*, IAS 16 *Property, Plant and Equipment*, IAS 37 *Provisions, Contingent Liabilities and Contingent Assets and Annual Improvements 2018-2020* (effective for annual periods beginning on or after 1 January 2022)

The package of amendments includes three narrow scope amendments to standards:

- update a reference in IFRS 3 *Business Combinations to the Conceptual Framework for Financial Reporting* without changing the accounting requirements for business combinations,
- prohibit an entity from deducting from the cost of property plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead an entity will recognize such sales proceeds and related cost in profit or loss,
- specify which costs an entity includes when assessing whether a contract will be loss-making.

The package also includes the annual improvements including changes that clarify the wording or correct minor consequences, oversights or conflicts between requirements in FRS 1 Fir*st-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IAS 41 *Agriculture* and the Illustrative Examples accompanying IFRS 16 *Leases*.

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

2) IFRS 17 *Insurance Contracts* (effective for annual periods beginning on or after January 1, 2023)

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.

3) Amendments to IAS 1 *Presentation of Financial Statements* (effective for annual periods beginning on 1 January 2023)

The amendments clarify the criteria for classifying a liability as non-current depending on rights that are in existence at the end of the reporting period.

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

4) Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* - *Sales or contributions of assets between an investor and its associate/joint venture* (effective for annual periods beginning on or after 1 January 2016, although The European Commission deferred the endorsement of changes indefinitely)

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

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

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

3. INTANGIBLE ASSETS

	Magazine titles	Goodwill	Licences and patents	Other	Internally generated intangible assets	Total
Cost as at 1 January 2020	**45,714**	**3,262**	**100,139**	**14,855**	**23,995**	**187,965**
Additions	-	-	4,193	-	10,173	14,366
Acquisitions	-	-	2,681	-	-	2,681
Transfer from assets under construction	-	-	1,373	-	-	1,373
Internal development	-	-	-	-	10,173	10,173
Result of the merger of the companies	-	-	139	-	-	139
Disposals	-	-	(260)	(340)	-	(600)
Sale	-	-	-	(340)	-	(340)
Liquidation	-	-	(260)	-	-	(260)
Cost as at 31 December 2020	**45,714**	**3,262**	**104,072**	**14,515**	**34,168**	**201,731**

	Magazine titles	Goodwill	Licences and patents	Other	Internally generated intangible assets	Total
Amortisation and impairment losses as at 1 January 2020	**36,439**	**3,144**	**81,353**	**14,729**	**7,445**	**143,110**
Amortisation charge for the period	-	-	5,216	96	7,474	12,786
Sale	-	-	-	(340)	-	(340)
Liquidation	-	-	(259)	-	-	(259)
Result of the merger of the companies	-	-	139	-	-	139
Amortisation and impairment losses as at 31 December 2020	**36,439**	**3,144**	**86,449**	**14,485**	**14,919**	**155,436**
Carrying amounts						
As at 1 January 2020	**9,275**	**118**	**18,786**	**126**	**16,550**	**44,855**
As at 31 December 2020	**9,275**	**118**	**17,623**	**30**	**19,249**	**46,295**

(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 2019	**45,714**	**3,262**	**113,433**	**14,936**	**11,949**	**189,294**
Additions	-	-	3,264	-	12,046	15,310
Acquisitions	-	-	1,231	-	-	1,231
Transfer from assets under construction	-	-	2,033	-	-	2,033
Internal development	-	-	-	-	12,046	12,046
Disposals	-	-	(16,558)	(81)	-	(16,639)
Liquidation	-	-	(16,558)	(81)	-	(16,639)
Cost as at 31 December 2019	**45,714**	**3,262**	**100,139**	**14,855**	**23,995**	**187,965**
Amortisation and impairment losses as at 1 January 2019	**36,439**	**3,144**	**93,041**	**14,647**	**4,328**	**151,599**
Amortisation charge for the period	-	-	4,870	163	3,117	8,150
Liquidation	-	-	(16,558)	(81)	-	(16,639)
Amortisation and impairment losses as at 31 December 2019	**36,439**	**3,144**	**81,353**	**14,729**	**7,445**	**143,110**
Carrying amounts						
As at 1 January 2019	**9,275**	**118**	**20,392**	**289**	**7,621**	**37,695**
As at 31 December 2019	**9,275**	**118**	**18,786**	**126**	**16,550**	**44,855**

Amortisation of intangibles is recognised in “cost of sales”, “selling expenses” and “administrative expenses”, impairment losses are recognised in “other operating expenses” in the income statement. Reversals of impairment losses are recognised in “other operating income” in the income statement.

Contractual commitments connected to intangible assets are disclosed in note 34.

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

4. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Plant, machinery and equipment	Vehicles	Other	Assets under construction	Total
Cost as at 1 January 2020	**7,238**	**236,007**	**494,972**	**2,954**	**16,044**	**1,806**	**759,021**
Additions	884	64,920	162,834	1,541	1,130	1,475	232,784
Acquisitions	-	29	4,370	-	351	1,475	6,225
Transfer from assets under construction	-	518	-	-	370	-	888
Result of the merger of the companies	884	64,373	158,464	1,541	409	-	225,671
Disposals	(257)	(36,690)	(328,407)	(1,499)	(1,359)	(2,261)	(370,473)
Sale (1)	(257)	-	(307,585)	(1,499)	(182)	-	(309,523)
Liquidation	-	(531)	(8,625)	-	(1,169)	-	(10,325)
Transfer from assets under construction	-	-	-	-	-	(2,261)	(2,261)
Reclassification to non-current assets held for sale (note 4b)	-	(36,159)	(12,197)	-	(8)	-	(48,364)
Cost as at 31 December 2020	**7,865**	**264,237**	**329,399**	**2,996**	**15,815**	**1,020**	**621,332**

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

4. PROPERTY, PLANT AND EQUIPMENT – CONT.

	Land	Buildings	Plant, machinery and equipment	Vehicles	Other	Assets under construction	Total
Depreciation and impairment losses as at 1 January 2020	**-**	**114,496**	**469,036**	**2,470**	**14,378**	**-**	**600,380**
Depreciation charge for the period	-	7,910	9,028	133	449	-	17,520
Impairment losses (note 39)	-	4,909	-	-	-	-	4,909
Sale (1)	-	-	(307,073)	(1,417)	(181)	-	(308,671)
Liquidation	-	(522)	(8,571)	-	(1,167)	-	(10,260)
Result of the merger of the companies	-	37,092	157,751	1,541	409	-	196,793
Reclassification to non-current assets held for sale (note 4b)	-	(23,352)	(11,938)	-	(8)	-	(35,298)
Depreciation and impairment losses as at 31 December 2020	**-**	**140,533**	**308,233**	**2,727**	**13,880**	**-**	**465,373**
Carrying amounts							
As at 1 January 2020	**7,238**	**121,511**	**25,936**	**484**	**1,666**	**1,806**	**158,641**
As at 31 December 2020	**7,865**	**123,704**	**21,166**	**269**	**1,935**	**1,020**	**155,959**

(1) Sales in 2020 were mainly related to the sale of plant, machinery and equipment related to the company's printing activities.

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

4. PROPERTY, PLANT AND EQUIPMENT – CONT.

	Land	Perpetual usufruct of land	Buildings	Plant, machinery and equipment	Vehicles	Other	Assets under construction	Total
Cost as at 31 December 2018	**7,704**	**13,634**	**244,224**	**519,933**	**4,207**	**19,682**	**2,068**	**811,452**
Application of IFRS 16	-	(13,634)	-	-	(232)	-	-	(13,866)
Cost as at 1 January 2019	**7,704**	**-**	**244,224**	**519,933**	**3,975**	**19,682**	**2,068**	**797,586**
Additions	-	-	565	11,878	170	264	3,755	16,632
Acquisitions	-	-	-	10,550	170	173	3,755	14,648
Transfer from assets under construction	-	-	565	1,328	-	91	-	1,984
Disposals	(466)	-	(8,782)	(36,839)	(1,191)	(3,902)	(4,017)	(55,197)
Sale	-	-	(1,302)	(4,402)	(1,064)	(473)	-	(7,241)
Liquidation	-	-	(246)	(26,233)	(127)	(3,048)	-	(29,654)
Transfer from assets under construction	-	-	-	-	-	-	(4,017)	(4,017)
Reclassification to non-current assets held for sale (note 4b)	(466)	-	(7,234)	(6,204)	-	(381)	-	(14,285)
Cost as at 31 December 2019	**7,238**	**-**	**236,007**	**494,972**	**2,954**	**16,044**	**1,806**	**759,021**

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

4. PROPERTY, PLANT AND EQUIPMENT – CONT.

	Land	Perpetual usufruct of land	Buildings	Plant, machinery and equipment	Vehicles	Other	Assets under construction	Total
Depreciation and impairment losses as at 31 December 2018	**-**	**7,941**	**114,186**	**495,042**	**3,593**	**17,614**	**-**	**638,376**
Application of IFRS 16	-	(7,941)	-	-	(97)	-	-	(8,038)
Depreciation and impairment losses as at 1 January 2019	**-**	**-**	**114,186**	**495,042**	**3,496**	**17,614**	**-**	**630,338**
Depreciation charge for the period	-	-	6,338	9,825	134	424	-	16,721
Sale	-	-	(1,276)	(4,391)	(1,034)	(469)	-	(7,170)
Liquidation	-	-	(210)	(26,189)	(126)	(3,043)	-	(29,568)
Reclassification to non-current assets held for sale (note 4b)	-	-	(4,542)	(5,251)	-	(148)	-	(9,941)
Depreciation and impairment losses as at 31 December 2019	**-**	**-**	**114,496**	**469,036**	**2,470**	**14,378**	**-**	**600,380**
Carrying amounts								
As at 1 January 2019	**7,704**	**-**	**130,038**	**24,891**	**479**	**2,068**	**2,068**	**167,248**
As at 31 December 2019	**7,238**	**-**	**121,511**	**25,936**	**484**	**1,666**	**1,806**	**158,641**

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.

(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 collateral for the credit line described in note 14:

No.	Assets	Net book value as at 31 December 2020
1	Buildings	81,594
2	Plant, machinery and equipment	4,021
	Total	**85,615**

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

As at 31 December 2020, non-current assets with the carrying amount of PLN 14,500 thousand were presented as held for sale and included right of perpetual usufruct of land and ownership of the buildings located at Krzywa Street, Piła.

As at 31 December 2020 the Company took active steps to sell the above assets. Company's Management Board expected to complete the sale in less than 12 months from the balance sheet date. The Company made a write down of the value of the assets held for sale in amount of PLN 4,373 thousand in order to adjust the value of these assets to the sale price.

On 29 January 2021, the Company entered into a preliminary contract for the sale and on March 4, 2021, the Company entered into a promised sale agreement of the assets described above. Details of the sales contract are given in note 41.

As at 31 December 2019, non-current assets with the carrying amount of PLN 4,344 thousand were presented as held for sale and included server building located at Daniszewska Street, Warsaw.

- **Sale of the property at Daniszewska Street, Warsaw**

On February 6, 2020, The Management Board of Agora S.A. announced that on February 5, 2020 the Company concluded an contract for sale of property rights of plot of land no. 133, precinct: 4-07-05 with an area of 0.4623 ha, constituting property for which District Court for the Capital City of Warsaw - Mokotów in Warsaw, IX Land Registry Department keeps Land Register KW No. WA3M/00516612/1 (formerly: KW No. WA3M/00171401/8) and building and structures planted on the above plot of land ("the Property").

Decision on sale of the Property stems from the fact The Company did not used effectively the entire area of the Property on the operating activity.

At the same time, the Company's Management Board announces, that the process of conclusion of the contract for sale the Property is considered to be extended in time. During the process the Company identified milestones, in itself meeting the criteria for classification as confidential information. Disclosure of the confidential information about milestones in sale process was postponed until the time up to the conclusion of the contract on a basis of Article 17(1) and (4) of Regulation (EU) No 596/2014 Of The European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC ("MAR regulation") and Article 4 of Commission Implementing Regulation (EU) 2016/1055 of 29 June 2016 laying down implementing technical standards with regard to the technical means for appropriate public disclosure of inside information and for delaying the public disclosure of inside information in accordance with Regulation (EU) No 596/2014 of the European Parliament and of the Council ("Implementing Regulation") for the protection of the Issuer's legitimate interests, i.e. the risk of a negative impact of the information on the possibility of conclusion of the Agreement. One of the milestones referred to above was conclusion of a preliminary sales agreement on December 9, 2019 accompanied by conclusion of contract for sale of certain property rights.

The total amount of income generated from the disposal of all assets in the process amounted to PLN 11.0 million, and the profit on disposal amounted to PLN 6.7 million and was included in the other operating income of the Group.

Additionally, on June 19, 2020 Agora S.A. sold an undeveloped plot of land at Daniszewska street in Warsaw, obtaining a sale price of PLN 0.7 million and a profit on the transaction of PLN 0.4 million.

(c) Contractual commitments

Contractual commitments are disclosed in note 34.

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

5. RIGHT-OF-USE ASSETS

	Land	Buildings	Vehicles	Total
Cost as at 1 January 2020	**35,392**	**3,757**	**361**	**39,510**
Additions	-	123	-	123
Increases due to leases	-	123	-	123
Disposals	(3,134)	(208)	(12)	(3,354)
Decreases due to leases	-	(208)	(12)	(220)
Reclassification to non-current assets held for sale (note 4b)	(3,134)	-	-	(3,134)
Cost as at 31 December 2020	**32,258**	**3,672**	**349**	**36,279**
Depreciation and impairment losses as at 1 January 2020	**8,324**	**1,416**	**169**	**9,909**
Depreciation charge for the period	384	952	76	1,412
Decreases due to leases	-	(4)	-	(4)
Reclassification to non-current assets held for sale (note 4b)	(1,700)	-	-	(1,700)
Depreciation and impairment losses as at 31 December 2020	**7,008**	**2,364**	**245**	**9,617**
Carrying amounts				
As at 1 January 2020	27,068	2,341	192	29,601
As at 31 December 2020	25,250	1,308	104	26,662

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

5. RIGHT-OF-USE ASSETS - CONT.

	Land	Buildings	Vehicles	Total
Cost as at 31 December 2018	**-**	**-**	**-**	**-**
Initial recognition due to the application of IFRS 16	21,758	4,279	34	26,071
Reclassification from property, plant and equipment	13,634	-	232	13,866
Cost as at 1 January 2019	**35,392**	**4,279**	**266**	**39,937**
Additions	-	29	95	124
Increases due to leases	-	29	95	124
Disposals	-	(551)	-	(551)
Decreases due to leases	-	(551)	-	(551)
Cost as at 31 December 2019	**35,392**	**3,757**	**361**	**39,510**

Depreciation and impairment losses as at 31 December 2018	**-**	**-**	**-**	**-**
Reclassification from property, plant and equipment	7,941	-	97	8,038
Depreciation and impairment losses as at 1 January 2019	**7,941**	**-**	**97**	**8,038**
Depreciation charge for the period	383	1,587	72	2,042
Decreases due to leases	-	(171)	-	(171)
Depreciation and impairment losses as at 31 December 2019	**8,324**	**1,416**	**169**	**9,909**
Carrying amounts				
As at 1 January 2019	27,451	4,279	169	31,899
As at 31 December 2019	27,068	2,341	192	29,601

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

The rights-of-use assets relate to assets used by the Company under long-term lease agreements for office space, finance lease agreements for cars and the rights of perpetual usufruct of land. In the case of office space, the contractual period is between 1 and 5 years, car leasing contracts cover a period between 2 and 5 years, and the right of perpetual usufruct of land having the greatest impact on the carrying amount of recognized rights of use of assets shall be valid for a further period of 69 years from the balance sheet date.

The right of perpetual usufruct of land with a book value of PLN 23,999 thousand constitutes the collateral of the credit line described in note 14 (including the value excluding the impact of IFRS 16 amounting to PLN 4,102 thousand).

6. LONG-TERM FINANCIAL ASSETS

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

	2020	2019
Balance as at the beginning of the period	**693,391**	**542,031**
Shares	692,953	542,031
Loans granted	200	-
Additional paid-in capital	238	-
Additions	**5,005**	**164,858**
Shares	5,005	163,820
- acquisitions (note 36)	10	154,123
- increase of share capital (note 36)	4,146	8,854
- use of impairment losses	849	843
Loans granted	-	800
- grant of loans	-	800
Additional paid-in capital	-	238
- payments of paid-in capital	-	238
Disposals	**(76,404)**	**(13,498)**
Shares	(76,204)	(12,898)
- sale of shares	(949)	(843)
- impairment losses (note 39)	(60,687)	(12,055)
- result of the merger of the companies (note 38)	(14,568)	-
Loans granted	(200)	(600)
- repayment of loans	(100)	-
- impairment losses	(50)	(600)
- reclassifications	(50)	-
Balance as at the end of the period	**621,992**	**693,391**
Shares	621,754	692,953
Loans granted	-	200
Additional paid-in capital	238	238

Basic information on subsidiaries, joint ventures and associates of the Company is set out in note 36.

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

7. NON-CURRENT RECEIVABLES AND PREPAYMENTS

	31 December 2020	31 December 2019
Other long term receivables	324	386
Long term prepayments	591	23
	915	**409**

8. INVENTORIES

	31 December 2020	31 December 2019
Raw materials and consumables	4,221	6,637
Work in progress	3,525	3,825
Finished goods	1,788	3,071
Goods for resale	73	179
	9,607	**13,712**
Impairment losses recognised	10,779	10,762
Total inventories, gross	**20,386**	**24,474**

The cost of inventories recognised as an expense amounted to PLN 45,439 thousand (2019: PLN 72,195 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 2020 increase of impairment losses amounted to PLN 4,063 thousand and decrease of impairment losses amounted to PLN 4,046 thousand, in 2019: increase of impairment losses amounted to PLN 3,296 thousand and decrease of impairment losses amounted to PLN 2,319 thousand).

9. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	31 December 2020	31 December 2019
Trade receivables	61,646	77,848
Taxes, social security and similar	2,203	1,171
Prepayments	1,879	1,122
Other	17,461	14,200
	83,189	**94,341**
Impairment losses recognised (1)	6,081	28,697
Total accounts receivable and prepayments, gross	**89,270**	**123,038**

(1) As at 31 December 2019 the amount included allowance for receivables from Ruch S.A. created in 2018 in the amount of PLN 20,292 thousand, which are burdened with a probability of being uncollectible and fully covered under the accelerated arrangement procedure.
In 2020, the write-down of receivables from the Ruch S.A in connection with the repayment of part of receivables was reversed in the amount of PLN 3,181 thousand and the remaining part of the write-off of PLN 17,111 thousand was used as a result of the implementation of the arrangement procedure.

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

Other receivables include i.a. loans granted to employees from the social fund in the amount of PLN 8,731 thousand (31 December 2019: PLN 10,937 thousand). Loans are granted for periods up to 7 years and are repayable in monthly instalments. Loans granted bear a fixed interest rate of 2%.

As at 31 December 2020 other receivables include also receivables due to dividends from AMS S.A. in the amount of PLN 8,000 thousand and intercompany receivables related to settlement with subsidiaries within Tax Capital Group in the amount of PLN 122 thousand (31 December 2019: PLN 2,000 thousand).

Accounts receivable include receivables from related parties – details are presented in note 37.

Trade receivables are non-interest bearing and payment terms vary usually from 14 to 30 days.

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

	31 December 2020		
	Gross value	Impairment losses	Net value
Current receivables	54,350	101	54,249
Overdue receivables within 1 month	5,811	24	5,787
Overdue receivables between 1 and 3 months	1,244	33	1,211
Overdue receivables between 3 and 6 months	328	48	280
Overdue receivables between 6 months and 1 year	181	141	40
Overdue receivables more than 1 year	5,813	5,734	79
	67,727	**6,081**	**61,646**

	31 December 2019		
	Gross value	Impairment losses	Net value
Current receivables	63,410	171	63,239
Overdue receivables within 1 month	11,450	50	11,400
Overdue receivables between 1 and 3 months	2,434	87	2,347
Overdue receivables between 3 and 6 months	663	116	547
Overdue receivables between 6 months and 1 year	732	606	126
Overdue receivables more than 1 year	27,856	27,667	189
	106,545	**28,697**	**77,848**

Changes in impairment losses on accounts receivable

	2020	2019
Balance as at beginning of the period	**28,697**	**28,679**
Additions	687	1,782
Reversals	(3,683)	(924)
Result of the merger of the companies	139	-
Used impairment losses	(19,759)	(840)
Balance as at end of the period	**6,081**	**28,697**

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

10. SHORT-TERM SECURITIES AND OTHER FINANCIAL ASSETS

	31 December 2020	31 December 2019
Cash pooling receivables (note 32)	263	13,270
	263	**13,270**

11. CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Cash at bank and in hand	73,167	12,846
Short-term bank deposits	311	285
Other	28	43
	73,506	**13,174**

Cash and cash equivalents is cash include cash held on behalf of the social fund in the amount of PLN 4,913 thousand representing (31 December 2019: PLN 4,386 thousand) and cash collected in the VAT account in amount of PLN 263 thousand (31 December 2019: PLN 890 thousand).

12. SHARE CAPITAL

Registered share capital

Capital registered at 31 December 2020.

Series	Type of shares	Type of preference	Amount of shares	Par value	Origin of capital
A	preference	voting	4,281,600	4,282	conversion
BiD	ordinary	none	42,299,231	42,299	conversion, issued
			46,580,831	**46,581**	

The nominal value of each share amounts to PLN 1.

Each Registered A share carries five votes at general meetings.

All issued shares are fully paid.

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

13. RETAINED EARNINGS AND OTHER RESERVES

Dividends

Retained earnings may be distributed subject to regulations stipulated in the commercial companies' code and according to dividend policy announced by the Company.

Frame dividend policy announced by the Company on 14 February of 2005 provides for return of excess cash to shareholders, depending on the Company's perspectives and market conditions, through annual dividend and through share repurchases for the purpose of their redemption.

In accordance with the resolution adopted by the General Meeting of Shareholders on June 25, 2020, the net profit of Agora S.A. for the financial year 2019 in the amount of PLN 20,115 thousand General Meeting of Shareholders hereby decided to allocate to the Company's supplementary capital.

14. LONG TERM AND SHORT-TERM BORROWINGS

	31 December 2020	31 December 2019
Long term bank loans	43,682	60,272
Lease liabilities	21,307	22,262
Total long term borrowings	**64,989**	**82,534**
of which: Lease liabilities resulting from the application of IFRS 16	*21,252*	*22,159*
Short term bank loans	33,430	27,280
Lease liabilities	2,849	2,009
Total short term borrowings	**36,279**	**29,289**
of which: Lease liabilities resulting from the application of IFRS 16	*2,801*	*1,946*

Future cash flows related to loans and lease liabilities are disclosed in note 33.

Finance lease liabilities relate to rights-of-use assets described in note 5.

On 29 March 2020, the Management Board of Agora S.A., with reference to the report 6/2019 of 11 March 2019 on the commencement of negotiations with a consortium of banks in order to obtain a loan, among others, for financing or refinancing acquisition expenses and investment projects of the Agora Group, in line with the business strategy for 2018-2022, as well as to finance working capital and general corporate goals, informs that due to the pandemic of the coronavirus, these negotiations are suspended until the end of it.

The both parties declare the willingness to resume talks after the pandemic ends and are currently focusing, within bilateral relations, on providing financing to the Company and the Helios group (Helios SA and its subsidiaries) until the end of the fight against the effects of the pandemic.

As part of these talks and with reference to regulatory filings no. 6/2017 of 25 May 2017, no. 13/2018 of 18 May 2018, no. 8/2019 of 29 March 2019, no. 24/2019 of 29 August 2019 and no. 28/2019 of 23 December 2019 regarding the Credit Limit Agreement ("Agreement") with the bank DNB Bank Polska Spółka Akcyjna ("Bank"), Agora informs about signing today the Arrangement to the above Agreement, extending the date of repayment of capital instalments of credit line made available under the Agreement, which are to be repaid on 1 April 2020 in the amount of PLN 8.3 million, by 4 May 2020. The Company also began talks to further prolong the repayment of capital instalments under the above Agreement.

On 24 April 2020 Annex No. 6 to the above Agreement ("Annex No. 6") was signed. Pursuant to the signed Annex No. 6, the period of availability of the credit limit in the amount of 35,000,000.00 PLN (thirty-five million zlotys), which the

Company may use, is extended until September 29, 2020 on the same principles as in the Agreement on which the company announced in current reports of May 25, 2017, May 18, 2018, March 29, 2019, August 29, 2019 and No. 28/2019 of December 23, 2019. Annex suspended some of the previous requirements of the Bank and introduced new ones reflecting the current financial situation of the Company, among others announced new requirements as to the Agora Group's result at the EBITDA level in the second quarter of 2020, the amount of cash balance at the end of each month in the loan period to April, 30 2021, and the need to obtain the Bank's consent for dividend payment in 2020.

At the same time, pursuant to Annex No. 6, the repayments of capital instalments for Non-Renewable Credit 1 and Non-Renewable Credit 2 were temporarily suspended for the period up to and including September 30, 2020. The grace period does not include repayment of interest. The repayment of principal instalments due for the grace period for Non-Renewable Credit 1 and Non-Renewable Credit 2 will be made on the day of final repayment of Non-Renewable Credit 1 and on the day of final repayment of Non-Renewable Credit 2.

As a result, two instalments of Non-Renewable Credit 1 (each in the amount of 2.1 million PLN) were postponed until April 1, 2021, and two instalments of Non-Renewable Credit 2 (each in the amount of 6.3 million PLN) were postponed until January 2, 2023.

The Credit Limit bears interest at WIBOR for one-month deposits in PLN increased by the Bank's margin. In the event of a failure to pay part or all of the Bank's receivables by the deadline specified in the Agreement, Bank will charge the Company with interest in the amount of the base rate plus penalty interest. In addition, there are no provisions regarding contractual penalties in Annex No. 6.

On September 24, 2020, the Management Board of Agora S.A. informed that on September 24, 2020, the Company concluded an overdraft agreement for PLN 65.0 million ("Overdraft Agreement") and Annex No. 7 to the Credit Limit Agreement of May 25, 2017 ("Annex No. 7").

Pursuant to the signed Overdraft Agreement and Annex No. 7, and after meeting the conditions for establishing legal security for the repayment of the loan and meeting other requirements usually applied when granting loans of a comparable amount, the Company will have an available overdraft facility up to a total amount of PLN 100.0 million. ("Credit"). The financing conditions granted under the Overdraft Agreement and Annex 7 are identical. The funds from the credit facility can be used to finance Agora's day-to-day operations, including replacement and development investments, excluding refinancing of other debt.

The funds under the Overdraft Agreement are available till September 22, 2022, and under Annex No. 7 till September 28, 2022.

The collaterals for the financing granted are typical for these agreements and, in accordance with the provisions of the Overdraft Agreement and Annex No. 7 include i.a. a declaration of voluntary submission to enforcement by the Company, a contractual mortgage established for the benefit of the Bank on real estate located in Warsaw at 8/10 Czerska Street, on the real estate of which the Company has the right of perpetual usufruct and the ownership of the building located thereon, transfer of rights under the insurance policy on the above real estate, pledge on shares / stocks of subsidiaries and a guarantee of Bank Gospodarstwa Krajowego under the PLG FGP portfolio guarantee line secured with a blank bill of exchange covering 80% of the overdraft facility amount.

The margin on overdraft facilities was set at a constant level not deviating from the market standards and reflects the financial position of the Company as well as collaterals provided to the Banks, while the margin on non-revolving loans granted under the agreement of May 25, 2017 depends on the Company's debt ratio in relation to EBITDA topped up by received dividends.

The amount of the fee under BGK's guarantee was in line with the standard values adopted by BGK and reflects the assessment of Agora's financial standing. In addition, during the financing period, the Company is required to maintain at an agreed level the financial ratios relating to investment expenditure, turnover of receivables, receivables write-offs, impairment losses on property, plant and equipment, investments and intangible assets, as well as EBITDA increased by received dividends.

In addition, the Company is obliged, inter alia, to obtain the Bank's consent to pay dividends, implement the share buyback program, make acquisitions, sell shares in subsidiaries or incur additional financial liabilities by the Company and its selected subsidiaries. Nor can it encumber its fixed assets.

The value of the financing granted may be reduced if the Company does not receive the forecasted dividends and at the same time fails to achieve the forecasted EBITDA result increased by the dividends received. The Bank may also decide not to pay the funds under the Overdraft in the event of a change in control over the Company.

The credit bears interest at the WIBOR rate for one-month deposits in PLN increased by the Bank's margin. In the event of a breach of the contract, the Bank may, inter alia, increase the margin, and in the event of overdue debt, it will charge the Company with interest increased by the Bank's margin. In addition, the Agreement does not contain provisions on contractual penalties.

Signature of pledge agreements between Agora S.A. based in Warsaw and DNB Bank Polska S.A

On October 15, 2020, agreements were concluded between Agora S.A. and DNB Bank Polska S.A. based in Warsaw:

1. a registered and financial pledge agreement on the shares of Agora S.A. in the subsidiary Yieldbird sp. z o.o. with its registered office in Warsaw (number of pledged shares: 891 shares, all belonging to Agora S.A., with a nominal value of PLN 50.00 each)
2. agreement for a registered and financial pledge on the shares of Agora S.A. in a subsidiary AMS S.A. in Warsaw (number of pledged shares: 200,025 series A preference shares, numbers 000001-200025, 2,299,975 series B ordinary shares, numbers 0000001-2299975, 1,000,000 series C ordinary shares, numbers 0000001-1000000, 716,867 shares ordinary series D shares, numbers 000001-716867, 681,818 series E ordinary shares, numbers 000001-681818, the total number of pledged shares is 4,898,685 shares.)

The above contracts secure the following claims:

1. Credit Limit Agreement, as amended, No. 1661/001/2017 of May 25, 2017 (maximum amount and currency of the Bank's debt capital: PLN 135,000,000.00);
2. Overdraft Agreement No. 1735/119/2020 of September 24, 2020, as amended, the maximum amount and currency of the Bank's debt capital: PLN 65,000,000.00).

Additional information on the loan agreement is presented in the table below:

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

Creditor	Amount to agreement		Outstanding				Interest	Repayment schedule	Collaterals	Other
	31 December 2020	31 December 2019	31 December 2020		31 December 2019					
			long-term	short-term	long-term	short-term				
Credits and loans										
DNB Bank Polska S. A.	135,000	135,000	43,682	33,430	60,272	27,280	WIBOR 1 M or 3 M + bank margin	The non-renewable credit - 1st tranche quarterly 12 instalments from July 1, 2018 to April 1, 2021 (two instalments from 2020 moved to the end of the repayment period); 2nd tranche quarterly 12 instalments from April 1, 2020 to January 2, 2023 (first two instalments moved to the end of the repayment period); credit facility in the current account - may be used by September 28, 2022.	Mortgages on properties in Warsaw (including perpetual usufruct and buildings located on them), pledge on insurance policies, Guarantee from Bank Gospodarstwa Krajowego granted under the portfolio guarantee line PLG FGP, blank promissory note to the Bank Gospodarstwa Krajowego, financial and registered pledge on shares in Yieldbird Sp. z o.o., financial and registered pledge on shares of AMS S.A., The guarantee granted by Grupa Radiowa Agory Sp. z o.o. together with a declaration of execution under Article 777 par. 1 point 5. Code of Civil procedure, statement by Agora S.A. on the establishment of the enforcement order in accordance with Article 777 par. 1 point 5. The Code of Civil procedure.	credit line granted to Agora S.A. (divided into parts: non-renewable credit and ready to use credit facility in the current account)
DNB Bank Polska S. A.	65,000	-	-	-	-	-	WIBOR 1M + bank margin	Credit facility in the current account - may be used by September 22, 2022.	Guarantee from Bank Gospodarstwa Krajowego granted under the portfolio guarantee line PLG FGP, blank promissory note to the Bank Gospodarstwa Krajowego, mortgages on properties in Warsaw (including perpetual usufruct and buildings located on them), pledge on insurance policies, financial and registered pledge on shares in Yeldbird Sp. z o.o., financial and registered pledge on shares of AMS S.A., the guarantee granted by Grupa Radiowa Agory Sp. z o.o. together with a declaration of execution under Article 777 par. 1 point 5. Code of Civil procedure, statement by Agora S.A. on the establishment of the enforcement order in accordance with Article 777 par. 1 point 5. The Code of Civil procedure.	credit facility in the current account

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

15. OTHER FINANCIAL LIABILITIES

	31 December 2020	31 December 2019
Short-term		
Cash pooling liabilities	48,741	29,273
	48,741	**29,273**

As at December 31, 2020 and as at December 31, 2019 other short - term financial liabilities include liabilities of Agora S.A. to related parties resulting from settlements related to the cash pooling system functioning within Agora Group.

16. DEFERRED INCOME TAXES

Deferred income taxes are calculated using a rate of 19% (2019: 19%).

Deferred tax assets

	2020	2019
Balance as at the beginning of the period	**12,834**	**13,455**
Accruals	5,376	6,307
Interests liabilities	52	11
Liabilities for rebates, returns and deferred income	4,114	4,291
Provisions	877	720
Impairment losses for inventories	2,045	1,860
Impairment losses for accounts receivable	317	266
	53	-
Recognised in the income statement	**2,060**	**(640)**
Accruals	2,039	(931)
Financial assets and liabilities	(1)	-
F/x differences (unrealised)	1	-
Interests liabilities	(27)	41
Liabilities for rebates, returns and deferred income	17	(177)
Provisions	(155)	138
Impairment losses for inventories	3	185
Impairment losses for accounts receivable	(66)	51
Lease	249	53
Recognised in other comprehensive income	**(128)**	**19**
Provisions	(128)	19

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

	2020	2019
Result of the merger of the companies	**102**	**-**
Accruals	42	-
Financial assets and liabilities	1	-
Interests liabilities	1	-
Interests liabilities	3	-
Liabilities for rebates, returns and deferred income	2	-
Provisions	36	-
Impairment losses for accounts receivable	17	-
Balance as at the end of the period	**14,868**	**12,834**
Accruals	7,457	5,376
F/x differences	2	-
Interests liabilities	28	52
Liabilities for rebates, returns and deferred income	4,133	4,114
Provisions	630	877
Impairment losses for inventories	2,048	2,045
Impairment losses for accounts receivable	268	317
Lease	302	53

Deferred tax liabilities

	2020	2019
Balance as at the beginning of the period	**9,661**	**11,040**
Accelerated depreciation and amortisation	9,614	11,000
F/x differences	1	2
Interests receivable	6	31
Other	40	7
Recognised in the income statement	**(3,162)**	**(1,379)**
Accelerated depreciation and amortisation	(3,512)	(1,386)
F/x differences	(1)	(1)
Interests receivable	(6)	(25)
Other	357	33
Balance as at the end of the period	**6,499**	**9,661**
Accelerated depreciation and amortisation	6,102	9,614
F/x differences	-	1
Interests receivable	-	6
Other	397	40

	31 December 2020	31 December 2019
Deferred tax assets	14,868	12,834
Deferred tax liabilities	(6,499)	(9,661)
Tax assets, net	**8,369**	**3,173**

Deferred tax assets recognized in 2020 relate mainly to deductible temporary differences that are expected to be realized during periods in which the Group expects to obtain sufficient taxable profits for their realization.

(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 arising from the impairment of investments in subsidiaries due to the long term nature of these investments, tax losses and part of deductible temporary differences due to uncertainty about the availability of sufficient future tax profits within the next five years, in which it is possible to settle those losses or in the periods during which the temporary differences are expected to be realized.

The amounts of deductible temporary differences and unused tax losses available together with expiry dates for which the deferred tax assets have not been recognised are shown in the table below:

	31 December 2020	31 December 2019	Expiry date
Unused tax losses	129,690	126,563	Up to 2026 *
Temporary differences associated with investments in subsidiaries	140,179	80,341	unlimited
Other deductible temporary differences	5,614	3,316	Up to 2025

** taking into account the 4-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 4,359 thousand (31 December 2019: PLN 4,358 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 S.A. and its subsidiaries: Grupa Radiowa Agory Sp. z o.o., Agora TC Sp. z o.o., Plan D Sp. z o.o. (formerly: Domiporta Sp. z o.o.), Helios S.A., AMS S.A., Yieldbird Sp. z o.o., and Plan A Sp. z o.o.

On February 15, 2018, the Management Board of Agora S.A. received a decision issued by the Head of the Second Mazovian Tax Office in Warsaw on the registration of the contract on the establishment of Agora Tax Capital Group.

Agora Tax Capital Group has been established on March 1, 2018, and each subsequent tax year will overlap with the calendar year. The agreement shall be in force till December 31, 2020.

In the agreement on the establishment of the Tax Capital Group, Agora S.A. 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 extension of the tax capital group's operation period**

On November 12, 2020 the Management Board of Agora S.A. adopted a resolution on the intention to extend the period of operation of the tax capital group ('TCG'), which will include Agora S.A. and the following subsidiaries: Grupa Radiowa Agory Sp. z o.o., Agora TC Sp. z o.o., Plan D Sp. z o.o., Helios S.A., AMS S.A., Yieldbird Sp. z o.o. and Plan A Sp. z o.o., and on signing an agreement to extend the period of operation of the PGK.

The extension of the TCG operation period is planned until 31 December 2021. It was associated with a number of formal requirements, including collecting a number of corporate approvals and submitting an application for registration of the extension of the operation period of the tax capital group by the Head of a relevant Tax Office.

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

On 10 December 2020, the Management Board of Agora S.A. received a decision of 8 December 2020 issued by the Chief of the second Mazovian Tax Office in Warsaw to register an agreement to extend the period of operation of the tax capital group ('TCG'), which includes Agora S.A. and the following subsidiaries: Grupa Radiowa Agory Sp. z o.o., Agora TC Sp. z o.o., Plan D 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 to establish a tax capital group, Agora was indicated as a company representing TCG in the scope of obligations under the Corporate Income Tax Act and the provisions of the Tax Ordinance. The agreement on extending the period of operation of the TCG was concluded for the period until 31 December 2021.

17. 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 2020 amounted to PLN 1,915 thousand (31 December 2019: PLN 2,414 thousand), including long – term part of the amount of PLN 1,756 thousand (31 December 2019: PLN 2,219 thousand).

18. 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 1 January 2020	**1,203**	**-**	**-**	**1,000**	**2,203**
Additional provisions	182	300	40	1,300	1,822
Provisions used during the period	(388)	(75)	-	-	(463)
Unused provisions reversed	(151)	-	-	(1,975)	(2,126)
As at 31 December 2020	**846**	**225**	**40**	**325**	**1,436**
Non-current part	**286**	**-**	**-**	**-**	**286**
Current part	**560**	**225**	**40**	**325**	**1,150**

Provision for restructuring

The provision for restructuring mainly concerns the costs of group redundancies related to the restructuring of the Print segment carried out in 2018-2019. As at 31 December 2020, the reserve remaining to be used amounted to PLN 846 thousand.

Provision for legal claims

The Company is a defendant in court cases. As at 31 December 2020 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 465 thousand (as at December 31, 2019: PLN 560 thousand). The Management Board estimates the probability of loss for less than 50%. Such disputes are contingent liabilities.

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

19. TRADE PAYABLES, ACCRUALS AND OTHER LIABILITIES

Non-current	31 December 2020	31 December 2019
Other	1,705	439
Accruals and other liabilities	**1,705**	**439**

Current	31 December 2020	31 December 2019
Trade payables	15,527	20,572
Other taxes and social security	19,666	5,576
Current accruals, including:	30,929	28,318
- employee benefits (remuneration, vacation pay, bonuses)	*16,728*	*12,316*
- accrual for costs	*14,201*	*16,002*
Rebates liability	14,314	12,407
Returns liability	5,853	6,521
Other	6,931	8,760
Social Fund	13,666	15,565
Trade and other payables	**106,886**	**97,719**

Trade payables are non-interest bearing and are usually settled within 14-30 days. Taxes and social security payables are non-interest bearing and are settled monthly. In 2020 the Company benefitted from the possibility of deferring payments of tax liabilities and social security contributions implemented under anti-crisis law.

Accounts payables include payables to related parties – details are disclosed in note 37.

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

20. CONTRACT LIABILITIES

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

Non-current	31 December 2020	31 December 2019
Prepayments for film's licences	129	-
Prepayments for subscriptions	48	98
Non-current contract liabilities	**177**	**98**

Current	31 December 2020	31 December 2019
Prepayments for advertising services	1,603	50
Prepayments for subscriptions	4,800	4,178
Prepayments for film's licences	50	16
Other contract liabilities	21	10
Current contract liabilities	**6,474**	**4,254**

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

	Non-current	**Current**	**Total**
As at 1 January 2020	**98**	**4,254**	**4,352**
Increase from prepayments received	177	6,376	6,553
Decrease from recognised revenue	-	(4,254)	(4,254)
Reclassification	(98)	98	-
As at 31 December 2020	**177**	**6,474**	**6,651**

	Non-current	**Current**	**Total**
As at 1 January 2019	**17**	**5,342**	**5,359**
Increase from prepayments received	98	4,237	4,335
Decrease from recognised revenue	-	(5,342)	(5,342)
Reclassification	(17)	17	-
As at 31 December 2019	**98**	**4,254**	**4,352**

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21. REVENUE

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

	2020	2019
Advertising revenue	142,272	169,407
Copy sales	134,443	143,241
Sales of printing services	28,635	44,363
Sales of goods for resale	15,284	18,778
Film distribution and production sales	515	1,851
Other sales	22,037	23,997
	343,186	**401,637**

Sales include barter sales in the amount of PLN 7,631 thousand (2019: PLN 16,747 thousand).

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

22. EXPENSES BY NATURE

	2020	2019
Depreciation of property, plant and equipment (note 4)	17,520	16,721
Amortisation of intangibles (note 3)	12,786	8,150
Amortisation of right-of-use assets (note 5)	1,412	2,042
Raw materials, energy and consumables (1)	55,789	72,100
Advertising and promotion costs	32,289	49,914
Expenses relating to short-term leases	1,634	2,285
Expenses relating to leases of low-value assets (other than short-term leases)	227	185
Expenses due to variable lease payments	24	-
Taxes and similar charges	4,072	3,434
Other external services rendered (1)	89,299	118,432
Staff costs (note 25) (1)	157,853	186,065
Total expenses by nature	**372,905**	**459,328**
Change in the balance of products	274	(191)
Cost of production for in-house use	(81)	(146)
Total operating costs	**373,098**	**458,991**
Selling expenses	(109,019)	(131,724)
Administrative expenses	(85,737)	(88,874)
Cost of sales	**178,342**	**238,393**

(1) In 2020 the Company changed the presentation of the production cost of books of Publishing House division, comparative data were restated accordingly.

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23. OTHER OPERATING INCOME

	2020	2019
Gain on disposal of non-financial non-current assets (1)	7,604	563
Grants received	9,066	2,303
Reversal of provisions	1,995	207
Donations received	1,452	2,393
Other	644	439
	20,761	**5,905**

(1) In 2020 gain on disposal of non-financial non-current assets includes mainly gain on sale of property at Daniszewska street in Warsaw.

Inflow of funds from the Guaranteed Employee Benefits Fund

In 2020 Agora S.A. submitted a request to receive employee remuneration subsidy from the Voivodship Labor Office in Warsaw from the Guaranteed Employee Benefits Fund.

Receiving of the subsidy was connected with the obligation to submit documents necessary for its settlement within 30 days from the day of obtaining the last tranche of payment.

The total amount of co-financing from the Guaranteed Employee Benefits Fund received by the Company in 2020 amounted to PLN 8.1 million and was recognized in the other operating income of the Company.

24. OTHER OPERATING EXPENSES

	2020	2019
Impairment losses recognised for non-financial non-current assets (note 4)	4,909	-
Donations	2,650	657
Provisions recognised	1,640	1,251
Liquidation of fixed assets	67	87
Other	593	915
	9,859	**2,910**
Impairment losses recognised for receivables - net		
Impairment losses recognised for receivables (note 9)	687	2,129
Reversal of impairment losses for receivables	(3,683)	(821)
	(2,996)	**1,308**

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25. STAFF COSTS

	2020	2019
Wages and salaries (1)	132,910	156,311
Social security and other costs	24,943	29,754
	157,853	**186,065**
Average number of employees	1,237	1,516

(1) In 2020 the Company changed the presentation of the production cost of books of Publishing House division, comparative data were restated accordingly.

Procedure of a temporary reduction in the cost of remuneration in the Agora Group

On April 15, 2020, the Management Board of Agora S.A., with reference to the reports: No. 10/2020 of 23 March 2020 on the negative impact of a pandemic on the results of the Agora Group and No. 13/2020 on commencing on 6 April 2020 consultation procedure with the inter-enterprise commission of NSZZ "Solidarność" Agora SA and Inforadio Sp. z o.o. ("Commission") regarding actions planned by the Company to reduce the staff cost in the Group, including, inter alia, a temporary reduction by 20% remuneration paid on the basis of employment contracts, mandate contracts and service contracts for the period of six months in companies subject to the Commission's action, informed about the conclusion of an appropriate agreement on this matter on 15 April 2020.

From April 15 to October 15, 2020, by a decision of the Management Board of Agora S.A. the salaries of Agora Group employees were reduced by 20.0%. The larger scale of the reductions covered the Management Board and Supervisory Board of the Company. Savings due to the reduction of salaries and benefits for employees and regular associates amounted to PLN 17.1 million.

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26. MANAGEMENT BOARD AND SUPERVISORY BOARD REMUNERATION

The remuneration of the Management Board members is based on three elements – fixed remuneration (base salary), variable component (motivation plans and discretionary bonuses) and non-wage benefits in scope 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:

	2020	base salary (2)	variable component	other benefits
Management Board				
Bartosz Hojka	687	683	-	4
Tomasz Jagiello	205	205	-	-
Agnieszka Sadowska	513	510	-	3
Grzegorz Kania (1)	438	435	-	3
Anna Krynska - Godlewska	514	510	-	4
	2,357	**2,343**	**-**	**14**

	2019	base salary	variable component	other benefits
Management Board				
Bartosz Hojka	1,386	803	579	4
Tomasz Jagiello	574	240	334	-
Agnieszka Sadowska	938	600	334	4
Grzegorz Kania	938	600	334	4
Anna Krynska - Godlewska	935	600	334	1
	4,771	**2,843**	**1,915**	**13**

(1) Grzegorz Kania was the member of the Company's Management Board until September 28, 2020,
(2) Significant decrease in the remuneration paid to the members of the Management Board of Agora S.A. results from a reduction in the basic salary by 30.0% for a period of six months (15 April to 15 October 2020) and a suspension of the payment of the bonus for 2019.

Tomasz Jagiello received also remuneration as the President of the Management Board of Helios S.A. in the amount of PLN 297 thousand (in 2019: in the amount of PLN 356 thousand). Tomasz Jagiello's basic remuneration was reduced on the same basis as all employees of Helios S.A. The other members of Agora's Management and Supervisory Board did not receive any remuneration for serving as board members in subsidiaries, joint ventures and associates.

The impact on staff costs of the incentive plan for the Management Board of Agora S.A. based on financial instruments is described in note 27.

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

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

Supervisory Board	2020	2019
Andrzej Szlezak	130	126
Wanda Rapaczynski	86	84
Tomasz Sielicki	86	84
Dariusz Formela	86	84
Andrzej Dobosz (1)	-	32
Maciej Wisniewski	86	84
Tomasz Karusewicz (2)	86	52
	560	**546**

(1) Andrzej Dobosz performed the function of a Member of the Supervisory Board until June 12, 2019
(2) Tomasz Karusewicz has been performing the function of a Member of the Supervisory Board from June 13, 2019

27. INCENTIVE PLANS BASED ON FINANCIAL INSTRUMENTS

Incentive Plan for the Management Board members

The Management Board members of the Company participate in an incentive program ("Incentive Plan"), within which one of the components (related to the Company`s share price increase) is accounted for as a cash-settled share-based payment. According to the Incentive Plan Management Board members are eligible to receive an Annual Bonus based on two components described below:

(i) the stage of realisation of the target based on the EBITDA of the Agora Group ("the EBITDA target"). The amount of a potential bonus in this component of the Incentive Plan depends on the stage of the EBITDA target fulfilment, which is specified as the EBITDA level of the Agora Group to be reached in the given financial year determined by the Supervisory Board. The fulfilment of the EBITDA target will be determined on the basis of the audited consolidated financial statements of the Agora Group for the given financial year;

(ii) the percentage of Company's share price increase ("the Target of Share Price Increase"). The amount of a potential bonus in this component of the Incentive Plan will depend on the percentage of Company's share price increase in the future. The share price increase will be calculated as a difference between the average of the quoted closing Company's share prices in the first quarter of the financial year commencing after the financial year for which the bonus is calculated ("the Average Share Price in IQ of Next Year") and the average of the quoted closing Company's share prices in the first quarter of the financial year for which the bonus is calculated ("the Average Share Price in IQ of Bonus Year"). If the Average Share Price in IQ of Next Year will be lower than the Average Share Price in IQ of Bonus Year, the Target of Share Price Increase is not satisfied and the bonus in this component of the Incentive Plan will not be granted, however, the Supervisory Board retains a right to the final verification of the Target of Share Price Increase by reference to the dynamics of changes in stock exchange indexes on capital markets.

The bonus from the Incentive Plan depends also on the fulfilment of a non-market condition, which is the continuation of holding the post of the Management Board member within the period, for which the bonus is calculated.

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

As at 31 December 2020, the value of potential reward from the fulfilment of the EBITDA target includes the premium reserve included in the balance sheet at the end of 2019 based on the level of achievement of the EBITDA target in 2019. As at 31 December 2020, The Group did not include a reserve for potential reward from the fulfilment of the EBITDA target in 2020 due to the failure to reach the EBITDA result to pay the incentive plan element.

The value of the potential reward concerning the realization of the Target of Share Price Increase, was estimated on the

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basis of the Binomial Option Price Model (Cox, Ross, Rubinstein model), which takes into account – inter alia – actual share price of the Company (as at the balance sheet date of the current financial statements) and volatility of the share price of Company during the last 12 months preceding the balance sheet date. That value is charged to the Income Statement in proportion to the vesting period of this component of the Incentive Plan.
As at 31 December 2020 the estimated Average Share Price in IQ of Next Year was below the Target of Share Price Increase and the accrual for this component of the Incentive Plan was not recognised in the balance sheet. On the basis of a Resolution of the Supervisory Board in the third quarter of 2020, the Company recognized the provision for the share of the Incentive Plan for 2019 after considering the impact of the outbreak of the Covid-19 pandemic on the dynamics of the changes of stock indices in the first quarter of 2020.

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

	2020	2019
Income statement – increase of staff cost*	(1,355)	(1,494)
Income statement - deferred income tax	257	284
Liabilities - accruals - as at the end of the period	2,849	1,494
Deferred tax asset - as at the end of the period	541	284

* *the total amount of the cost presented in 2020 includes the costs of the share price component for 2019.*

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

	2020	2019
Bartosz Hojka	415	430
Tomasz Jagiello	235	266
Agnieszka Sadowska	235	266
Anna Krynska - Godlewska	235	266
Grzegorz Kania	235	266
	1,355	**1,494**

28. FINANCE INCOME

	2020	2019
Dividends	20,537	86,972
Interests on loans and similar items	13	26
Other interest and income from short-term financial assets	71	842
Gain on sale of financial assets (1)	135	45
Reversal of impairment losses for financial assets	50	103
	20,806	**87,988**

(1) The profit from the disposal of financial fixed assets in 2020 relates to the disposal of shares in Hash.fm Sp. z o.o.

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29. FINANCE COST

	2020	2019
Interest and commissions on loans	2,507	3,152
Interest on lease liabilities	981	1,018
Other interest	98	353
Impairment losses recognised for financial assets (note 39)	60,750	12,663
F/x losses	7	34
Provisions for guarantees	199	88
	64,542	**17,308**

30. INCOME TAXES

Income tax expense recognised in the income statement

	2020	2019
Current tax expense		
Current tax income/(expense)	(369)	4,297
Adjustments for prior periods	38	65
	(331)	4,362
Deferred tax expense		
Origination and reversal of temporary differences	2,685	740
The amount of benefit from a temporary difference of a prior period	2,537	-
	5,222	740
Total tax expense recognised in the income statement	**4,891**	**5,102**

Income tax expense recognised in other comprehensive income

	2020	2019
Actuarial gains/(losses) on defined benefit plans	(128)	19
Total tax expense recognised in other comprehensive income	**(128)**	**19**

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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:

	2020	2019
Profit before tax	**(59,750)**	**15,013**
Tax calculated at a rate of 19% (2018: 19%)	11,353	(2,852)
Tax effect of:		
Dividends	3,902	16,525
Other non-taxable revenues	184	459
Other non-deductible expenses	(1,116)	(429)
Other temporary differences with no deferred tax recognised	(11,782)	(2,567)
Tax losses with no deferred tax recognised	(594)	(10,396)
Recognition of deferred tax on temporary differences from previous period	2,537	-
Tax Capital Group settlement	369	4,297
Other	38	65
Tax calculated at an effective rate of -8.2% (2019: -34%)	**4,891**	**5,102**

31. EARNINGS PER SHARE

In calculating earnings per share the following variables were used:

a) as numerators – net profits attributable to equity holders of the Company for the respective years,
b) as denominators - the average number of shares in the current year which is 46,580,831 (2019: 46,580,831).

WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES:

	2020	2019
At the beginning of the period	46,580,831	46,580,831
At the end of the period	**46,580,831**	**46,580,831**

There are no dilutive factors.

32. 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.

The maximum amount exposed to credit risk shall be the carrying amount of the financial instruments held.

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Company's credit risk is limited due to a great number and diversification of customers. The biggest customers (in respect of the turnover) are press distributors and advertisers (companies unrelated to Agora S.A.). The value of transactions with one of distributors of the Company (Kolporter Sp. z o.o. sp. k.) has reached PLN 41,381 thousand, what represents 12% of the total revenue of Agora S.A.

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

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

The analysis of credit risk exposure on the basis of ageing of trade receivables as at balance sheet date and changes in impairment losses for receivables are presented in note 9.

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 or bank deposits. The Company invested also its free cash in cash pooling system functioning in the Group.

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 2020, the Company maintains a credit facility in DNB Bank Polska S.A. (described in note 14) 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. As at 31 December 2020, the value of available and unused bank loans amounted to PLN 100 million.

Payment deadlines concerning trade payables are described in note 19 and bank loan in note 14. Future estimated cash flows related to financial liabilities are described in note 33.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return rate.

Foreign currency risk

Foreign exchange risk is related to sales of printing services, advertising services, copy sales to foreign customers, purchases of newsprint which is contracted in EURO, fixed asset purchases and rent of premises, which are also partly contracted in foreign currencies, mainly EURO and USD.

Accounts receivable in foreign currency amounted to PLN 1,206 thousand (31 December 2019: PLN 1,136 thousand), principally in EURO (PLN 1,085 thousand) and USD (PLN 102 thousand).

Accounts payable requiring settlement in foreign currency amounted to PLN 2,052 thousand (31 December 2019: PLN 2,198 thousand), payable principally in EURO (PLN 1,977 thousand) and USD (PLN 96 thousand).

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 2020 the Company 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, current account overdraft with interest at a floating rate based on WIBOR 1M + bank margin and has cash pooling liabilities with interest at a floating rate based on WIBOR 1M.

Sensitivity analysis

a) Interest rate risk

The Company has many financial instruments (including bank deposits and credits, 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 2020, assuming a +/- 1pp change in interest rates, the impact of changes in fair value of financial instruments is estimated at the level of net profit/loss of PLN 423 thousand (as at December 31, 2019: at the level of net profit/loss PLN 732 thousand).

Additional information on carrying amounts as at balance sheet date is disclosed in note 34.

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 2020, assuming the appreciation/depreciation of Polish zloty by 5%, the fair value of financial instruments that will fluctuate, is estimated to impact the net profit/loss in the amount of PLN 10 thousand (as at December 31, 2019: at the level of net profit/loss PLN 37 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. 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, conditions resulting from loan agreements 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.

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33. INFORMATION ABOUT FINANCIAL INSTRUMENTS

1) General information

	Bank deposits	Loans granted	Bank loan
a) Classification	Financial assets measured at amortized cost	Financial assets measured at amortized cost	Financial liability
b) Nature of the instrument	Short-term low investments	long- and short-term loans	Bank loan
c) Carrying value of the instrument	As at December 31, 2020: PLN 311 thousand As at December 31, 2019: PLN 285 thousand	As at December 31, 2020: did not occur. As at December 31, 2019: PLN 200 thousand	As at December 31, 2020: PLN 77,112 thousand As at December 31, 2019: PLN 87,552 thousand
d) Value of the instrument in foreign currency, if applicable	n/a	n/a	n/a
e) Purpose of the instrument	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	Face value	Face value
g) Date of repricing, maturity, expiry or execution	Liquid – overnight or within 3 months	According to agreements	Credit line described in note 14.
h) Early settlement option	Any time	Possible	Possible
i) Execution price or range of prices	Face value plus interests	Face value plus interests	Face value plus interests
j) Option to convert or exchange instrument to other asset or liability	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	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	Bank loans – collateral described in note 14.
m) Other conditions	None	None	Financial ratios; EBITDA plus dividends, maximum amount of investment expenditures, turnover ratio of receivables, total bad debt write-offs, total of impairment losses on tangible fixed assets, investments and intangible assets. 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 subsidiaries and associates	Interest rate
o) Fair value of the instrument	Equal to carrying value	Close to carrying value	Close to carrying value
p) Method of fair value determination	Discounted cash flow	Discounted cash flow	Discounted cash flow

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Interest rate risk

r) Description of the risk	Due to floating rate	Due to floating rate	Due to floating rate
s) Contractual repricing or maturity date	See point h)	See point h)	See point h)
t) Effective interest rate	Close to nominal	Close to nominal	Close to nominal

Credit risk

u) Description of the risk	Depending on the creditworthiness of the bank	Depending on the creditworthiness of the borrowers	None
w) Maximum credit risk exposure	Amount deposited less amount from BFG	Amount deposited	n/a

The information about trade receivables is included in note 9, about trade payables in note 19 and about cash pooling receivables and payables in notes 10, 15 and 32.

2) Detailed information about financial instruments

	2020	2019
Interest income on financial assets		
Bank deposits	33	85
Loans granted	13	26
Cash pooling	35	745
Other	3	12
Impairment losses recognised for financial assets		
Loans granted	(63)	(608)
Interest and commissions expense on financial liabilities		
Bank loans	(2,507)	(3,152)
Lease liabilities	(981)	(1,018)
Cash pooling	(71)	(250)

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.

As at December 31, 2020 and as at December 31, 2019 the Company had no financial instruments measured at fair value.

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4) Cash flows related to financial liabilities

The future estimated undiscounted cash flows related to financial liabilities based on contractual maturities at the balance sheet date are presented below:

As at 31 December 2020

	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	78,942	21,519	13,010	25,629	18,784	-
Lease liabilities	68,891	1,456	435	1,384	3,148	62,468
including: Lease liabilities resulting from the application of IFRS 16	*68,780*	*1,426*	*413*	*1,357*	*3,116*	*62,468*
Cash pooling liabilities	48,741	48,741	-	-	-	-
Trade payables	15,527	15,527	-	-	-	-
Payables related to purchase of property, plant and equipment	4,206	4,206	-	-	-	-
Total	**216,307**	**91,449**	**13,445**	**27,013**	**21,932**	**62,468**

As at 31 December 2019

	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	91,966	11,772	17,750	30,595	31,849	-
Lease liabilities	70,961	1,530	500	1,889	3,602	63,440
including: Lease liabilities resulting from the application of IFRS 16	*70,783*	*1,494*	*465*	*1,839*	*3,545*	*63,440*
Cash pooling liabilities	29,273	29,273	-	-	-	-
Trade payables	20,572	20,572	-	-	-	-
Payables related to purchase of property, plant and equipment	2,674	2,674	-	-	-	-
Total	**215,446**	**65,821**	**18,250**	**32,484**	**35,451**	**63,440**

(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 2019	Capital	Interests and commissions	Recognition of assets under lease	Interests and commissions accrued	Result of the merger of the companies	F/X differences	Decrease in the scope of the lease	As at 31 December 2020
Bank loans	87,552	(10,417)	(3,511)	-	3,488	-	-	-	77,112
Finance lease liabilities	24,270	(993)	(55)	102	981	-	47	(196)	24,156
Cash pooling, incl:	16,003	24,003	(46)	-	37	8,481	-	-	48,478
Receivables	*(13,270)*	*4,524*	*36*	-	*(35)*	*8,481*	-	-	*(263)*
Liabilities	*29,273*	*19,479*	*(83)*	-	*72*	-	-	-	*48,741*

		Cash flows		Non-cash changes				
	As at 31 December 2018	Capital	Interests and commissions	Recognition of assets under lease*	Interests and commissions accrued	F/X differences	Decrease in the scope of the lease	As at 31 December 2019
Bank loans	21,641	65,887	(3,205)	-	3,229	-	-	87,552
Finance lease liabilities	140	(1,678)	(1,018)	26,194	1,018	(7)	(379)	24,270
Cash pooling, incl.:	(69,978)	85,845	632	-	(496)	-	-	16,003
Receivables	*(91,503)*	*78,092*	*879*	-	*(738)*	-	-	*(13,270)*
Liabilities	*21,525*	*7,753*	*(247)*	-	*242*	-	-	*29,273*

** The amount includes also the initial recognition of lease liabilities as at 1 January 2019 in the value of PLN 26,071 thousand.*

34. FUTURE CONTRACTUAL COMMITMENTS

Contractual investment commitments

As at December 31, 2020 there commitments for the purchase of property, plant and equipment amounted to PLN 69 thousand (as at December 31, 2019: did not occur). As at December 31, 2020, there were no commitments for the purchase of intangible assets (as at December 31, 2019: PLN 428 thousand).

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

35. CONTINGENCIES

As at 31 December 2020 and 31 December 2019, the Company's contingencies, were as follows:

Benefiting party	Debtor	Valid till	Amount 31 December 2020	Amount 31 December 2019	Scope of collateral
Guarantees provided by Agora S.A.					
Pekao S.A.	Agora's employees	16/06/2021	18	89	loans for the purchase of photographic equipment
Pekao S.A.	Companies holding payment cards in DNB Bank	31/12/2023	1,200	-	receivables from payment card contracts

Information on contingent liabilities related to legal disputes is described in note 18.

Other information

On February 28, 2019, Agora S.A. ("Company") received a tax control protocol related to the accuracy of VAT settlements for the period of September to December 2017. The Tax Office is questioning the way that the Company applies certain VAT regulations for selected goods and services. Subsequently, the Tax Office opened a tax procedure and on 26 December 2019 the Company received a tax assessment dimensional decision by the tax authority of first instance determining the VAT arrears in the amount of PLN 0.5 million (principal amount). The amount resulting from the decision together plus interests has been paid on 7 January, 2020. Simultaneously, The Company's Management Board did not agree with the findings of the decision and has filed an appeal on 9 January 2020 to the Director of the Chamber of Tax Administration in Warsaw. The Management Board of the Company considers the adopted method of evidence to be appropriate and will defend it in further administrative or court proceedings. In the Company's Management Board opinion, following appeal or legal proceedings, the amount paid shall be refunded. As at the date of these unconsolidated financial statements the tax procedure is pending.

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

36. 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 2020	31 December 2019
	Subsidiaries consolidated		
1	Agora TC Sp. z o.o., Warsaw	100.0%	100.0%
2	AMS S.A., Warsaw	100.0%	100.0%
3	AMS Serwis Sp. z o.o.(formerly Adpol Sp. z o.o.), Warsaw (1), (6)	100.0%	100.0%
4	Grupa Radiowa Agory Sp. z o.o. (GRA), Warsaw	100.0%	100.0%
5	Doradztwo Mediowe Sp. z o.o., Warsaw (2)	100.0%	100.0%
6	IM 40 Sp. z o.o., Warsaw (2)	72.0%	72.0%
7	Inforadio Sp. z o.o., Warsaw (2)	66.1%	66.1%
8	Helios S.A. , Lodz	91.4%	91.4%
9	Next Film Sp. z o.o., Warsaw (3)	91.4%	91.4%
10	Next Script Sp. z o.o., Warsaw (4)	75.9%	75.9%
11	Plan D Sp. z o.o. (formerly Domiporta Sp. z o.o.), Warsaw (12)	100.0%	100.0%
12	Optimizers Sp. z o.o., Warsaw	100.0%	100.0%
13	Yieldbird Sp. z o.o., Warsaw (13)	92.1%	93.7%
14	GoldenLine Sp. z o.o., Szczecin (7)	100.0%	92.7%
15	Plan A Sp. z o.o., Warsaw	100.0%	100.0%
16	Agora Finanse Sp. z o.o. , Warsaw	100.0%	100.0%
17	Step Inside Sp. z o.o., Lodz (3), (8)	82.3%	91.4%
18	HRlink Sp. z o.o., Szczecin	79.8%	79.8%
19	Piano Group Sp. z o.o., Warsaw (1), (11)	92.0%	60.0%
20	Agora Poligrafia Sp. z o.o., Warsaw (14)	-	100.0%
21	Foodio Concepts Sp. z o.o., Lodz (3), (9)	-	82.3%
22	Benefit Multimedia Sp. z o.o., Warsaw (5), (11),(15)	-	60.0%
23	Benefit Multimedia Sp. z o.o. S.K.A., Warsaw (5), (11),(15)	-	60.0%
	Joint ventures and associates accounted for the equity method		
24	Instytut Badań Outdooru IBO Sp. z o.o., Warsaw (1)	50.0%	50.0%
25	ROI Hunter a.s., Brno	23.9%	23.9%
26	Eurozet Sp. z o.o., Warsaw	40.0%	40.0%
	Companies excluded from consolidation and equity accounting		
27	Polskie Badania Internetu Sp. z o.o., Warsaw	16.7%	16.7%
28	Hash.fm Sp. z o.o., Warsaw (10)	-	49.5%

(1) indirectly through AMS S.A.;
(2) indirectly through GRA Sp. z o.o.;
(3) indirectly through Helios S.A.;
(4) indirectly through Next Film Sp. z o.o.;
(5) indirectly through Piano Group Sp. z o.o.;
(6) change of the company`s business name from Adpol Sp. z o.o. to AMS Serwis Sp. z o.o. on April 1, 2020;
(7) acquisition of additional shares in Goldenline Sp. z o.o. on January 20, 2020;
(8) the accession of minority shareholders to the company Step Inside Sp. z o.o. on January 31, 2020;
(9) disposal of shares in the company Foodio Concepts Sp. z o.o. on June 2, 2020.

(10) disposal of shares in the company Hash.fm Sp. z o.o. on February 27, 2020 and August 5, 2020;
(11) acquisition of additional shares in Piano Group Sp. z o.o. on June 23, 2020;
(12) change of the company`s business name from Domiporta Sp. z o.o. to Plan D Sp. z o.o. on July 17, 2020;
(13) the accession of minority shareholders to the company Yieldbird Sp. z o.o. on September 21, 2020;
(14) merger with Agora S.A. on October 1, 2020.
(15) merger with Piano Group Sp. z o.o. on December 17, 2020.

Call for the repurchase of shares in a subsidiary Helios S.A.

On 29 March 2016, a minority shareholder ("the Minority Shareholder") of Helios S.A. holding 320,400 shares in that company, which represent 2.77% of the share capital ("the Shares"), addressed to Helios S.A. a call under Art. 418 (1) of the Code of Commercial Companies (hereinafter: "CCC") for convening the General Shareholders' Meeting and putting the issue of passing a resolution on mandatory sell-out of the Shares ("the Call") on its agenda.

As a result of: (i) the Call, (ii) the subsequent calls made under Article 418(1) of the CCC by the Minority Shareholder and other minority shareholders of Helios S.A. who acquired a part of the Shares from the Minority Shareholder, and (iii) the resolutions passed by the General Shareholders' Meeting of Helios S.A. on 10 May 2016 and 13 June 2016, two sell-out procedures (under Art. 418(1) of the CCC) and one squeeze-out procedure (under Art. 418 of the CCC) are currently pending at Helios S.A., aimed at the purchase of the Shares held by the Minority Shareholder and other minority shareholders by two shareholders of Helios S.A. (including Agora S.A.).

(i) Sell-out

As part of the sell-out, until 30 June 2016 Agora S.A. transferred to Helios S.A. the amount of PLN 2,938 thousand as payment of the sell-out price calculated in accordance with Art. 418(1) § 6 of the CCC. In its balance sheet as at 31 December 2016, the Agora Group recognized a liability in respect of the purchase of the Shares from the minority shareholders of Helios S.A. totalling PLN 3,185 thousand. This amount comprised PLN 2,938 thousand transferred by Agora S.A. to Helios S.A. (which was also recognized in the Group's equity under retained earnings/accumulated losses and current year profit/ (loss)) and the total amount transferred by the other shareholder of Helios S.A. as part of the execution of the sell-out procedures. As part of the sell-out procedure, the amount of PLN 3,171 thousand was transferred by Helios S.A. to the Minority Shareholder on 2 June 2017 for the purchase of 318,930 shares. Moreover, on 2 June 2017, a total of PLN 14 thousand was transferred to the other minority shareholders for the purchase of 1,460 shares. As a result of these transactions, the Group met the commitment to purchase shares, which was recognized in the Group's balance sheet. As a result of the procedures described above, Agora S.A. increased its block of shares in Helios S.A. from 10,277,800 to 10,573,352 shares, i.e. by 295,552 shares. Agora S.A. currently holds 91.44% of the shares of Helios S.A.

The shareholders whose shares are being purchased under the sell-out procedure did not accept the price calculated in accordance with Art. 418(1) § 6 of the CCC and, based on Art. 418(1) § 7 of the CCC, applied to the registration court to appoint a registered auditor who would determine the price for the shares on behalf of the Court. The final valuation of the Shares that are subject to the sell-out procedures will be determined by the registration court having jurisdiction over the registered office of Helios S.A. based on the opinion of an expert appointed by the registration court having jurisdiction over the registered office of Helios S.A. A change in such valuation, if any, will result in an adjustment to the price of the shares purchased. As at the date of the publication of this report, the District Court for Lodz-Srodmiescie in Lodz, the 20th Department of the National Court Register, appointed an expert for the purpose of the valuation of the shares to be purchased from the Minority Shareholder (318,930 shares) and from other minority shareholders (1,460 shares in total).

The Minority Shareholder described in the previous sentence, as well as other minority shareholders who were entitled from 1 460 shares, appealed against the decision of the Court on the selection of an expert. All the appeals described above were dismissed by final decisions of the District Court in Łódź, XIII Commercial Appeal Division of February 20, 2019 and September 19, 2019.

(ii) Squeeze-out procedure

The squeeze out procedure which entered into force on July 14, 2016 is carried out with respect to 10 shares. The holder of these shares did not respond to the Company's call published in accordance with the applicable procedure in Monitor Sadowy i Gospodarczy (Court and Business Gazette) calling minority shareholders holding the said shares to submit the share documents to the Company, within two weeks of the publication of the call, under the sanction of cancelling the shares after that date. In connection with the above, on April 7, 2017, the Management Board of Helios S.A. adopted a resolution cancelling these shares and announced this in Monitor Sadowy i Gospodarczy of May 8, 2017.

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

Acquisition of shares and capital increase in the company Goldenline Sp. z o.o.

On January 20, 2020, Agora S.A. concluded an agreement with headquartered in Cyprus, G.C. Geek Code Ltd. The object of the agreement was to buy 22 shares in the share capital of Goldenline Sp. z o.o. with a nominal value of PLN 22,0 thousand for an amount of PLN 10,0 thousand. As at January 20, 2021 Agora S.A. held 300 shares in Goldenline Sp. z o.o. representing 100 of its share capital and giving rights to 300 votes representing 100% of the voting rights at the shareholders' meeting of Goldenline Sp. z o.o.

On April 23, 2020, the Extraordinary General Meeting of Goldenline Sp. z o.o. adopted a resolution to increase the company's share capital from PLN 300 thousand up to the amount of PLN 400 thousand by creating 100 new shares with a nominal value of PLN 1 thousand each and with a total nominal value of PLN 100 thousand. The newly created shares were offered for subscription by the sole shareholder of this company, i.e. Agora S.A. in exchange for a cash contribution of PLN 1 325 thousand.

On September 16, 2020, the Extraordinary General Meeting of Goldenline Sp. z o.o. adopted a resolution to increase the company's share capital from PLN 400 thousand up to PLN 3,221 thousand by creating 2,821 new shares with a nominal value of PLN 1 thousand each. The newly created shares were acquired by the sole shareholder of the company, i.e. Agora S.A. in exchange for a cash contribution of PLN 2,821 thousand. This change was registered by the District Court for the City of Warsaw in Warsaw on 13 October 2020.

The entry of non-controlling shareholders to the company Step Inside Sp. z o.o.

On January 31, 2020, subsidiaries of Agora S.A.: Helios S.A. and Step Inside sp. z o.o. concluded an agreement ("Investment Agreement") with the part of shareholders ("Shareholders") of Food for Nations sp. z o.o. sp. k. and FFN.

The object of the Investment Agreement is to define the principles of cooperation and joint conduct a joint venture established based on Step Inside. The Step Inside's objective is to open, run and develop restaurants under the commercial brand Pasibus, with planned location mainly on the commerce streets and in shopping galleries.

While entering the Investment Agreement, Shareholders obtained 10% of the share capital of Step Inside (and entitling to exercise 10% of the total number of votes at the shareholders meeting), while Helios provided founds of PLN 5,0 million to Step Inside. The Investment agreement provides for the possibility of increasing the participation of individual investors to total share of 40%, provided that Step Inside meets its established financial targets.

Earlier Helios S.A. on the basis of a cooperation agreement with FFN dated February 28, 2019 provided founds of PLN 10.0 million to Step Inside, as communicated by Agora in the report 4/2019 dated February 28, 2019.

The Investment agreement defines, inter-alia, detailed parameters for investor capital involvement and mutual rights and obligations of the parties.

Sale of shares of an associate Hash.fm Sp. z o.o.

On February 27, 2020, Agora S.A. concluded a sales agreement of 4,499 shares in associated company Hash.fm Sp. z o.o. with a nominal value of PLN 50.00 (fifty zlotys) each and with a total nominal value of PLN 224,950.00 (two hundred twenty-four thousand nine hundred and fifty zlotys) to the other partner of this company.

On August 5, 2020 Agora S.A. concluded an agreement for the sale of 1 share in Hash.fm Sp. z o.o. with a nominal value of PLN 50.00 (fifty zlotys) to a third party. Currently Agora S.A. does not have any share in Hash.fm Sp. z o.o.

Sale of shares in subsidiary Foodio Concepts Sp. z o.o.

On June 2, 2020, The Management Board of Agora S.A. with reference to the report no. 19/2020 of 30 April 2020 regarding the submission of a bankruptcy petition by a subsidiary and the commencement of negotiations regarding the sale of its shares, informed about acquiring today information on the conclusion of negotiations and execution of share sales agreement by the subsidiary of Helios SA for the sale of all shares in Foodio Concepts Sp. z o.o. with its registered office in Łódź, which is part of the Helios group ("Foodio Concepts") to the company 5m Square Sp. z o.o. based in Warsaw, which is an external investor interested in continuing the food business of Foodio Concepts.

The sale price of shares was not material from the perspective of the Company. The final settlement of the disposal of the subsidiary is included in the consolidated financial statements of the Agora Group for 2020.

Changes in Piano Group

On June 23, 2020, The Management Board of Agora S.A. in relation to current report no. 21/2019, no. 22/2019 and no. 3/2020 informed that on June 23, 2020, a subsidiary company - AMS S.A. ("AMS") concluded with three natural persons (two sellers and a guarantor) ("Seller") an agreement based on which AMS and the Seller agreed the final purchase price for the majority stake of 60.0% shares in Piano Group Sp. z o. o. acquired by AMS under a share purchase agreement of 15 July 2019. Additionally, pursuant to the above agreement, the parties changed the option to buy shares in the shareholders' agreement of 15 July 2019 in such a way that AMS acquired shares in Piano Group Sp. z o.o., representing a total of 32.0% of the share capital of Piano Group Sp. z o.o. and entitling to 32.0% of votes at the company's shareholders' meeting earlier than originally planned. The date of acquiring these shares in the agreement of 15 July 2019 was set after the approval of the financial statements of Piano Group Sp. z o.o. for 2021. At the same time, all other shares of Piano Group Sp. z o.o. were covered by the option to purchase (call option) and at the same time the option to sell (put option) to AMS after the approval of the financial statements of Piano Group Sp. z o.o. for the financial year 2023.

The total purchase price of 60.0% of shares in Piano Group Sp. z o.o. amounted to PLN 13.7 million, of which an advance of PLN 6.5 million was paid by AMS on the day of signing the contract from 15 July 2019.

Under the agreement concluded on June 23, 2020, the total price for the acquisition of 92.0% of shares in Piano Group Sp. z o.o. amounted to PLN 15.6 million, which includes the advance payment made on 15 July 2019 in the amount of PLN 6.5 million.

Changes in Yieldbird Sp. z o.o.

On September 21, 2020, the Extraordinary General Meeting of Yieldbird Sp. z o.o. adopted a resolution to increase the company's share capital from the amount of PLN 47,550.00 to the amount of PLN 48,350.00, i.e. by PLN 800.00 by creating 16 new, equal and indivisible shares with a nominal value of PLN 50.00 each. The newly created shares were acquired by two natural persons. Each took up 8 shares in return for a cash contribution of PLN 400. The above change has been registered by the District Court for the capital city of Warsaw in Warsaw on December 10, 2020.

Eurozet Sp. z o.o.

On November 10, 2020, the Management Board of Agora S.A. informed that on 10 November 2020, as part of the next stage of the procedure, the Company received a letter from the President of the Office of Competition and Consumer Protection ("UOKiK") presenting the reservations of the President of UOKiK regarding the concentration control proceedings instigated upon Agora's request in connection with takeover of Eurozet Sp. z o.o. by Agora S.A.

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

In the letter in question, the President of UOKiK presented doubts concerning certain markets on which both the Company and Eurozet Sp. z o.o. operate, indicating that the planned concentration, due to the potential change in the market structure, may lead to disturbances in the functioning of competition.

Further information on the procedure are disclosed in note 41.

Sale of Domiporta enterprise

On June 9, 2020, Management Board of Agora S.A., informed that on June 9, 2020 Agora has received information on the conclusion of negotiations and execution by the subsidiary Plan D Sp. z o. o. the sale contract of Plan D Sp. z o.o. (formerly Domiporta Sp. z o.o.) enterprise within the meaning of art. 55^1 of the Civil Code constituting an organized set of tangible and intangible assets intended for conducting business activities of Plan D Sp. z o. o. in particular, among others running an online classifieds website called Domiporta.pl, enabling the placement and viewing of real estate listings, available on the internet domain www.domiporta.pl, ("the Enterprise") for the company Auto Centrum Sp. z o. o. based in Krosno. The transaction price remains insignificant for the Agora Group. The transfer of ownership of the Enterprise took place on the day of conclusion of the contract of sale of the Enterprise. As a result of the disposal of the Enterprise, the Company included in financial costs a write-off of shares in Plan D Sp. z o.o. (formerly Domiporta Sp. z o.o.) in amount of PLN 56,531 thousand.

37. RELATED PARTY TRANSACTIONS

Table below presents total investments and balances with related parties as at balance 31 December 2020 (with comparative figures):

	31 December 2020	31 December 2019
Subsidiaries		
Shares	465,414	536,512
Cash pooling receivables	263	13,270
Trade receivables	5,505	7,718
Other receivables and accruals	8,158	2,069
Cash pooling liabilities	48,741	29,273
Trade liabilities	2,764	1,218
Other liabilities and accruals	1,542	3,199
	-	7
Associates		
Shares	156,257	156,357
Non-current loans granted	-	200
Trade receivables	-	100
Major shareholder		
Trade receivables	-	3
Other liabilities	210	276
Management Board of the Company		
Receivables	-	1

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

Table below presents total transactions with related parties in 2020 (with comparative figures):

	2020	2019
Subsidiaries		
Sales	53,355	59,932
Purchases	(19,243)	(29,833)
Other operating income	1	1
Dividend income	8,537	79,750
Finance interests	35	747
Gain on disposal of financial assets	-	45
Finance cost - credit guarantee	(199)	(88)
Finance cost - interests on cash pooling	(71)	(250)
Income tax - TCG settlements	369	4,297
Associates		
Sales	16	124
Purchases	(6)	(33)
Other operating income	-	2
Dividend income	12,000	7,222
Interests income on loans granted	5	25
Major shareholder		
Sales	23	25
Other operating income	1,145	2,250
Management Board of the Company		
Sales	4	3
Other operating income	20	-

Following types of transactions mainly occur within the Agora Group:

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

Transactions within the Agora Group are carried out on arm's length basis and are within the normal business activities of companies.

38. MERGER OF THE COMPANIES

On February 12, 2020, The Management Board of Agora S.A. ("Agora") informed, that Agora has agreed with Agora Poligrafia Sp. z o.o. ("Agora-Poligrafia") the content of the merger plan ("the Merger Plan").

In accordance with The Merger Plan, the connecting entities are Agora ("Acquiring Company") and Agora-Poligrafia ("Acquired Company"). The merger will take place in accordance with Article 492(1) (1) of Commercial Companies Code ("CCC"), i.e. by transferring all the assets of the Acquired Company to the Acquiring Company. In view of the fact that Agora is the sole member of Agora-Printing, the merger will be carried out in a simplified procedure under Article 516(6) of the CCC, without any increase in the share capital of Agora, or without any change in the articles of association of the Company.

In accordance with Article 516(5) of the CCC, Agora and Agora-Poligrafia shall not draw up management reports justifying the merger and shall not subject the Merger Plan to an audit by the auditor in respect of its correctness and reliability.

On February 12, 2020, Agora made public the contents of the Merger Plan drawn up on the basis of Articles 499 and n. of the CCC. In accordance with Article 500(21) of the CCC, the Merger plan is available on Agora's website (agora.pl) and on Agora-Poligrafia's website (agorapoligrafia.pl).

The decision to merge companies was justified by the need to consolidate assets in the Acquiring company. Until July 2019, the Acquired Company operated i.a. in the field of printing services, employing staff specialized in printing activities. Currently, the Acquired Company manages only its fixed assets and provides lease services of land exclusively related to this property, mainly to The Acquiring Company and related companies. At the end of February 2020, the company's last employment contract was terminated at the company's acquired plant and its property management was taken over by Agora.

Therefore, the merger is a natural consequence of the changes described above. Its purpose is to simplify the organizational structures of the Acquiring company's capital group, which will improve management and eliminate some unnecessary processes, and as a result it will reduce the costs of managing the Acquired company's assets. On the same day, the Management Board of Agora, acting pursuant to Article 504(1) of the CCC, informed for the first time the shareholders of the intention to merge the Acquiring Company with the Acquired Company.
On February 28, 2020, The Management Board of Agora, acting pursuant to Article 504(1) of the CCC, informed for the second time the shareholders of the intention to merge the Acquiring Company with the Acquired Company.

On 25 June 2020, the Ordinary General Meeting of Agora S.A. adopted a resolution on the merger of Agora S.A. with Agora Poligrafia Sp. z o.o. by transferring all assets of Agora Poligrafia Sp. z o.o. to Agora S.A. and agreed to the merger plan.

On July 14, 2020, The Extraordinary Shareholders Meeting of Agora Poligrafia Sp. z o.o. adopted a resolution to merge Agora Poligrafia Sp. z o.o. with Agora S.A. by transferring all assets of the Acquired Company to the Acquiring Company and consented to the merger on the terms and conditions set out in the agreed merger plan. On August 13, 2020, in the District Court of Warsaw in Warsaw, a resolution on the merger of the Acquired Company with the Acquiring Company was submitted to register a reference to such a resolution in the Register of Entrepreneurs of the National Court Register. On the same day, the merging companies submitted an application to register the merger on 1 October 2020.

On October 1, 2020, The Management Board of Agora informed, that the District Court for Capital City of Warsaw in Warsaw, registered the merger of Agora with Agora-Poligrafia pursuant to Art. 492 § 1 point 1 of the Commercial Companies Code, by transferring all assets of Agora-Poligrafia to Agora. The Company remained the sole shareholder of Agora-Poligrafia and thus the merger was carried out in a simplified manner pursuant to Art. 516 § 6 of the Commercial Companies Code, without increasing Agora's share capital and without changing its statute.

Basing on Art. 494 § 1 of the Commercial Companies Code, Agora entered into all the rights and obligations of Agora-Poligrafia on 1 October 2020 ("The date of the merger"), and in accordance with art. 493 § 1 and 2 of the Commercial Companies Code, Agora-Poligrafia was dissolved on the date of the merger without liquidation proceedings and removed from the Register of Entrepreneurs of the National Court Register.

The tables below present the balance sheet and profit and loss account of the merging companies as well as accounting details regarding the settlement of the merger as at the merger date (the comparative data for 2019 has not been restated due to the insignificant impact):

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

Balance sheet at the date of merger 1 October 2020

	Merged balance sheet as at 1 October 2020	The effect of the merger	Total	Agora S.A	Agora Poligrafia Sp. z o.o.
ASSETS					
Non-current assets:					
Intangible assets	45,505	-	45,505	45,505	-
Property, plant and equipment	176,942	-	176,942	150,054	26,888
Right-of-use assets	28,523	-	28,523	28,523	-
Long-term financial assets	622,193	(14,568)	636,761	636,761	-
Receivables and prepayments	1,056	-	1,056	1,056	-
Deferred tax assets	5,111	-	5,111	5,097	14
	879,330	**(14,568)**	**893,898**	**866,996**	**26,902**
Current assets:					
Inventories	11,340	-	11,340	11,340	-
Accounts receivable and prepayments	74,992	(60)	75,052	74,778	274
Income tax receivable	742	-	742	742	-
Short-term securities and other financial assets	-	(9,604)	9,604	9,604	-
Cash and cash equivalents	87,417	-	87,417	86,464	953
	174,491	**(9,664)**	**184,155**	**182,928**	**1,227**
Total assets	**1,053,821**	**(24,232)**	**1,078,053**	**1,049,924**	**28,129**

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

	Merged balance sheet as at 1 October 2020	The effect of the merger	Total	Agora S.A	Agora Poligrafia Sp. z o.o.
Equity and liabilities					
Equity					
Share capital	46,581	(2,000)	48,581	46,581	2,000
Share premium	147,192	(12,500)	159,692	147,192	12,500
Other reserves	122,505	(68)	122,573	121,302	1,271
Retained earnings and other reserves	455,898	-	455,898	453,241	2,657
	772,176	**(14,568)**	**786,744**	**768,316**	**18,428**
Non-current liabilities:					
Long-term borrowings	71,244	-	71,244	71,244	-
Retirement severance provision	2,357	-	2,357	2,350	7
Provisions	364	-	364	364	-
Accruals and other liabilities	1,828	-	1,828	1,828	-
Contract liabilities	156	-	156	156	-
	75,949	**-**	**75,949**	**75,942**	**7**
Current liabilities:					
Retirement severance provision	59	-	59	59	-
Trade and other payables	98,550	(60)	98,610	98,520	90
Short-term borrowings	38,382	-	38,382	38,382	-
Other financial liabilities	59,889	(9,604)	69,493	59,889	9,604
Provisions	3,169	-	3,169	3,169	-
Contract liabilities	5,647	-	5,647	5,647	-
	205,696	**(9,664)**	**215,360**	**205,666**	**9,694**
Total equity and liabilities	**1,053,821**	**(24,232)**	**1,078,053**	**1,049,924**	**28,129**

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

Merged income statement for the period from 01.01.2020 to 30.09.2020

	Merged Income Statement for period 01.01.2020 - 30.09.2020	The effect of the merger	Total	Agora S.A	Agora Poligrafia Sp. z o.o.
Revenue	242,327	602	241,725	240,896	829
Cost of sales	(130,789)	(71)	(130,718)	(130,647)	(71)
Gross profit	**111,538**	**531**	**111,007**	**110,249**	**758**
Selling expenses	(75,545)	-	(75,545)	(75,545)	-
Administrative expenses	(64,081)	(531)	(63,550)	(60,725)	(2,825)
Other operating income	17,987	-	17,987	17,594	393
Other operating expenses	(4,491)	-	(4,491)	(3,941)	(550)
Impairment losses for receivables - net	(262)	-	(262)	(254)	(8)
Operating loss	**(14,854)**	**-**	**(14,854)**	**(12,622)**	**(2,232)**
Finance income	21,087	117	20,970	20,912	58
Finance cost	(63,439)	(117)	(63,322)	(63,201)	(121)
Loss before income taxes	**(57,206)**	**-**	**(57,206)**	**(54,911)**	**(2,295)**
Income tax expense	1,683	-	1,683	1,770	(87)
Loss for the period	**(55,523)**	**-**	**(55,523)**	**(53,141)**	**(2,382)**

39. ACCOUNTING ESTIMATES AND JUDGMENTS

Impact of the COVID-19 pandemic on Agora and the Agora Group

The COVID-19 pandemic and the measures of the government administration undertaken to limit the further spread of the virus will have an adverse impact on the financial performance of Agora and its subsidiaries in the entire 2021. Despite material challenges related to the operation in the market environment burdened with the negative effects of the pandemic, the Management Board of the Company does not recognise any significant uncertainty resulting from these circumstances that may cast significant doubt on the Company's and the Agora Group's ability to continue as a going concern.

The outbreak of the COVID-19 pandemic made governments around the world undertake actions with significant impact on the economic development of each jurisdiction, caused by restrictions aimed at stopping further spread of the virus. The development of the pandemic and further measures to be implemented by the Polish government in order to fight the pandemic are unknown to the Company. Their duration and scale may significantly affect the Company's analyses and estimates, in particular with regard to the value of the advertising market, the number of tickets sold in cinemas, and concession sales, as well as the revenue from copy sales. As the Group has never experienced an administrative prohibition on the operation of selected businesses, it is difficult for it to prepare reliable estimates in this respect. Those uncertainty factors, as described above, can have a material impact on the increase of liquidity gap and on the possibilities to acquire necessary further financing, thus compelling the Company to look for other ways to secure Agora Group's financial liquidity. At that, it is not possible to foresee at this point what methods would prove the most adequate to the future development of COVID-19 pandemics and subsequent administrative decisions and actions to be taken in the future. The Company's Management Board carefully monitors the flow of receivables in order to secure the Group's financial liquidity, undertaking actions to secure the Group's liquidity in the foreseeable future. However, the effect of these actions depends to a large extent on the pace of economic recovery following the corona crisis. The scale of generated revenues may pose a major risk for Agora Group's liquidity, in particular if the prolonging duration of the pandemics leads to re-suspension of operations of certain economy sectors, as opposed to actions which would permit adjusting the functioning of respective sectors to the prolonging period of pandemic reality.

Agora also decided to optimise the portfolio of its investment projects, focusing – during this difficult time – on ensuring the safety of the Group's key assets. As a result, Plan D Sp. z o.o. (formerly known as Domiporta Sp. z o.o.) and Foodio Concepts Sp. z o.o. were sold, while the business of GoldenLine Sp. z o.o. was limited.

Both Agora and all the companies of the Group have taken a number of measures aimed at minimizing the losses caused by the COVID-19 pandemic, ensuring the Group's financial security and the Group's rapid return to the growth path as regards both revenues and operating results. Most of the cost categories and investment expenditures were reduced which contributed to a decrease in the amount of operating expenses in the Group in 2020 by PLN 276.8 million as compared to 2019, despite the one-off events, which burdened the results of the Group with the cost of PLN 28.7 million. Agora's Management Board decided to reduce the remuneration of the Agora Group's employees by 20.0% in the period from 15 April until 15 October 2020. Larger reductions applied to the Company's Management and Supervisory Boards. According to the Company's estimates, savings from the reduction of staff costs amounted to approx. PLN 29.0 million in the Agora Group.

2021, due to the long-term effects of the pandemic, uncertainty as to the further development of the situation and limited predictability in the conduct of business, will be full of challenges for the Group's undertakings. From March 20 to April 9, 2021, the entire country was again subject to severe epidemic restrictions, which again closed many sectors of the economy. The Group's companies will spend 2021 running limited business operations, under a specific sanitary regime with more or less severe conditions, depending on the speed of vaccination, number of new cases and the gaining of social immunity to this type of virus. This is a beginning of a transition period, where most businesses in Poland will be forced to adjust their operations to the functioning under pandemics, as it is impossible to say when will the pandemics end. In Agora Group, this applies in particular to two business lines - Helios cinema chain and AMS, which operates in the outdoor advertising segment.

As the vaccination program proceeds and new medications become available on the market, the coronavirus' impact on the Group's operations and financial results should become less and less appreciable each quarter. We cannot rule out, however, than the pandemics and its effects will continue to have major impact on businesses in Poland throughout 2021. Most factors, which affected and may affect Agora Group's results in the future, remain completely beyond

Agora's control. This is because those factors depend, inter alia, on actions taken by the authorities, in particular with respect to adjusting the implemented restrictions in such a way as to permit Polish business to operate under prolonging pandemics - this is a key element for the speed of restoration of various economy sectors to full operational capacity and the growth of GDP in Poland.

In 2020, the decrease in the value of the Group's revenue was affected by two main factors: the administrative closure of cinemas from 12 March until 5 June 2020 and from 7 November 2020 until 12 February 2021, and a 9.0% decrease of the value of advertising expenditure in Poland as a result of the outbreak of the pandemic and the related uncertainty as to further developments. Those two factors had a significant impact on the results of the Agora Group, as the proceeds from the cinema activity and the sale of advertising services constitute its most important sources of revenue. The segments of the advertising market which were most strongly affected by the reduction of advertising expenditure, were cinema, outdoor and press. The market segment least impacted by the decrease in advertising expenditure, was Internet – its value grew in 2020. At the same time, it is worth noticing that when economy was being unfrozen, all of the Group's business, also cinema and outdoor (which were the most affected by restrictions on business operations) showed the capacity to quickly return to larger-scale operations and improve operating results, as was clearly visible in the third quarter of 2020 when some restrictions on their operations were lifted.

Helios cinemas were closed for 168 days in 2020. Helios chain was closed between 12 March and 2 July 2020 and again from 7 November 2020. For this reason Helios cinema network was deprived of ability to generate any revenues in those periods, while outside those periods it recorded significantly reduced revenues due to implemented restrictions (no repertoire, limit on ticket sale). It is also worth noting that under the regulations, Helios took advantage of the exemption from paying rents for cinema space in shopping malls from March 12 to June 5, 2020 and from November 7, 2020 to February 12, 2021. Having financial liquidity in mind, in 2020 the Management Board of Helios S.A. renegotiated the rents in all shopping malls where the chain cinemas operate, before their opening on 3 July 2020, and implemented new rules concerning the expense approval procedure. These actions helped reduce Helios' cost base in 2020. Due to adverse effects of the pandemics outbreak, the Group reviewed its catering assets and decided to write-off Foodio Concepts Sp. z o.o. assets and well as to sell its shares, while focusing on the development of a more prospective (in Agora's opinion) project in this area under the name Pasibus, which gets good results, despite the pandemics, due to the take-away sale.

In early 2021, Helios cinema network has also started negotiating with shopping malls' owners to adjust rent rates to the cinemas' limited capacity to generate revenues when their operations are being "unfrozen". However, it is difficult to say at this point what will be the outcome of those negotiations or to determine the date and speed of opening the respective cinemas in 2021 when they are conditionally started. As there is no predictability to the Polish government's decisions concerning restrictions on business operations, and there is no new titles available, in particular foreign movies, it is not possible to estimate what the cinema attendance will look like in 2021. If multi-screen cinemas are opened in the first half of 2021, this year's attendance should be slightly higher than in 2020.

Among the Group's segments, it was the Outdoor Advertising that was the most affected by the limitation of advertising expenses by business in reaction to adverse effects of the pandemics. Revenues in this segment shrank by 37.9% as compared to 2019. The main reason why advertisers reduced their expenses on outdoor campaigns consisted in the restrictions related to population mobility, as this limited the contact with the advertisement message, and in suspension of marketing activities by those economy sectors, which were deprived of ability to run their business. Due to the significant decrease in the value of the outdoor market caused by the COVID-19 pandemic, the Management Board decided to write down part of assets of AMS Group in the amount of PLN 7.1 million. The write-down applies to the outdoor media which, due to the predicted medium-term development of the outdoor market, could not be used to the extent enabling the attainment of their previous book value. It needs to be stressed that when business can resume operations, they quickly return to outdoor media, which give them the opportunity to reach mass recipients. However, as the Outdoor Chamber of Commerce states, it may take approximately 3 years to build back the value of outdoor advertising market to 2019 level. AMS puts more emphasis now on the development of the digital part of its business, as this part suffered less in the course of the pandemics. DOOH media, to be offered to a greater extent than before, will appear in those buildings which must remain operational also during the pandemics.

The outbreak of the COVID-19 pandemic has also deepened the negative trends in the press advertising market, forcing some publishers to close their least promising press titles. Agora too decided to stop publishing some periodicals, while focusing on its flagship title - *Gazeta Wyborcza* daily, which is published in soft and hard copy. Due to the pandemic and lower number of published press titles, the press advertising revenues of the Press segment decreased by 30.7% as compared to 2019. In spite of that, thanks to the saving measures and restructuring of the printing activities, carried out in 2019, we managed to improve the operating results of the segment both at EBIT and EBITDA levels. It is also worth noticing that the number of digital subscriptions of *Gazeta Wyborcza* has increased significantly, reaching nearly 260 thousand at the end of December 2020; also revenues from this form of content sale grew and this contributed to a major increase in the share of the daily's digital income in its total revenues up to approx. 36.0%.

Large drops in advertising spending took place in radio stations, it especially concerned smaller market players. For this reason, the value of revenues from radio advertising in the Radio segment of Agora Group decreased by 15.2% yoy. However, thanks to the undertaken savings measures, it was possible to minimize the losses incurred by the segment due to the drop of revenues. It is worth noting that radio very quickly began to rebuild its value at the time of easing of sanitary restrictions, thanks to which radio advertising is one of the most stable segments of the advertising market in terms of its share.

During the pandemic, the medium least affected by its negative effects was the internet. The value of advertising inflows in the Internet segment of the Agora Group increased by 4.9% as compared to the 2019. The higher revenue, combined with saving measures, resulted in an improvement in the operating results of this business. At the same time, Agora's Management Board, having analyzed the financial standing and development prospects in the post-pandemic reality, decided not to continue some of the Group's Internet projects. For this reason, restructuring and sale of the part of enterprise Plan D Sp. z o.o. (formerly Domiporta Sp. z o.o.) was performed and employment was restructured and business downsized in GoldenLine. This is to guarantee that the focus is on development of the Group's biggest online assets.

In order to ensure financial liquidity, the Company and its subsidiary Helios S.A. secured additional funding to prevent a future liquidity gap should the pandemic not improve. As at the balance sheet date, Agora S.A. was granted and fully available working capital loan of PLN 100 million to finance operating activities. Whereas Helios S.A. was granted working capital loans in the amount of PLN 108 million, of which PLN 68 million were available as at the balance sheet date (out of which PLN 21.5 million remained unused as at 31 December 2020). The remaining loans in the amount of PLN 40 million were available in early 2021 after the fulfilment of the conditions for launching of the loans specified in the agreements with BNP Paribas and Santander banks.

The loans were launched in early 2021. The Management Board of Agora also decided to recommend to the Supervisory Board and the General Meeting not to pay the dividend for 2020. This decision results from high uncertainty related to the further development of the pandemic situation and its affect on the operations as well as financial results of the Agora and the Group. In May 2020, the Management Board of Agora S.A. informed that due to the outbreak of the COVID-19 pandemic and its long-term consequences for the Polish economy and the Agora Group, it will not be possible to achieve the financial goals set out in the Agora Group Strategy for 2018-2022 by the end of 2022, although the directions of the Group's development set out in the Strategy, were upheld. After the end of the crisis caused by the pandemic and the stabilization of the economic situation, the Management Board of the Company will review the development plans of the Agora Group, its business portfolio and the new market environment, and on this basis will review the directions of further development of the capital group.

Based on the available market data, the Company estimates that the value of the advertising market in Poland in 2021 will increase compared to 2020 by approximately 4.0-7.0% yoy. The company expects that the first quarter of 2021 will bring a further decline in advertising spending compared to the first quarter of 2020, which was still only slightly affected by the negative effects of the outbreak of the pandemic. The process of rebuilding the value of the advertising market should be visible already from the second quarter of 2021. In the Company's opinion, the only market segment in which the value of advertising spending will shrink throughout 2021 will be press in the traditional, paper form. Other segments of the advertising market will begin rebuilding their value.

The Group expects that following the opening of cinemas, the increases in the value of advertising expenditure in the segment of the advertising market may reach approximately 19.0%-22.0%. The pace of growth will be influenced by the date of the resumption of operations by large cinema chains. The increase in spending on outdoor advertising may amount to ca. 5.0% -9.0%. In press the value of advertising spending may decline by approximately 14.0%-17.0%. Advertising expenditure on television may be higher by approximately 5.0%-8.0%, and on radio and internet by 6.0%-9.0%.

At the same time, due to the fact that it is difficult to predict further development of the pandemic situation and its economic effects, the above assumptions may be biased and their accuracy is much lower than in periods of greater predictability. Considering the above, it is also difficult to predict at what rate the advertising market will return to the pre-pandemic value and how its structure will develop. This process may take at least 2-3 years.

Taking into account the pace of recovery of the advertising market value and the uncertainty as to the timing of the return to operations of individual sectors of the economy (in particular cinemas), the Management Board of Agora estimates that in the entire 2021, the Agora Group's revenues may be slightly higher than in 2020. Agora Group undertook also in 2020 significant austerity measures. In 2021, the Agora Group will continue to operate in a tightened cost discipline, especially in those businesses that cannot return to full operating activities. At the same time, Agora's Management Board will have a flexible approach to the investment policy in the areas where results will be rebuilt faster. In 2020, the first quarter was a period of normal operating activities not yet affected by the effects of the pandemic. In 2021, the effects of the pandemic will accompany business activities throughout the year. For this reason, the Management Board of Agora estimates that in 2021 the Agora Group will record an operating loss at the EBIT level. However, it should be lower than that recorded in 2020.

Taking into account the financing available to the Group and the savings measures taken, in the opinion of the Management Board of the Company, it is reasonable to assume that the Company and the Group will continue as a going concern, despite the uncertainty related to the development of the pandemic.

Tests for impairment losses on assets

Estimates and assumptions are continually evaluated and based on historical experience and best knowledge of the Company as at the date of the estimation. The Company 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. 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. In 2020 Covid-19 pandemics is an additional factor having impact on economic situation in Poland and in the world. 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 three key assumptions, which have the most significant impact on the estimated recoverable amount of the assets:

1) average growth rate of revenue during forecast for the years,

2) applied real long-term growth rate after the period of detailed forecast in the so-called residual period,

3) applied pre-tax discount rate.

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

Basic information about the method applied is summarized below:

	Rights and goodwill related to activities in particular magazine titles
Assumptions	Financial forecasts and projections of the market for next years based on the best knowledge of the market, historical profitability of the business, available market data and experience, including also the described above impact of Covid.
Detailed forecast period	5 years
Years:	The average growth rate of revenue during forecast for the years
2021-2025	3%
	Discount rate for the years (pre-tax)
2021-2025	5.9%
	The applied real long-term growth rate after the period covered by the forecast
	0.0%

	The discount and growth rates applied as at the end of previous year
	Discount rate for the years (pre-tax)
2020-2024	5.8%
	The applied real long-term growth rate after the period covered by the forecast
	0.0%

In 2020, the Company recognized impairment loss on shares in Plan D Sp. z o.o. (formerly Domiporta Sp. z o.o.) in amount of PLN 56,531 thousand in connection with the disposal of the enterprise (additional information on the disposal of the company is presented in note 36) and impairment loss on shares in the increased share capital of Goldenline Sp. z o.o. in the amount of PLN 4,156 thousand due to the limitation of the operating activity of the company. In addition, the Company included an additional write-off for the loan granted to Hash.fm Sp. z o.o. in the amount of PLN 63 thousand. In 2020, part of this loan was repaid and the remaining part that was covered by the write-off was cancelled. The above impairment losses were recognized in the Company's financial cost.

In 2020, the Company also wrote off a part of the value of the property connected with downsized printing activity in Pila and Tychy in the total amount of PLN 4,909 thousand. In case of the property in Pila, as at 31 December 2020 the Company took active steps to sell the above assets. The Company's Management Board expects to complete the sale in less than 12 months from the balance sheet date. As a result, the Company recognised impairment loss on the above assets in the amount of PLN 4,373 thousand in order to adjust their value to expected sale price. The remaining part of the impairment loss in the amount of PLN 536 thousand was related to property in Tychy and was based on valuation conducted by independent real estate expert.

In 2019, according to the impairment tests carried out, the impairment losses were recognised on shares of Goldenline Sp. z o.o. in the amount of PLN 11,206 thousand in relation to decrease of company's revenue. As at 31 December 2019, the shares of Goldenline sp. z o.o. are fully covered by write-down.

In 2019, the Company recognised also the impairment loss on shares in associated company Hash.fm Sp. z o.o. in the amount of PLN 849 thousand in relation to the decrease of the company's revenue and impairment loss on loan granted to Hash.fm Sp. z o.o. in amount of PLN 608 thousand based on expected credit losses related to this financial asset.

- **Other**

To the key estimates and assumptions, that may cause a significant adjustment to the amounts recognised in unconsolidated financial statements of the Group, belongs also the recognition of deferred tax assets on unused tax losses. Information on those estimates and judgments was described in note 16.

In addition, the application of IFRS 16 requires the Group to make analyses and estimates relating, inter alia, to the determination of the scope of contracts subject to IFRS 16, the determination of the lease term and the determination of the interest rate used to discount future cash flows. The estimates and assumptions adopted may be reviewed on the basis of changes in market and operational factors taken into account in their performance, new information and market practice regarding the application of the Standard. Additional information on estimates and assumptions is described in note 2(e).

40. 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 2020 EURO 1 = 4.4742; for the year of 2019 EURO 1 = PLN 4.3018.
- 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 2020 – EURO 1 = PLN 4.6148; as at 31 December 2019 – EURO 1 = PLN 4.2585.

	PLN thousand		EURO thousand	
	Year 2020	Year 2019	Year 2020	Year 2019
Revenue	343,186	401,637	76,703	93,365
Operating loss	(16,014)	(55,667)	(3,579)	(12,940)
Profit/(loss) before income taxes	(59,750)	15,013	(13,354)	3,490
Net profit/(loss)	(54,859)	20,115	(12,261)	4,676
Net cash from operating activities	48,898	(12,992)	10,929	(3,020)
Net cash used in investing activities	7,034	(25,077)	1,572	(5,829)
Net cash used in financing activities	4,400	44,202	983	10,275
Net increase in cash and cash equivalents	60,332	6,133	13,484	1,426
Total assets	1,041,990	1,069,679	225,793	251,187
Non-current liabilities	68,913	86,119	14,933	20,223
Current liabilities	199,689	162,104	43,271	38,066
Equity	773,388	821,456	167,589	192,898
Share capital	46,581	46,581	10,094	10,938
Weighted average number of shares	46,580,831	46,580,831	46,580,831	46,580,831
Basic/diluted earnings per share (in PLN / in EURO)	(1.18)	0.43	(0.26)	0.10
Book value per share (in PLN / in EURO)	16.60	17.64	3.60	4.14

41. EVENTS AFTER THE BALANCE SHEET DATE

- **Proceeding of UOKiK regarding the concentration consisting of taking control over Eurozet Sp. z o.o.**

On January 7, 2021, Management Board of Agora S.A., with reference to the current reports: no. 1/2019 of 25 January 2019, 3/2019 of 20 February 2019, 27/2019 of 18 September 2019 and 39/2020 of 10 November 2020, informed that on 7 January 2021, the Company learned from the official website uokik.gov.pl about issuing a decision of the President of the Office of Competition and Consumer Protection ("President of UOKiK") to prohibit the concentration consisting of taking control by the Company over Eurozet Sp. z o.o.

The company disagrees with the merits of the decision of the President of UOKiK. In the opinion of the Company, the decision was issued in breach of anti-monopoly regulations and administrative proceedings. Additionally, the decision does not take into account the evidence, in particular the economic analyzes presented by the Company.

Therefore, Agora informed that the Company will take all actions provided for by law in this matter. The decision of the President of UOKiK is not yet final and the Company appealed against the decision to the Court of Competition and Consumer Protection within one month from the date of its delivery.

On February 8, 2021, Management Board of Agora S.A. with reference to the current reports: no. 1/2019 of 25 January 2019, 3/2019 of 20 February 2019, 27/2019 of 18 September 2019, 39/2020 of 10 November 2020 and 01/2021 of 7 January 2021, informed that on 8 February 2021, the Company filed to the District Court in Warsaw – the Competition and Consumers Protection Court - an appeal against the decision of the President of the Office of Competition and Consumer Protection ("President of UOKiK"), issued on 7 January 2021, prohibiting Agora taking control over Eurozet Sp. z o.o.

In the opinion of the Company, supported by the opinions of experts in the field of economy, competition law and the radio market attached to the appeal, the decision issued by the President of the Office of Competition and Consumer Protection raises serious concerns as to its factual correctness, therefore the Company requests its amendment by issuing a decision consenting to the concentration of Agora and Eurozet.

First of all, in the Company's opinion, the President of the Office of Competition and Consumer Protection violated substantive law by issuing a decision without proving that the concentration will significantly restrict competition, which is a prerequisite for blocking the transaction. Instead, for the purpose of the decision prohibiting the concentration, a theory of harm was created based on the theory of the 'quasi-duopoly' unknown in the law of competition and economics, suggesting the tacit coordination of the merged entity (Agora and Eurozet) with the market leader, RMF FM group. In the opinion of the Company, the decision was based on assumptions and hypotheses regarding what may happen on the market after the concentration, while according to the law, in order to prohibit the concentration the antitrust authority must prove, on the basis of the conducted economic analysis that, in certain market circumstances, the concentration will significantly restrict competition. Series of detailed economic analyzes prepared by renowned specialists and presented to the President of UOKiK have shown that the concentration will not lead to a significant infringement of competition, therefore, in the opinion of the Company, the President of UOKiK should, in accordance with the law, authorize it.

In connection with the above circumstances, the Company appealed to the District Court in Warsaw, requesting the court to issue a reformative ruling which will allow the concentration to be carried out without any further conditions. In the opinion of the Management Board, the evidence gathered in the case clearly indicates that all the conditions for issuing such a decision are met.

- **Sale of shares in the company Goldenline Sp. z o.o.**

On January 28, 2021, Agora S.A. ('the Seller') concluded a sales agreement of shares with HRlink Sp. z o.o ('the Buyer') concerning the sale of all the shares in the company Goldenline sp. z o.o. Agora S.A. has transferred to the Buyer 3,321 shares of nominal value PLN 1 thousand each and total nominal value of PLN 3,221 thousand constituting a total of 100% of Goldenline Sp. z o.o. share capital. Currently Agora S.A. does not have any share in Goldenline Sp. z o.o.

Sale of the right of perpetual usufruct of land and ownership of the buildings in Piła

On January 29, 2021, the Management Board of Agora S.A. informed that on 29 January 2021, the Company concluded a preliminary agreement for the sale of the perpetual usufruct right to a developed real estate with a total area of 7.46 ha, including the ownership title to buildings constituting an object of ownership separate from the land, located in Pila at ul. Krzywa 35, for which the District Court in Pila, VI Division of Land Registry, keeps a land and mortgage register with the number PO1I/00009141/0 ("Property").

The decision to sell the Property results from the fact that after the restructuring of the printing activity and the phasing out of printing plant in Pila in the second half of 2019 (about which Agora informed in regulatory filings No. 5/2019 of 5 March 2019 and No. 7/2019 of 25 March 2019). The Company does not effectively use the area of the Property for operating activities.

The estimated total value of the Property amounts to PLN 14.5 million net and its sale will not affect the operating result of the Agora Group in 2021, as the selling price of the Property is, as a general rule, in line with its book value. The transaction will be visible in the Group's cash flows and will result in a decrease in the value of the Group's fixed assets in the future.

On March 4, 2021, Agora S.A. signed a sale agreement for the above property.

Recommendation of the Management Board of Agora S.A. to withhold the payment of dividend for 2020

The Management Board of Agora S.A. with its registered seat in Warsaw ("the Company", "Agora"), adopted a resolution on the submission of a motion to the Annual General Meeting of Shareholders to withhold the payment of dividend for 2020.

The above departure from the dividend policy announced on 14 February 2005, is related to the economic uncertainty and the further impact of the COVID-19 pandemic and its effects on the operating activities and financial results of both Agora and the Agora Group, which is difficult to estimate.

In the circumstances of such high uncertainty, the Management Board of Agora considered it justified to keep the financial resources in the Company and recommend not to pay dividends for 2020 in order to strengthen the financial position of the Group.

The above decision received a positive opinion from the members of the Supervisory Board.

Warsaw, March 18, 2021

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

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

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

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

Signature of the person responsible for keeping the accounting records

Ewa Kuzio – Chief Accountant ……………………………………………

Signatures submitted electronically.