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

OPINION OF THE INDEPENDENT AUDITOR

To the General Meeting of Agora S.A.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Group, whose parent entity is Agora S.A. with its registered office in Warsaw, ul. Czerska 8/10 ("the Group"), which comprise the consolidated balance sheet as at 31 December 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity and the consolidated cash flows statement for the year then ended and notes to the consolidated financial statements.

Management's and Supervisory Board's Responsibility for the Consolidated Financial Statements

Management of the Parent Entity is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations. Management of the Parent Entity is also responsible for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

According to the Accounting Act dated 29 September 1994 (Official Journal from 2016, item 1047 with amendments) ("the Accounting Act"), Management of the Parent Entity and members of the Supervisory Board are required to ensure that the consolidated financial statements are in compliance with the requirements set forth in the Accounting Act.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with section 7 of the Accounting Act and International Standards on Auditing as adopted by the resolution dated 10 February 2015 of the National Council of Certified Auditors as National Standards on Assurance. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

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

- give a true and fair view of the financial position of the Group as at 31 December 2016 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union; and
- comply, in all material respects, with applicable regulations that apply to the consolidated financial statements of the Group.

Specific Comments on Other Legal and Regulatory Requirements

Report on the Group's Activities

Management of the Parent Entity is responsible for the report on the Group's activities.

Our opinion on the consolidated financial statements does not cover the report on the Group's activities.

As required by the Accounting Act, and the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent of information required by the laws of a non-member state (Official Journal from 2014, item 133 with amendments) (the "Decree") we report that the accompanying report on the Group's activities includes the information required by Art. 49 of the Accounting Act and the Decree and the information is consistent, in all material respects, with the consolidated financial statements. Furthermore, based on our knowledge about the Group and its environment obtained in the audit, we have not identified material misstatements in the report on the Group's activities.

As required by the Accounting Act and the Decree we report that the statement of corporate governance, which is a separate part of the report on the Agora S.A. Group's activities, includes the information required by paragraph 91 subparagraph 5 point 4 letter a, b, j and k of the Decree. Furthermore we report that the information identified in paragraph 91 subparagraph 5 point 4 letter c, d, e, f, h and i of the Decree, included in the statement of corporate governance, in all material respects:

- has been prepared in accordance with the applicable regulations; and
- is consistent with the information contained in the consolidated financial statements.

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

Signed on the Polish original

....
Zbigniew Libera
Key Certified Auditor
Registration No. 90047
Limited Liability Partner with power of attorney

31 March 2017

Dear Ladies and Gentlemen, Dear Shareholders,

2016 was another year of deep transformation of the Agora Group: restructuring of the press business and development of non-press operations. This drove the continuing upward trend of the Group's revenue and a satisfactory operating result at the end of 2016. This is a halfway mark and another milestone for the successful implementation of the "Development Plan for the Upcoming Years" announced in March 2014. We are happy that the initiatives that we have been consistently implementing for 3 years are bearing good results and allow some of the Group's businesses post record-breaking performance figures.

The Press Segment is successfully continuing the digital transformation process. At the end of 2016, the number of active paid subscriptions to Gazeta Wyborcza was almost 100 thousand. The Magazines division posted a dynamic increase in sales of advertising services, among others through the implementation of e-commerce solutions for selected services. It is a good sign, which confirms that the method used to change the business model of our press business has been selected correctly. At the same time, we struggled with exceptionally difficult trends on the printed press market. We let go of some of our employees and decided to discontinue publication of two of our titles.

Despite the challenges that we faced as an organization in 2016, the performance of the Agora Group has confirmed that the development strategy we have been implementing is effective. 2016 was a record-breaking year for Helios, both in terms of revenue and result. This is without a doubt an effect of the consistent policy of investing on the cinema market. This is why we want to continue to develop the Helios cinema chain. We will also develop film distribution and production operations. In early 2017 we have already seen spectacular success driven by the immense popularity of the movies opening in cinemas, including Sztuka Kochania. The story of Michalina Wislocka.

On the outdoor advertising market, the Agora Group continues to focus on consolidating its leading position on the premium panels segment. In 2017, we will complete the contract to build 1,580 bus shelters in Warsaw. This is a groundbreaking project in outdoor advertising in Poland, which significantly changes this market, while AMS achieves its business objectives way ahead of time and much above the assumptions. It ended last year with the best result in its history and it is working on similar projects in other cities in Poland.

For the Group's Internet business, the priority is to grow in the fastest-growing segments of the Internet market. We want to invest in content, new formats and mobile applications. We are pushing the development of the video and programmatic areas. Our portal, Gazeta.pl, ranks first in terms of presence in social media and our growth investments are yielding measurable benefits. This is exemplified by Yieldbird, which grows very fast, also outside of Poland, significantly improving its revenues and profits.

The key objective for our radio business is to improve its profitability. At the same time, we are implementing an effective development strategy. Radio Pogoda, launched in 2015, has quickly gained huge audience and last year all the Agora Radio Group stations posted the highest daily reach figures in history.

We are successfully operating on the television market. Stopklatka TV, which we are developing with a partner, passed the 1-percent viewing rate threshold and broke even. On 2 December 2016, we launched our first TV channel, METRO, on the 8th digital terrestrial television multiplex. Since its launch, METRO has posted the best figures among all other MUX-8 channels. We have successfully acquired a globally renowned company as a partner for the METRO channel.

Agora's priority remains the successful transformation of the press activity. The change of the business model of the press segment is based on two main foundations: improving the profitability of our papers in their traditional form and building and monetizing a solid base of digital subscriptions. Another objective that we pursue in this process is to reach 110 thousand active paid digital subscriptions of *Gazeta Wyborcza* by the end of 2017. However, our main objective is to boost average revenue per digital newspaper subscription and proceeds from advertising and Internet services on the websites related to Agora's press titles.

One of the goals announced by the Group was to maintain profitability of the Print segment. We did not manage to achieve that goal in 2016. It is the Management Board's ambition to improve the performance of this segment in 2017. The Group is taking effective measures to reduce the costs of shared services and infrastructure. In 2016, optimization efforts allowed us to get closer to that target.

To conclude, we can see the positive effects of our development plans, despite the additional challenges we had to face. We are successfully adapting our offering to the requirements of the fast-paced press market and we continue to increase revenues from alternative sources.

We believe that the consistent implementation of the entire “Development Plan for the Upcoming Years” will underline its transforming effects for the entire Agora Group, improve the Group’s results and increase its shareholder value.

While we pursue our business and financial goals, we want to be the first and obvious choice for our users and partners, who are supplied by our media and undertakings with reliable information, quality journalism, exciting entertainment or innovative solutions to reach their customer base effectively.

I would like to express my gratitude to all: shareholders, customers and employees, for your support and trust in Agora, and to our daily readers, users and audience for your interest and loyalty.

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

AGORA SA

AGORA GROUP

Consolidated financial statements

as at 31 December 2016 and for the year ended thereon

March 31, 2017

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

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2016

	Note	31 December 2016	31 December 2015
Assets			
Non-current assets:			
Intangible assets	3	462,781	448,064
Property, plant and equipment	4	627,510	669,689
Long-term financial assets	5	83	98
Investments in equity accounted investees	6	21,417	19,938
Receivables and prepayments	7	14,287	14,179
Deferred tax assets	15	13,374	10,388
		1,139,452	**1,162,356**
Current assets:			
Inventories	8	33,829	29,031
Accounts receivable and prepayments	9	254,354	281,716
Income tax receivable		836	121
Short-term securities and other financial assets	10	80,032	105,826
Cash and cash equivalents	11	50,197	31,163
		419,248	**447,857**
Non-current assets held for sale	4	10,682	-
		429,930	**447,857**
Total assets		**1,569,382**	**1,610,213**

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

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

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2016 (CONTINUED)

	Note	31 December 2016	31 December 2015
Equity and liabilities			
Equity attributable to equity holders of the parent:			
Share capital	12	47,665	47,665
Share premium		147,192	147,192
Retained earnings and other reserves	13	902,266	958,629
		1,097,123	**1,153,486**
Non-controlling interest		**20,195**	**16,699**
Total equity		**1,117,318**	**1,170,185**
Non-current liabilities:			
Deferred tax liabilities	15	23,768	22,527
Long-term borrowings	14	71,931	60,850
Other financial liabilities	16	24,707	16,575
Retirement severance provision	17	2,745	2,451
Provisions	18	696	927
Deferred revenues and accruals	19	4,542	15,259
		128,389	**118,589**
Current liabilities:			
Retirement severance provision	17	228	198
Trade and other payables	20	160,881	165,998
Income tax liabilities		14,114	9,463
Short-term borrowings	14	38,988	46,794
Other financial liabilities	16	9,818	4,304
Provisions	18	7,541	2,115
Deferred revenues and accruals	19	92,105	92,567
		323,675	**321,439**
Total equity and liabilities		**1,569,382**	**1,610,213**

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

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

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016	2015 adjusted*
Sales	21	1,198,432	1,189,340
Cost of sales	22	(849,236)	(820,144)
Gross profit		**349,196**	**369,196**
Selling expenses	22	(226,123)	(235,535)
Administrative expenses	22	(125,186)	(120,619)
Other operating income	23	29,841	19,917
Other operating expenses	24	(11,046)	(14,227)
Operating profit		**16,682**	**18,732**
Finance income	28	3,653	4,109
Finance cost	29	(18,671)	(5,164)
Share of results of equity accounted investees		(1,469)	(872)
Profit before income taxes		**195**	**16,805**
Income tax expense	30	(13,379)	(1,486)
Net profit/(loss) for the period		**(13,184)**	**15,319**
Attributable to:			
Equity holders of the parent		(16,637)	12,709
Non-controlling interest		3,453	2,610
		(13,184)	**15,319**
Basic/diluted earnings per share (in PLN)	32	**(0.35)**	**0.27**

* *changes are described in note 2.*

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	2015
Net profit/(loss) for the period	**(13,184)**	**15,319**
Other comprehensive income/(loss):		
Items that will not be reclassified to profit or loss		
Actuarial gains/(losses) on defined benefit plans	(3)	293
Income tax effect	1	(55)
	(2)	238
Items that will be reclassified to profit or loss		
Other comprehensive income/(loss) for the period	**(2)**	**238**
Total comprehensive income/(loss) for the period	**(13,186)**	**15,557**
Attributable to:		
Shareholders of the parent	(16,639)	12,945
Non-controlling interests	3,453	2,612
	(13,186)	**15,557**

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

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Equity attributable to equity holders of the parent						
	Share capital	Treasury shares	Share premium	Retained earnings and other reserves	**Total**	**Non-controlling interest**	**Total equity**
Twelve months ended 31 December 2016							
As at 31 December 2015	**47,665**	**-**	**147,192**	**958,629**	**1,153,486**	**16,699**	**1,170,185**
Total comprehensive income for the period							
Net profit/(loss) for the period	-	-	-	(16,637)	(16,637)	3,453	(13,184)
Other comprehensive income	-	-	-	(2)	(2)	-	(2)
Total comprehensive income for the period	**-**	**-**	**-**	**(16,639)**	**(16,639)**	**3,453**	**(13,186)**
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Dividends declared	-	-	-	(35,749)	(35,749)	-	(35,749)
Dividends of subsidiaries	-	-	-	-	-	(852)	(852)
Total contributions by and distribtutions to owners	**-**	**-**	**-**	**(35,749)**	**(35,749)**	**(852)**	**(36,601)**
Changes in ownership interests in subsidiaries							
Acquisition of non-controlling interests	-	-	-	822	822	(1,240)	(418)
Acquistion of a subsidiary (note 33)	-	-	-	-	-	2,035	2,035
Recognition of put option granted to non-controlling interests (note 33)	-	-	-	(1,760)	(1,760)	-	(1,760)
Additional contribution of non-controlling shareholder	-	-	-	(98)	(98)	100	2
Other (note 33)	-	-	-	(2,939)	(2,939)	-	(2,939)
Total changes in ownership interests in subsidiaries	**-**	**-**	**-**	**(3,975)**	**(3,975)**	**895**	**(3,080)**
Total transactions with owners	-	-	-	(39,724)	(39,724)	43	(39,681)
As at 31 December 2016	**47,665**	**-**	**147,192**	**902,266**	**1,097,123**	**20,195**	**1,117,318**

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

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR TWELVE MONTHS ENDED 31 DECEMBER 2016 (CONTINUED)

	Equity attributable to equity holders of the parent						
	Share capital	Treasury shares	Share premium	Retained earnings and other reserves	**Total**	**Non-controlling interest**	**Total equity**
Twelve months ended 31 December 2015							
As at 31 December 2014	**50,937**	**(30,060)**	**147,192**	**981,520**	**1,149,589**	**15,490**	**1,165,079**
Total comprehensive income for the period							
Net profit for the period	-	-	-	12,709	12,709	2,610	15,319
Other comprehensive income	-	-	-	236	236	2	238
Total comprehensive income for the period	**-**	**-**	**-**	**12,945**	**12,945**	**2,612**	**15,557**
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Dividends of subsidiaries	-	-	-	-	-	(676)	(676)
Repurchase of own shares	-	(9,288)	-	-	(9,288)	-	(9,288)
Redemption of own shares	(3,272)	39,348	-	(36,076)	-	-	-
Total contributions by and distribtutions to owners	**(3,272)**	**30,060**	**-**	**(36,076)**	**(9,288)**	**(676)**	**(9,964)**
Changes in ownership interests in subsidiaries							
Acquisition of non-controlling interests	-	-	-	27	27	(727)	(700)
Expiration of put option liability	-	-	-	213	213	-	213
Total changes in ownership interests in subsidiaries	**-**	**-**	**-**	**240**	**240**	**(727)**	**(487)**
Total transactions with owners	(3,272)	30,060	-	(35,836)	(9,048)	(1,403)	(10,451)
As at 31 December 2015	**47,665**	**-**	**147,192**	**958,629**	**1,153,486**	**16,699**	**1,170,185**

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

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

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016	2015
Cash flows from operating activities			
Profit before income taxes		**195**	**16,805**
Adjustments for:			
Share of results of equity accounted investees		1,469	872
Depreciation of property, plant and equipment		77,857	78,426
Amortization of intangible assets		20,331	23,562
Foreign exchange (gain) /loss		33	(86)
Interest, net		3,270	3,176
(Profit) / loss on investing activities		(6,362)	(1,738)
Purchase of programming assets		(3,012)	-
(Decrease) / increase in provisions		5,519	(1,582)
(Increase) / decrease in inventories		(4,797)	1,150
(Increase) / decrease in receivables and prepayments		25,246	(27,728)
(Decrease) / increase in payables		(6,634)	293
(Decrease) / increase in deferred revenues and accruals		(3,801)	23,594
(Profit) / loss on disposal/acquisition of subsidiary	33	(7,169)	-
Remeasurement of put options	35	7,136	(507)
Other adjustments		10	1,257
Cash generated from operations		**109,291**	**117,494**
Income taxes paid		(12,297)	(6,418)
Net cash from operating activities		**96,994**	**111,076**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and intangibles		26,403	7,177
Disposal of subsidiaries (net of cash disposed), associates and jointly controlled entities	33	3,896	-
Dividends received		360	-
Loan repayment received		3,600	-
Interest received		1,251	1,414
Disposal of short-term securities		141,478	118,886
Other inflows (1)		18,645	8,000
Purchase of property, plant and equipment and intangibles		(88,920)	(89,755)
Acquisition of subsidiary (net of cash acquired), associates and jointly controlled entities	33	(6,204)	(12,959)
Acquisition of short-term securities		(129,000)	(146,124)
Loans granted		(200)	(4,970)
Other outflows		-	(10,645)
Net cash used in investing activities		**(28,691)**	**(128,976)**

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

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

	Note	2016	2015
Cash flows from financing activities			
Proceeds from borrowings		37,675	33,809
Proceeds from cash pooling		6,645	-
Proceeds from factoring		-	24,024
Other inflows		248	-
Repurchase of own shares		-	(9,288)
Acquisition of non-controlling interest		(5,486)	(1,319)
Dividends paid to equity holders of the parent		(35,749)	-
Dividends paid to non-controlling shareholders		(852)	(676)
Repayment of borrowings		(29,805)	(24,753)
Outflows from factoring		-	(1,815)
Payment of finance lease liabilities		(17,541)	(19,057)
Interest paid		(3,755)	(3,436)
Other		(649)	(756)
Net cash used in financing activities		**(49,269)**	**(3,267)**
Net increase (decrease) in cash and cash equivalents		**19,034**	**(21,167)**
Cash and cash equivalents			
At start of period		31,163	52,330
At end of period		50,197	31,163

(1) other inflows relate to the return of cash deposits provided to the bank by AMS S.A. as a cash collateral securing the concession contract for construction and utilization of bus shelters in Warsaw, in 2016 the amount of other inflows includes additionally cash paid by the Company in connection with the subscriptions for shares of Stopklatka S.A., which was returned to Agora S.A. on January 21, 2016.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016 AND FOR THE YEAR ENDED THEREON

1. GENERAL INFORMATION

(a) Core business activity

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

As at 31 December 2016 the Agora Group ("the Group") comprised: the parent company Agora S.A. and 19 subsidiaries. Additionally, the Group held shares in 3 jointly controlled entities: Green Content Sp. z o.o. (fully consolidated until 30 November 2016), Stopklatka S.A. and Online Technologies HR Sp. z o.o. and in 2 associates: Instytut Badan Outdooru IBO Sp. z o.o. and Hash.fm Sp. z o.o.

The Group carries out activity in all major cities of Poland.

(b) Registered Office

Czerska 8/10 Street
00-732 Warsaw

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

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

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

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

(e) Management Board

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

Bartosz Hojka	President	for the whole year
Grzegorz Kossakowski	Member	for the whole year
Tomasz Jagiello	Member	for the whole year
Robert Musial	Member	for the whole year (1)

(1) On 17 February 2017 the Company received resignation from Mr. Robert Musial from the position of Agora's Board Member with the effect on February 28th, 2017. On 1 March 2017 The Management Board of Agora S.A. pursuant to par. 28 section 3 of the Company's Statute elected by way of co-option Ms. Agnieszka Sadowska, an additional member of the Management Board.

(f) Supervisory Board

The Supervisory Board of the Company comprised the following members:

Andrzej Szlezak	Chairman	for the whole year
Slawomir S. Sikora	Member	till 23 June 2016
Tomasz Sielicki	Member	for the whole year
Wanda Rapaczynski	Member	for the whole year
Dariusz Formela	Member	for the whole year

Paweł Mazur	Member	till 23 June 2016
Anna Maria Krynska –Godlewska	Member	from 24 June 2016
Andrzej Dobosz	Member	from 24 June 2016

(g) Information about the financial statements

The consolidated financial statements were authorised for issue by the Management Board on 31 March 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

(b) Basis of preparation

The consolidated financial statements are presented in PLN thousands. Polish zloty is functional currency of parent company and its subsidiaries, associates and joint-ventures. All amounts (unless otherwise indicated) are recalculated and rounded to nearest thousand. The consolidated financial statements are prepared on the historical cost basis except that financial instruments are stated at their fair value.

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

The accounting policies were applied consistently by Group entities.

In the preparation of these consolidated financial statements, the Group has followed the same accounting policies as used in the Consolidated Financial Statements as at 31 December 2015, except for the changes connected with IFRSs described below.

For the Group's financial statements for the year started with January 1, 2016 the following amendments to existing standards, which were endorsed by the European Union, are effective:

1) Amendments to IAS 19 Employee Benefits*: Defined Benefit Plans - Employee Contributions;*
2) Amendments to IFRS - *Improvements to IFRS 2010-2012;*
3) Amendments to IFRS 11 Joint Arrangements - *Accounting for Acquisitions of Interests in Joint Operations;*
4) Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets - *Clarification of Acceptable Methods of Depreciation and Amortisation;*
5) Amendments to IFRS - *Improvements to IFRS 2012-2014;*
6) Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture - *Bearer Plants;*
7) Amendments to IAS 27 Separate Financial Statements - *Equity Method in Separate Financial Statements;*
8) Amendments to IAS 1 Presentation of Financial Statements - *Disclosure initiative.*

The application of the above amendments had no material impact on the consolidated financial statements.

In 2016 the Group changed the name of the line item in the consolidated balance sheet from „Accounts payable" to „Trade and other payables". The scope of balances presented in this line item did not change. In Company`s opinion, the new name reflects more accurately the information scope of this line item. The same change was applied to the unconsolidated balance sheet of the Company.

<u>Adjustments to comparative information</u>

In 2016, the Group modified the presentation of expenses related to rental cost of advertising space in internet business. Till the end of 2015 these costs were presented in the consolidated income statement in the line item "Selling expenses" and starting from the first quarter of 2016 these costs are presented in the line item "Cost of sales".

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

In the Company`s opinion, the new presentation more appropriately reflects the nature of these costs from the perspective of classification of expenses according to their function. The comparative amounts were adequately adjusted. The above change had no impact on previously reported amounts of operating profit, net profit and equity of the Group.

The summary of adjustments made to the consolidated comparative amounts of the Group is presented in the table below:

	2015 (as reported)	Presentation adjustments	2015 (as adjusted)
Cost of sales	(795,591)	(24,553)	(820,144)
Gross profit	**393,749**	**(24,553)**	**369,196**
Selling expenses	(260,088)	24,553	(235,535)

(c) Basis of consolidation

(i) Subsidiaries

Subsidiaries are those entities, which are controlled by the Group. Control exists when the Group due to its involvement in an investee is exposed, or has rights, to variable returns and has the ability to affect those returns through its power over the investee. The Group has power over an investee when the Group has existing rights that give it the current ability to direct the relevant activities, ie the activities that significantly affect the investee's returns.

The acquitision method of accounting is applied to account for the acquisition of subsidiaries by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date when control commences until the date that control ceases to exist. Contingent consideration is initially recognised at the acquisition date fair value. Subsequent changes in the value of the contingent payment liability is recognised through the income statement Changes in a parent`s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(ii) Joint ventures and associates

An associate is that entity in which the Group has significant influence, but not control. Joint venture is an entity which is jointly controlled by the Group and other shareholders on the basis of a statute, company's act or other agreement. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates and joint ventures from the date that significant influence or joint control commences until the date that significant influence or joint control ceases to exist. The investments in associates and joint ventures are accounted for using the equity method. An interest in a joint venture or associate is initially recorded at cost and adjusted thereafter for the post-acquistion change in the Group's share of net assets of the joint venture or associate. When the Group's share of losses exceeds the carrying amount of the investment, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate or joint venture.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains and losses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains or losses arising from transactions with associates and joint ventures are eliminated to the extent of the Group's interest in the entity. Unrealised gains or losses arising from transactions with associates are eliminated against the investment in the associate and the joint venture.

(iv) Put options granted to non-controlling interests

When an agreement signed by the Group with non-controlling shareholders grants a conditional put option for the shares, which they possess and the put option granted meets the definition of a financial liability under *IAS 32 Financial Instruments: Presentation* and at the same time, the non-controlling shareholders holding put options have retained their rights to the economic benefits associated with the underlying shares, the Group recognises the financial liability in the consolidated balance sheet (line item: other financial liabilities) equal to the estimated, discounted redemption amount of the put option and decreases other reserves (line item in the consolidated balance sheet : Retained earnings and other reserves). Subsequent changes in the value of the liability are recognised through the income statement.

(d) Property, plant and equipment

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

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

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

Perpetual leasehold of land	86 - 93 years
Buildings	10 - 40 years
Plant and machinery	2 - 20 years
Motor vehicles	5 - 8 years
Other equipment	2 - 20 years

Land is not depreciated.

Repairs and renewals are charged to the income statement when the expenditure is incurred; in other cases are capitalised.

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.

(e) Intangible assets

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

In respect of associates and joint-ventures accounted for the equity method, the carrying amount of goodwill is included in the carrying amount of the investment in the associate and the joint-venture.

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

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

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

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

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

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

(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 Group 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 Group 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 earnings, 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) Loans

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

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

Financial assets at fair value through profit or loss are those that the Group 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.

(j) Available-for-sale financial assets

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

(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 Group has transferred the contractual rights to the cash flows to a third party and simultaneously transferred substantially all the risks and rewards of ownership of the asset.

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

(l) Foreign currency

Functional and presentation currency for Agora S.A., its subsidiaries and associates 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 Group entity – 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 by the National Bank of Poland as on the preceding date before that 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 recognised as financial income or expense in the consolidated income statement. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to PLN at the foreign exchange rate set by the National Bank of Poland ruling for that date.

(m) Receivables

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

(n) Inventories

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

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

(o) Equity

(i) Share capital

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

(iv) Retained earnings and other reserves

Retained earnings represent accumulated net profits / losses, including reserve capital accumulated from prior years profits. Other reserves include also the equivalent of costs of share-based payments recognised in accordance with IFRS 2 as described below and the recognition of the put option given to the non-controlling shareholders.

In the Agora Group the share incentive plans based on Agora S.A.'s shares were carried out, which ended in the first half of 2013. According to these plans, which were share-based payments settled in financial instruments, eligible employees were entitled to purchase investment certificates in closed end mutual fund. The fair value of certificates was determined by applying valuation model, which took into consideration such variables as: market value of Agora's shares, specific characteristics and running costs of the fund as well as the kind of shares and rights associated with the certificates. The fair value of certificates was included in staff cost with corresponding increase in equity. The fair value of certificates was established as at the grant date and posted to the income statement from the month following the month in which certificates were purchased. The costs were recognized over the vesting period.

(p) Income taxes and deferred income taxes

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

Current tax expense is calculated according to tax regulations.

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

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

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

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

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

The Group set off for the presentation proposes deferred income tax assets against deferred income tax liabilities at the companies' level.

(q) Provisions

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

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

(r) Retirement severance provision

The Group makes contributions to the Government's retirement benefit scheme. The state plan is funded on a pay-as-you-go basis, i.e. the Group is obliged to pay the contributions as they fall due and if the Group 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 Group 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 Group does not exclude assets that might serve in the future as a source of settling liabilities resulting from retirement payments. The Group creates provision for future liabilities in order to allocate costs to the periods they relate to. The Group's obligation in respect of retirement severance provision is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The amount of the liability is calculated by actuary and is based on forecasted individual's entitlements method. Changes in the value of the liability are recognized in profit or loss, except for actuarial gains and losses, which are recognized in other comprehensive income.

(s) Interest-bearing borrowings

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

(t) Grants for the acquisition of fixed assets

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

(u) Trade and other payables

Trade and other payables are stated at amortised cost.

(v) Revenue recognition

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

(i) Sale of goods

Revenues are recognised when the conditions of sale have been met, no significant uncertainties remain regarding the acceptance of the goods (significant risk and rewards of ownership have been transferred to the buyer) and the amount can be measured reliably.

(ii) Sale of services

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

(iii) Interest income

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

(iv) Dividend income

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

(w) Impairment losses

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

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

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

An impairment loss for goodwill is not reversed.

(x) Operating lease payments

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

(y) Finance lease

Leases which transfer substantially all the risks and rewards incidental to ownership of the leased item are classified as finance leases. Assets acquired under finance lease agreements are initially recognised at the fair value or, if lower, the present value of the minimum lease payments. The initial value is then depreciated and diminished by any impairment charges. If there is no reasonable certainty that the lessee will obtain the ownership by the end of the lease term, the leased asset is fully depreciated over its useful life, but no longer than the lease term. In other cases the depreciation policy is consistent with that for depreciable assets as described in point (d).

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

(z) Borrowing costs

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

(aa) Share-based payments

Within the Agora Group there are Incentive Plans carried out, described in note 27. One of the components of the plans 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 and accounted into the accruals. The changes in the value are included in staff costs.

(ab) Dividend distribution

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

(ac) Related parties

For the purposes of these financial statements, related parties comprise significant shareholders, subsidiaries, associated undertakings, joint-ventures and members of the Management and Supervisory Boards of the Group entities and their immediate family, and entities under their control.

(ad) Accounting for tax exemption in Special Economic Zone (SEZ)

The Group's subsidiary (Agora Poligrafia Sp. z o.o.) operated in a Special Economic Zone till 8 August 2016. Income from activities in SEZ is exempt from taxation up to the amount defined by SEZ regulations. The tax exemption was recognised in the Group's income statement in the period to which it relates. Future tax benefits relating to tax exemption are treated as an investment relief and recognised, by analogy, based on the provisions of IAS 12, as deferred tax assets (as described in point p).

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

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

Standards and interpretations endorsed by the European Union:

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

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

The Group has started the processs of assessing the impact that the application of the main provisions of the new standard may have on the consolidated financial statements. The initial analysis aimed to identify significant contracts,which might include elements influencing the timing or amount of revenue recognised during a reporting period, in particular in relation to multiple-element arrangements, licence agreements, customer bonuses or services provided with the engagement of subcontractors. On the basis of the initial analysis, the Group assesses that the initial application of the standard, starting on 1 January 2018, will have no material impact the timing or amount of revenue recognised in the consolidated financial statements. In 2017 the analysis of the impact of IFRS 15 will be continued and the Group will disclose material changes to this assessment in the financial statements for the following reporting periods.

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

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

- financial assets measured at amortized cost;
- financial assets measured at fair value through profit or loss; or
- financial assets measured at fair value through other comprehensive income (OCI).

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

The Group analyzes the impact of the new standard on the consolidated financial statements.

Standards and interpretations awaiting on endorsement by the European Union:

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

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

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

2) Amendments to IAS 12 *Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses* (effective for annual periods beginning on or after January 1, 2017 or later).

The amendments clarify that unrealized losses related to debt instruments measured at fair value in the financial statements, but whose tax base is their original cost, can give rise to deductible temporary differences. The amendments also give more guidance on assessing whether taxable profits will be available against which deductible temporary differences could be utilized.

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

3) Amendments to IAS 7 *Statement of Cash Flows - Diclosure initiative* (effective for annual periods beginning on or after January 1, 2017 or later)

Pursuant to the amendments, an entity shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. One way to fulfil the above disclosure requirement is by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

The Group expects, that the application of the amendments may result in additional disclosures of changes in financing liabilities as required by the amendments.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

IFRS 16 supersedes IAS 17 Leases and related interpretations. The Standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases. Bringing operating leases in balance sheet will result in recognizing a new asset – the right to use the underlying asset – and a new liability – the obligation to make lease payments. The right-of-use asset will be depreciated and the liability accrues interest. This will result in a front-loaded pattern of expense for most leases, even when they pay constant annual rentals.

Lessor accounting, however, shall remain largely unchanged and the distinction between operating and finance leases will be retained.

The Group analyzes the impact of the new standard on the consolidated financial statements.

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

3. INTANGIBLE ASSETS

	Magazine titles	Goodwill	Licences and patents	Programming assets	Other	Internally generated intangible assets	Total
Cost as at 1 January 2016	**58,380**	**382,582**	**217,548**	**-**	**24,056**	**-**	**682,566**
Additions	-	-	26,667	3,933	17,832	5,733	54,165
Acquisitions	-	-	20,727	3,933	72	-	24,732
Transfer from assets under construction	-	-	1,460	-	1,300	-	2,760
Internal development	-	-	-	-	-	3,865	3,865
Acquisitions through business combinations (note 33)	-	-	4,480	-	16,460	-	20,940
Reclassifications	-	-	-	-	-	1,868	1,868
Disposals	-	-	(15,389)	(3,933)	(1,879)	-	(21,201)
Sale	-	-	(104)	-	-	-	(104)
Liquidation	-	-	(155)	-	(1,859)	-	(2,014)
Reclassifications	-	-	(1,550)	-	-	-	(1,550)
Sale of subsidiary (note 33)	-	-	(13,580)	(3,933)	(20)	-	(17,533)
Cost as at 31 December 2016	**58,380**	**382,582**	**228,826**	**-**	**40,009**	**5,733**	**715,530**

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

3. INTANGIBLE ASSETS – CONT.

	Magazine titles	Goodwill	Licences and patents	Programming assets	Other	Internally generated intangible assets	Total
Amortisation and impairment losses as at 1 January 2016	**35,022**	**63,265**	**114,112**	**-**	**22,103**	**-**	**234,502**
Amortisation charge for the period	-	-	16,556	-	3,254	521	20,331
Impairment losses	-	-	64	-	39	57	160
Sale	-	-	(104)	-	-	-	(104)
Liquidation	-	-	(155)	-	(1,503)	-	(1,658)
Reclassifications	-	-	(315)	-	-	315	-
Sale of subsidiary (note 33)	-	-	(481)	-	(1)	-	(482)
Amortisation and impairment losses as at 31 December 2016	**35,022**	**63,265**	**129,677**	**-**	**23,892**	**893**	**252,749**
Carrying amounts							
As at 1 January 2016	23,358	319,317	103,436	-	1,953	-	448,064
As at 31 December 2016	23,358	319,317	99,149	-	16,117	4,840	462,781

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

3. INTANGIBLE ASSETS – CONT.

	Magazine titles	Goodwill	Licences and patents	Other	Total
Cost as at 1 January 2015	**58,380**	**374,369**	**156,460**	**24,053**	**613,262**
Additions	-	8,213	61,142	3,053	72,408
Acquisitions	-	-	48,631	360	48,991
Transfer from assets under construction	-	-	12,416	2,693	15,109
Acquisitions through business combinations	-	8,213	95	-	8,308
Disposals	-	-	(54)	(3,050)	(3,104)
Sale	-	-	-	(3,050)	(3,050)
Liquidation	-	-	(54)	-	(54)
Cost as at 31 December 2015	**58,380**	**382,582**	**217,548**	**24,056**	**682,566**
Amortisation and impairment losses as at 1 January 2015	**35,022**	**63,265**	**93,500**	**21,819**	**213,606**
Amortisation charge for the period	-	-	20,220	3,342	23,562
Impairment losses	-	-	446	-	446
Sale	-	-	-	(3,050)	(3,050)
Liquidation	-	-	(54)	-	(54)
Other	-	-	-	(8)	(8)
Amortisation and impairment losses as at 31 December 2015	**35,022**	**63,265**	**114,112**	**22,103**	**234,502**
Carrying amounts					
As at 1 January 2015	23,358	311,104	62,960	2,234	399,656
As at 31 December 2015	23,358	319,317	103,436	1,953	448,064

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.

Other intangibles with the book value in the amount of PLN 60 thousand (2015: PLN 139 thousand) are pledged as security for bank loans of Helios S.A.

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

4. PROPERTY, PLANT AND EQUIPMENT

	Land	Perpetual usufruct of land	Buildings	Plant, machinery and equipment	Vehicles	Other	Assets under construction	Total
Cost as at 1 January 2016	**25,480**	**27,818**	**542,518**	**846,428**	**8,634**	**211,220**	**33,897**	**1,695,995**
Additions	-	-	13,666	28,048	1,313	5,878	81,472	130,377
Acquisitions	-	-	197	12,095	1,078	692	79,674	93,736
Transfer from assets under construction	-	-	13,477	15,783	126	4,789	-	34,175
Acquisitions through business combinations (note 33)	-	-	-	155	-	380	-	535
Reclassifications	-	-	(9)	-	-	-	9	-
Other	-	-	1	15	109	17	1,789	1,931
Disposals	-	(14,216)	(16,780)	(9,640)	(1,870)	(6,054)	(75,543)	(124,103)
Sale	-	(375)	(15,595)	(5,068)	(1,870)	(2,246)	(36,066)	(61,220)
Liquidation	-	-	(1,185)	(4,164)	-	(3,792)	(1,000)	(10,141)
Sold with the sale of a subsidiary (note 33)	-	-	-	(209)	-	(16)	(397)	(622)
Reclassifications	-	-	-	-	-	-	(318)	(318)
Transfer from assets under construction	-	-	-	-	-	-	(36,935)	(36,935)
Reclassification to non-current assets held for sale (note 4c)	-	(13,841)	-	-	-	-	-	(13,841)
Other	-	-	-	(199)	-	-	(827)	(1,026)
Cost as at 31 December 2016	**25,480**	**13,602**	**539,404**	**864,836**	**8,077**	**211,044**	**39,826**	**1,702,269**

(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 1 January 2016	**-**	**10,810**	**225,044**	**638,665**	**6,300**	**142,962**	**2,525**	**1,026,306**
Depreciation charge for the period	-	191	19,319	44,577	774	12,996	-	77,857
Impairment losses	-	-	-	-	-	130	848	978
Reversal of impairment losses	-	-	-	-	-	-	(28)	(28)
Sale	-	(210)	(12,330)	(4,701)	(1,703)	(1,206)	-	(20,150)
Liquidation	-	-	(993)	(3,608)	-	(2,165)	(200)	(6,966)
Sold with the sale of a subsidiary (note 33)	-	-	-	(7)	-	-	-	(7)
Reclassification to non-current assets held for sale (note 4c)	-	(3,159)	-	-	-	-	-	(3,159)
Other	-	-	-	(159)	-	-	87	(72)
Depreciation and impairment losses as at 31 December 2016	**-**	**7,632**	**231,040**	**674,767**	**5,371**	**152,717**	**3,232**	**1,074,759**
Carrying amounts								
As at 1 January 2016	25,480	17,008	317,474	207,763	2,334	68,258	31,372	669,689
As at 31 December 2016	25,480	5,970	308,364	190,069	2,706	58,327	36,594	627,510

(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 1 January 2015	**18,195**	**34,440**	**527,639**	**841,618**	**8,515**	**208,072**	**36,212**	**1,674,691**
Additions	7,320	-	24,016	32,941	982	9,652	104,076	178,987
Acquisitions	-	-	1,311	11,019	695	414	102,103	115,542
Transfer from assets under construction	1,131	-	22,493	21,783	287	9,211	-	54,905
Acquisitions through business combinations	-	-	158	119	-	-	-	277
Reclassifications	6,189	-	3	20	-	-	-	6,212
Other	-	-	51	-	-	27	1,973	2,051
Disposals	(35)	(6,622)	(9,137)	(28,131)	(863)	(6,504)	(106,391)	(157,683)
Sale	-	-	(4,396)	(1,209)	(736)	(11)	(34,761)	(41,113)
Liquidation	-	-	(4,721)	(26,922)	(127)	(6,493)	(939)	(39,202)
Reclassifications	(3)	(6,622)	(20)	-	-	-	-	(6,645)
Transfer from assets under construction	-	-	-	-	-	-	(70,014)	(70,014)
Other	(32)	-	-	-	-	-	(677)	(709)
Cost as at 31 December 2015	**25,480**	**27,818**	**542,518**	**846,428**	**8,634**	**211,220**	**33,897**	**1,695,995**

(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 1 January 2015	**-**	**10,984**	**214,205**	**621,344**	**6,309**	**133,918**	**1,520**	**988,280**
Depreciation charge for the period	-	258	19,298	45,044	783	13,043	-	78,426
Impairment losses	-	-	44	250	-	673	1,222	2,189
Reversal of impairment losses	-	-	-	-	-	-	(24)	(24)
Sale	-	-	(4,308)	(1,187)	(665)	(3)	-	(6,163)
Liquidation	-	-	(4,190)	(26,789)	(127)	(4,670)	(193)	(35,969)
Reclassifications	-	(432)	(5)	3	-	1	-	(433)
Depreciation and impairment losses as at 31 December 2015	**-**	**10,810**	**225,044**	**638,665**	**6,300**	**142,962**	**2,525**	**1,026,306**
Carrying amounts								
As at 1 January 2015	18,195	23,456	313,434	220,274	2,206	74,154	34,692	686,411
As at 31 December 2015	25,480	17,008	317,474	207,763	2,334	68,258	31,372	669,689

Depreciation of property, plant and equipment 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.

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4. PROPERTY, PLANT AND EQUIPMENT – CONT.

a) Collateral for the credit line

The following property, plant and equipment are pledged as security for loan facility concerning Agora S.A. and bank loans and finance lease agreements concerning Helios S.A. (described in note 14):

No.	Assets	Net book value at 31 December 2016
1	Perpetual usufruct	4,340
2	Land	10,496
3	Buildings	137,648
4	Plant, machinery and equipment	56,038
5	Vehicles	425
6	Other fixed assets	17,267
	Total	226,214

b) Plant and equipment used on the basis of finance lease agreements.

The balance sheet value as at December 31, 2016 of property, plant and equipment used on the basis of finance lease agreements are shown in the table below:

	31 December 2016	31 December 2015
Plant, machinery and equipment	46,583	55,316
Vehicles	520	472
Other	15,992	18,161
Property, plant and equipment used on the basis of finance lease agreements	**63,095**	**73,949**
Property, plant and equipment purchased under finance lease agreements during the year	13,923	23,922

The information on the conditions and terms of finance lease agreements are shown in note 14 to the consolidated financial statements.

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

As at 31 December 2016, non-current assets with the carrying amount of PLN 10,682 thousand were presented as held for sale and comprised perpetual usufruct rights to plot of land located at the Czerniakowska Street in Warsaw. In the segment information provided in note 21 those assets are presented within reconciling positions.

As at 31 December 2016, the actions to sell the assets have already been initiated and a sale is expected to be completed within the period shorter than 12 months from the balance sheet date. The Management Board estimates that the fair value less costs to sell of those assets is higher than their carrying amount.

On December 16, 2016 the Company signed a preliminary agreement for the sale of perpetual usufruct rights to an undeveloped plot of land with a total area of 6,270 square meters located at the Czerniakowska Street 85/87, Warsaw ("the Preliminary Agreement"). The Preliminary Agreement requires the Company to conclude the promised conditional agreement of sale of the property by October 31, 2017 ("the Conditional Agreement"). The Conditional Agreement shall be commercial in nature with binding effects, concluded under the condition that the Mayor of

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Warsaw shall not execute the pre-emption right to the property ("the Condition"). In the case of fulfillment of the Condition, an agreement transferring the rights to the property shall be concluded by the Company. The Preliminary Agreement established a parties' contractual right to withdraw from the agreement in cases referred to in the Preliminary Agreement (including the buyers' right to withdraw from the agreement in the event of changes in the legal or factual state of the property). The net selling price of the property amounts to PLN 19,000 thousand, and the positive influence of this transaction on the Company's and Agora Group's operating result in 2017 shall amount to ca. PLN 8,318 thousand.

d) Sale of property in Lodz

On October 27, 2016 Agora S.A. has entered into a conditional agreement with the sale of the right of perpetual usufruct of two properties of total area of ca. 4.2 thou. square meters located in Lodz, together with the ownership of the buildings erected on one of them, including a historic office building with covered area of ca. 1 thou. square meters (referred to collectively as "the Property"). The agreement was concluded under the condition that the Mayor of Lodz shall not exercise the right of first refusal to the Property vested in the Municipality of the City of Lodz.

The decision to sell the Property stems from the fact that the Company does not utilize effectively the entire Property for its operations. The Company believes that the optimal solution shall be to lease office space adapted to the current scale of operations of the Company in Lodz. Along with the conditional sale agreement, a conditional agreement was settled to lease office space, under which Agora will lease from the buyer office space located in the Property for the period of 5 years.

On December 2, 2016 the Company obtained information that the Mayor of Lodz will not exercise the pre-emotive right to the Property vested in the Municipality of the City of Lodz and consequently, on December 8, 2016 the agreement concerning transfer of the rights to the Property was executed.

The net selling price of the Property amounted to PLN 9,700 thousand and its impact on the other operating income of the Company and Agora Group from gains on disposal of non-financial non-current assets for the fourth quarter of 2016 amounted to PLN 5,991 thousand.

e) Contractual investment commitments

Contractual investment commitments are disclosed in note 36.

5. INVESTMENTS

Investments include primarily shares and loans granted to the unconsolidated companies.

	2016	2015
Balance as at beginning of the period	**98**	**123**
Shares	83	83
Loans granted	15	40
Additions	**-**	**-**
Disposals	**(15)**	**(25)**
Loans granted	(15)	(25)
- reclassifications	(15)	(25)
Balance as at end of the period	**83**	**98**
Shares	83	83
Loans granted	-	15

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6. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Investments in associates and joint ventures accounted for using the equity method.

	2016 r.	2015
Investments in associates	930	12 427
Investments in joint ventures	20 487	7 511
Total investments in equity accounted investees	**21 417**	**19 938**

	2016 r.	2015
Balance as at beginning of the period	**19 938**	**16 403**
Additions	14 604	4 407
Initial recognition of shares in a company (nota 33)	14 604	-
Share capital increase	-	4 407
Disposals	(13 125)	(872)
Share in net losses	(1 469)	(872)
Remeasurement of shares at the acqusition date (note 33)	(5 536)	-
Reclassification to subsidiares at the acqusition date (nota 33)	(5 760)	-
Dividends received	(360)	-
Balance as at end of the period	**21 417**	**19 938**

Summarised financial information about associates and joint-ventures is presented in note 39.

7. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	31 December 2016	31 December 2015
Prepayments and accrued income	2,238	2,166
Other	12,049	12,013
Total accounts receivable and prepayments, gross	**14,287**	**14,179**

As at 31 December 2016 the Group had a deposit receivable of PLN 21.6 million (2015: PLN 29.6 million) resulting from a cash deposit provided by subsidiary AMS S.A. as a cash collateral securing the bank guarantees issued in relation to the concession contract for construction and utilization of bus shelters in Warsaw). As at 31 December 2016, part of the deposit receivable in the amount of PLN 10.8 million (2015: PLN 10.8 million) is presented within long-term receivables.

8. INVENTORIES

	31 December 2016	31 December 2015
Raw materials and consumables	25,345	24,538
Work in progress	288	-
Finished goods	4,422	1,715
Goods for resale	3,774	2,778
	33,829	**29,031**
Impairment losses recognised	8,591	8,135
Total inventories, gross	**42,420**	**37,166**

Finished goods and work in progres comprises costs related to production of own movies.

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The cost of inventories recognised as an expense amounted to PLN 191,300 thousand (2015: PLN 202,800 thousand) and is presented in "cost of sales" in the income statement.

Impairment losses and reversals of impairment losses are recognised in "cost of sales" in the income statement (in 2016 net loss in the amount of PLN 1,448 thousand, in 2015 net loss in the amount of PLN 1,135 thousand).

9. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	31 December 2016	31 December 2015
Trade receivables (net of impairment losses)	184,760	201,622
Taxes, social security and similar	10,821	23,982
Prepayments and accrued income	9,083	8,589
Other	49,690	47,523
	254,354	**281,716**
Impairment losses recognised	16,711	18,499
Total accounts receivable and prepayments, gross	**271,065**	**300,215**

Other receivables include mainly loans granted to employees from the Group's social fund of PLN 17,058 thousand (31 December 2015: PLN 19,629 thousand). Loans are granted for periods up to 10 years and are repayable in monthly instalments. Loans granted bear a fixed interest rate no greater than 2%. Other receivables also include the current part of the cash deposit provided by subsidiary AMS S.A. described in note 7.

Accounts receivable include receivables from related parties – details are presented in note 40.

Trade receivables are non-interest bearing and payment terms vary usually from 7 to 30 days.

Impairment losses are recognised in "other operating expenses" in the income statement. Reversals of impairment losses are recognised in "other operating income" in the income statement.

Ageing of trade receivables - net

	31 December 2016	31 December 2015
Current receivables	116,783	134,618
Overdue receivables within 1 month	48,587	46,317
Overdue receivables between 1 and 3 months	16,421	15,193
Overdue receivables between 3 and 6 months	1,468	2,060
Overdue receivables between 6 months and 1 year	1,061	1,519
Overdue receivables more than 1 year	440	1,915
	184,760	**201,622**

Impairment losses on accounts receivable

	2016	2015
Balance as at beginning of the period	**18,499**	**22,865**
Additions	4,457	6,039
Reversals	(1,407)	(5,093)
Used impairment losses	(4,838)	(5,312)
Balance as at end of the period	**16,711**	**18,499**

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10. SHORT-TERM SECURITIES AND OTHER FINANCIAL ASSETS

	31 December 2016	31 December 2015
Certificates in investment funds	73,989	85,771
Loans granted	6,043	9,410
Other	-	10,645
	80,032	**105,826**

The loans granted concern mainly transactions with related parties according to the information presented in note 40.

Other financial assets relate to the amount of cash paid by the Company in connection with the subscriptions for shares of Stopklatka S.A. and was returned to the Company on January 21, 2016.

11. CASH AND CASH EQUIVALENTS

	31 December 2016	31 December 2015
Cash at bank and in hand	25,417	23,171
Short-term bank deposits	24,578	5,024
Other	202	2,968
	50,197	**31,163**

Included in cash and cash equivalents is cash in the amount of PLN 9,458 thousand representing cash held on behalf of the Group's social fund (31 December 2015: PLN 9,787 thousand).

12. SHARE CAPITAL

Registered share capital as at 31 December, 2016

Series	Type of shares	Type of preference	Amount of shares	Par value	Origin of capital
A	preference	voting	4,281,600	4,282	conversion
BiD	ordinary	none	43,383,826	43,383	conversion, share issue
			47,665,426	**47,665**	

The nominal value of each share amounts to PLN 1.

Each Registered A share carries five votes at general meetings.

All issued shares are fully paid.

The restatement of equity due to hyperinflation

According to IAS 29 "Financial Reporting in Hyperinflationary Economies", the Polish economy was regarded as hyperinflationary up to 1996.

IAS 29 requires the share capital of the Company to be restated by applying the general price index.

Retrospective application of IAS 29 with regard to equity would result in an increase of share capital of the Company with corresponding decrease of retained earnings by the same amount.

Consequently, the restatement of share capital due to hyperinflation does not affect the value of equity of the Company, only the structure of the equity is affected.

Polish regulations, commercial code in particular, do not rule the way how this type of adjustment should be carried out (especially adjustments to equity of companies).

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Consequently, due to lack of impact on equity of the Company following the hyperinflationary adjustment and lack of regulations in polish law, the Company did not post any adjustment to equity as a consequence of IAS 29 application.

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 23, 2016, the net profit of Agora S.A. for the financial year 2015 in the amount of PLN 13,722 thousand was distributed in the form of dividend in the total amount of PLN 35,749 thousand (the additional amount was distributed from the reserve capital). The dividend amounted to PLN 0.75 per share. Shareholders of record on 14 July 2016 were eligible to participate in the dividend payment. The dividend payment was made on August 2, 2016.

14. LONG-TERM AND SHORT-TERM BORROWINGS

	31 December 2016	31 December 2015
Long term bank loans	41,731	26,777
Finance lease liabilities	30,200	34,073
Total long term borrowings	**71,931**	**60,850**
Short term bank loans	22,556	29,634
Finance lease liabilities	16,432	17,160
Total short term borrowings	**38,988**	**46,794**

Bank loans

Debt repayment schedule:

	31 December 2016	31 December 2015
More than 1 and less than 3 years	34,939	17,218
Between 3 and 5 years	6,792	9,559
Total	**41,731**	**26,777**

On the basis of the Annex no. 2 to the multi - purpose credit line agreement signed on 24 May 2016 with Bank Polska Kasa Opieki S.A., Agora S.A. was provided with a time credit of up to PLN 100,000 thousand, which may be used by 31 May 2017 and with a credit facility in the current account of up to PLN 35,000 thousand, which may be used by 31 May 2017. As at 31 December 2016, the amount of the time credit is diminished by the non-renewable tranche used in May 2016 in the amount of PLN 25,000 thousand, which will be paid up in 13 equal installments from June 30, 2017 till June 30, 2020.

As at 31 December 2016, the Company had outstanding debt related to the time credit used in the amount of PLN 25,000 thousand (including PLN 19,231 thousand presented in non-current liabilities). Moreover, the company AMS S.A. had outstanding debt within its current account facility in the amount of PLN 4,475 thousand.

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As at 31 December 2016, external debt of the Helios S.A. including bank loans and finance lease liabilities amounted to PLN 81,349 thousand. This amount consisted of:

- bank loans in the amount of PLN 34,812 thousand (including PLN 22,500 thousand presented in non-current part);
- finance lease liabilities in the amount of PLN 46,537 thousand (including PLN 30,125 thousand presented in non-current part) - connected mainly with finance leasing of the cinema equipment and cars.

Finance lease liabilities

	31 December 2016	31 December 2015
Future minimum lease payments	50,871	56,007
Future finance charges	(4,239)	(4,774)
Present value of finance lease liabilities, total	**46,632**	**51,233**

Present value of finance lease liabilities by payment period

	31 December 2016	31 December 2015
Within 1 year	16,432	17,160
Between 1 and 5 years	28,182	30,409
More than 5 years	2,018	3,664
Present value of finance lease liabilities, total	**46,632**	**51,233**

Future minimum lease payments by payment period

	31 December 2016	31 December 2015
Within 1 year	18,198	19,262
Between 1 and 5 years	30,607	32,999
More than 5 years	2,066	3,746
Future minimum lease payments, total	**50,871**	**56,007**

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Creditor	Amount of agreement		Outstanding				Interest	Repayment schedule according to agreement	Collaterals	Other
	31 December 2016	31 December 2015	31 December 2016		31 December 2015					
			Long term	Short term	Long term	Short term				
Credits										
Bank Pekao S.A.	135,000	135,000	19,231	5,769	-	17,878	WIBOR 1 M or 3 M + bank margin	time credit - ready to use: if used - quarterly 13 instalments from June 30, 2017 to June 30, 2020; credit facility in the current account which may be used by May 31, 2017.	mortgages on propertis in Warsaw (including perpetual usufruct and buildings located on them), pledge on insurance policies, pledges on Company's bank accounts	credit line granted to Agora S.A. (divided into parts: time credit ready to use and credit facility in the current account)
Bank Zachodni WBK S.A.	26,220	26,220	8,258	5,670	13,865	5,686	1M WIBOR + bank margin	monthly installments until May 7, 2020	mortgage on property in Białystok, Radom, Sosnowiec and Opole, registered pledge on cinema equipment, pledge on insurance policy, blank promissory note, subordinated loan from Agora S.A.	investment credit granted to Helios S.A.
Raiffeisen Bank Polska S.A.	64,200	15,952	13,931	6,233	12,238	5,446	1M WIBOR + bank margin	monthly installments until October 29, 2021	registered pledge on cinema equipment, pledge on insurance policy, Bank`s right to settle liabilites arising from loan agreement against current account, blank promissory note with promissory note declaration, pledge on current account and other bank accounts managed by the Bank, mortgage on property in Opole, Białystok, Sosnowiec and Radom, pledge on insurance policy, plegde on receivables from a contract on the basis of the agreement between the Bank and the Borrower	investment credit granted to Helios S.A.

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Creditor	Amount of agreement		Outstanding				Interest	Repayment schedule according to agreement	Collaterals	Other
	31 December 2016	31 December 2015	31 December 2016		31 December 2015					
			Long term	Short term	Long term	Short term				
Raiffeisen Bank Polska S.A.	1,500	31,920	310	103	414	103	1M WIBOR + bank margin	monthly installments until December 31, 2020	registered pledge on cinema equipment, pledge on insurance policy, Bank`s right to settle liabilites arising from loan agreement against current account, blank promissory note with promissory note declaration, mortgage on property in Opole	revolving credit granted to Helios S.A.
Alior Bank S.A.	1,952	1,952	-	305	260	521	1M WIBOR + bank margin	monthly installments until June 30, 2017	pledge on current account, mortgage on property in Radom	investment credit granted to Helios S.A.
mBank SA	8,000	-	-	4,475	-	-	WIBOR ON+ bank margin	credit facility in the current accoun until November 28, 2017	a statement on voluntary submission to enforcement	credit facility in the current account AMS S.A.
Finance lease liabilities										
RCI Leasing Polska Sp. z o.o.	110	-	75	20	-	-	lessors margin	repayment in installments till 2021	blank promissory note, leased equipment (cars)	lease agreement signed by Agora S.A.
BZ WBK LEASING S.A.	10,267	12,148	3,399	1,654	5,053	1,729	1M WIBOR + lessor`s margin	Final repayment in installments till 2019	blank promissory note, leased equipment (projectors 3D, cinema and bar equipment)	lease agreement signed by Helios S.A.
mLeasing Sp. z o.o.	2,233	2,407	-	282	282	498	1M WIBOR + lessor`s margin	Final repayment in installments till 2017	blank promissory note, leased equipment (cars and cinema equipment)	lease agreement signed by Helios S.A.
Europejski Fundusz Leasingowy S.A.	22,088	22,120	346	5,078	5,425	4,522	1M WIBOR + lessor`s margin	Final repayment in installments till 2018	blank promissory note, leased equipment (cinema and bar equipment)	lease agreement signed by Helios S.A.
SG Equipment Leasing Polska Sp. z o.o.	452	452	174	74	255	71	1M WIBOR + lessor`s margin	Final repayment in installments till 2020	blank promissory note, leased equipment (cinema equipment in Legnica), gurantee deposit equal to 10% of financing amount	lease agreement signed by Helios S.A.
XDC ALPHA S.A.	-	7,571	-	-	-	3,451	1M WIBOR + lessor`s margin	Final repayment in installments till 2016	leased equipment - projectors 3D	lease agreement signed by Helios S.A.

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

Creditor	Amount of agreement		Outstanding				Interest	Repayment schedule according to agreement	Collaterals	Other
	31 December 2016	31 December 2015	31 December 2016		31 December 2015					
			Long term	Short term	Long term	Short term				
BZ WBK Lease S.A.	39,305	32,837	20,030	6,232	18,550	4,655	1M WIBOR + lessor`s margin	Final repayment in installments till 2023	blank promissory note, leased equipment (projectors, cinema equipment, cars)	lease agreement signed by Helios S.A.
Santander Consumer Multirent	-	114	-	-	-	24	1M WIBOR + lessor`s margin	Final repayment in installments till 2016	blank promissory note, cars	lease agreement signed by Helios S.A.
ING Lease Sp. z o.o.	11,184	11,062	1,819	2,172	3,879	2,039	1M WIBOR + lessor`s margin	Final repayment in installments till 2021	blank promissory note, leased equipment (projectors, cinema equipment)	lease agreement signed by Helios S.A.
Raiffeisen Leasing Polska S.A.	6,343	1,011	4,356	921	629	171	1M WIBOR + lessor`s margin	Final repayment in installments till 2022	blank promissory note, leased equipment (cinema and bar equipment)	lease agreement signed by Helios S.A.

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

15. DEFERRED INCOME TAXES

Deferred income taxes are calculated using a rate of 19% (2015: 19%).

Deferred tax assets

	As at 1 January 2016	Recognised in the income statement	Recognised in other comprehensive income	Related to acquisition of a subsidiary (note 33)	Related to disposal of a subsidiary (note 33)	As at 31 December 2016
Accruals	16,563	(883)	-	-	(15)	15,665
Financial assets and liabilities	124	(79)	-	-	-	45
F/X differences	32	(21)	-	-	(11)	-
Interests liabilities	270	(140)	-	-	(64)	66
Deferred revenues	9,432	1,821	-	-	-	11,253
Provisions	792	1,039	1	-	-	1,832
Accelerated depreciation and amortisation	2,061	(208)	-	-	-	1,853
Impairment losses for inventories	1,562	177	-	-	-	1,739
Impairment losses for accounts receivable	880	17	-	-	-	897
Tax losses	16	976	-	-	(644)	348
Other	-	2	-	-	-	2
	31,732	2,701	1	-	(734)	33,700

Deferred tax liabilities

	As at 1 January 2016	Recognised in the income statement	Recognised in other comprehensive income	Related to acquisition of a subsidiary (note 33)	Related to disposal of a subsidiary (note 33)	As at 31 December 2016
Accelerated depreciation and amortisation	39,932	(4,057)	-	3,561	(270)	39,166
Financial assets and liabilities	199	1,210	-	-	-	1,409
F/x differences	2	10	-	-	(1)	11
Interest receivables	(65)	157	-	-	(1)	91
Finance leases	3,444	(305)	-	-	-	3,139
Other	359	(81)	-	-	-	278
	43,871	(3,066)	-	3,561	(272)	44,094

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

Deferred tax asset

	As at 1 January 2015	Recognised in the income statement	Recognised in other comprehensive income	Related to acquisition of a subsidiary	Related to disposal of a subsidiary	As at 31 December 2015
Accruals	**12,787**	3,776	-	-	-	**16,563**
Financial assets and liabilities	**-**	124	-	-	-	**124**
F/X differences	**42**	(10)	-	-	-	**32**
Interests liabilities	**263**	7	-	-	-	**270**
Deferred revenues	**10,142**	(710)	-	-	-	**9,432**
Provisions	**654**	193	(55)	-	-	**792**
Accelerated depreciation and amortisation	**249**	1,812	-	-	-	**2,061**
Impairment losses for inventories	**1,476**	86	-	-	-	**1,562**
Impairment losses for accounts receivable	**1,526**	(646)	-	-	-	**880**
Tax losses	**277**	(261)	-	-	-	**16**
Finance leases	**950**	(950)	-	-	-	**-**
Other	**373**	(373)	-	-	-	**-**
	28,739	**3,048**	**(55)**	**-**	**-**	**31,732**

Deferred tax liabilities

Accelerated depreciation and amortisation	**49,859**	(9,927)	-	-	-	**39,932**
Financial assets and liabilities	**180**	19	-	-	-	**199**
F/x differences	**37**	(35)	-	-	-	**2**
Interests liabilities	**18**	(83)	-	-	-	**(65)**
Finance leases	**3,099**	345	-	-	-	**3,444**
Other	**298**	61	-	-	-	**359**
	53,491	**(9,620)**	**-**	**-**	**-**	**43,871**

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

Deferred tax assets and liabilities	Before offsetting	Offsetting	31 December 2016 Carrying amount
Assets	33,700	(20,326)	13,374
Liabilities	44,094	(20,326)	23,768

Deferred tax assets and liabilities	Before offsetting	Offsetting	31 December 2015 Carrying amount
Assets	31,732	(21,344)	10,388
Liabilities	43,871	(21,344)	22,527

Unrecognised tax assets

Due to uncertainty about the availability of future tax profits within the next five years the Group did not recognise certain deferred tax assets concerning some tax losses.

The amounts of unused tax losses available together with expiry dates for which a deferred tax asset has not been recognised are shown in the table below:

	31 December 2016	31 December 2015	Expiry date
Unused tax losses	71,619	25,092	up to 2021
Other deductible temporary differences	8	16	unlimited

16. OTHER FINANCIAL LIABILITIES

	2016	2015
Long term		
Put option liabilities	24,707	16,575
	24,707	**16,575**
Short term		
Contingent payment liability	-	4,304
Cash pooling liabilities	9,818	-
	9,818	**4,304**

Put option liabilities concern the estimated redemption amount of the put options granted to non-controlling shareholders.

As at December 31, 2016, its value amounted to:
- for non-controlling shareholders of Helios S.A. PLN 23,195 thousand (31 December 2015: PLN 16,554 thousand),
- for non-controlling shareholders of Goldenline Sp. z o.o PLN 1, 512 thousand (31 December 2015: did not exist),
- for non-controlling shareholders of Sir Local Sp. z o.o. measured at zero PLN (31 December 2015: PLN 21 thousand).

As at December 31,2016 other short - term financial liabilities in the amount of PLN 9,818 thousand include liabilities to Agora S.A. jointly controlled entity – Green Content Sp. z o.o., resulting from settlements related to the cash pooling system, which functions within Agora Group since December 5, 2014.

As at December 31,2015 other short - term financial liabilities include also the contingent payment liability to a non-controlling shareholder of Helios S.A. in the amount of PLN 4,304 thousand, which was settled on August 3, 2016.

17. RETIREMENT SEVERANCE PROVISION

According to the Polish employment regulations, employees have the right to retirement severances payments. The amount provided as at 31 December 2016 amounted to PLN 2,973 thousand (31 December 2015: PLN 2,649 thousand), including longterm retirement severance provision of PLN 2,745 thousand (31 December 2015: PLN 2,451 thousand).

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

18. PROVISIONS

	Provision for restructuring	Provision for penalties, interests and similar	Provision for onerous contracts	Provision for legal claims	Other	Total
As at 1 January 2016	**-**	**1,327**	**1,159**	**362**	**194**	**3,042**
Additions	6,906	-	-	146	-	7,052
Provisions made in the period	6,906	-	-	146	-	7,052
Disposals	(1,176)	-	(232)	(354)	(95)	(1,857)
Unused provisions reversed	-	-	(232)	(272)	(95)	(599)
Provisions used during the period	(1,176)	-	-	(82)	-	(1,258)
As at 31 December 2016	**5,730**	**1,327**	**927**	**154**	**99**	**8,237**
Long term	**-**	**-**	**696**	**-**	**-**	**696**
Short term	**5,730**	**1,327**	**231**	**154**	**99**	**7,541**

(i) Provision for restructuring

On October 4, 2016, the Management Board of Agora S.A.: (i) adopted a resolution concerning initiation of the consultation on group layoffs with the trade unions operating at Agora S.A. and the Company's works council, (ii) requested the trade unions operating at the Company and the Company's works council to join in the consultation on collective redundancy process, (iii) provided the relevant Labor Office with information on the intention to execute group layoffs in the Company.

On October 11, 2016, Agora S.A concluded a trilateral agreement ("Agreement") with trade unions operating at Agora S.A. (the Agreement fulfills the provisions of article 3, Section 1 of the Act of March 13th, 2003 on Special Rules for Termination of Employment for Reasons Not Attributable to Employees) and with works council in the Company (which constitutes an agreement in accordance with the Act of April 7th, 2006 on informing and consulting employees) and the Management Board of the Company adopted a resolution regarding execution of the group layoffs in accordance with the provisions of the Agreement.

On December 6, 2016 the Management Board of Agora S.A. adopted a resolution to launch consultation procedure regarding increase in the number of people included in group layoffs in Agora S.A. In accordance with the Agreement, the reduction of employment in the Company would involve no more than 135 people and was to be carried till December 31, 2016. The intention of the Management Board of Agora SA was to increase the number of people covered by group layoffs from 135 to ca. 190 employees in Agora SA (9.6% of employees in the Company as on December 6,2016).

On December 12, 2016 the Company concluded an annex to the Agreement ("the Annex") and the Management Board of the Company adopted resolutions:

– approving the Annex and execution of the group layoffs in accordance with the provisions of the Agreement,
– granting consent to sign by the Company of a letter of intent with Organizacja Międzyzakładowa NSZZ "Solidarnosc" Agora S.A. i Inforadio Sp. z o.o. regarding intention to work out by the parties of the rules regarding voluntary redundancy in "Gazeta Wyborcza" in the event that reduction of employment in "Gazeta Wyborcza" in 2017 is needed.

In accordance with the Annex, the number of people affected by group layoffs grew from ca. 135 to not more than 190. The Company, in accordance with the law requirements, submitted the relevant documentation, together with the Annex, to a relevant Labor Office.

In accordance with the Agreement, the laid-off employees are provided by the Company with a wider range of supportive measures than it is required by the law. The redundancy payment provided for in the law regulations will be increased by an additional indemnity in the amount equal to one additional monthly salary. The laid-off employees shall be supported by additional protective measures provided by the Company inter alia, help in searching for new job or reskilling.

Management Board of Agora S.A., in the process of transformation, made a decision of ceasing the publication of the free daily newspaper "Metrocafe.pl" on 14 October 2016. The reason for taking the restructuring measures, is ongoing market recession visible in press advertising expenditure and negative forecasts of its further development. The Company's Management Board decided to focus on the development of "Gazeta Wyborcza", particularly its further development in digitization and support of the development of paid subscriptions.

The total cost of the provision set up in relation to the reduction of employment amounted to PLN 6,906 thousand and burdened the Company's and Group's operating results in the fourth quarter of 2016.

As at 31 December 2016, the total provision outstanding for usage amounted to PLN 5,730 thousand.

(ii) Provision for penalties, interests and similar

Provision for penalties, interests and similar includes mainly penalties for putting advertising panels on the waysides by the companies of the AMS group.

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

(iii) Provision for onerous contracts

Provision for onerous contracts was recognised by the subsidiary Helios S.A. based on the analysis of the settlement of a long-term operating lease contract concerning one of the cinema locations within the Helios network.

(iv) Provision for legal claims

The Group is a defendant in court cases. As at 31 December 2016 the Group evaluated the risk of loss and payment of indemnities in those cases. The amount of indemnities was determined based on consultation with Group's lawyers taking into account the present status of those cases and information available. Additionally, the companies of the Group are a party of legal disputes in the amount of PLN 3,080 thousand (as at December 31, 2015: PLN 2,573 thousand), in cases when the Management Board estimates the probability of loss for less than 50%. Such disputes are contingent liabilities.

19. NON-CURRENT AND CURRENT DEFERRED REVENUES AND ACCRUALS

	31 December 2016	31 December 2015
Non-current		
Deferred revenues	**1,517**	**184**
- grants for financing property, plant and equipment	18	-
- other	1,499	184
Other non-current liabilities	**3,025**	**15,075**
- related to purchase of non-current assets (1)	1,624	14,064
- other	1,401	1,011
	4,542	**15,259**
Current		
Accruals	**74,157**	**84,125**
- holiday leave pay provision	9,747	9,919
- employee incentive plan	9,761	12,162
- accrual for Incentive Plans (note 27)	1,457	2,899
- payroll accrual	9,269	8,954
- accrual for costs	43,923	49,839
- related to purchase of non-current assets	-	352
Deferred revenues	**17,948**	**8,442**
- grants for financing property, plant and equipment	103	70
- prepayments for advertising services and subscription	7,126	3,503
- sale of coupons to cinemas	4,997	3,569
- court costs to be recovered	553	700
- other (2)	5,169	600
	92,105	**92,567**

(1) As at 31 December 2015 other non-current liabilities related to purchase of non-current assets include mainly the long-term part of the liability resulting from the license received by Green Content Sp. z o.o. in the amount of PLN 12,190 thousand.

(2) As at 31 December 2016 The amount included prepayment related to sale of perpetual usufruct rights to an undeveloped plot of land located at the Czerniakowska Street in Warsaw in the amount of PLN 2,500 thousand.

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

20. TRADE AND OTHER PAYABLES

	31 December 2015	31 December 2014
Trade payables	93,611	100,009
Other taxes and social security	26,249	23,018
Other	14,197	13,131
Special Fund	26,824	29,840
	160,881	**165,998**

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

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

Accounts payable include payables to related parties – details are presented in note 40.

21. SALES AND OPERATING SEGMENT INFORMATION

(a) Operating segment information

In these consolidated financial statements, in accordance with IFRS 8 *Operating segments,* information on operating segments are presented on the basis of components of the Group that management monitors in making decisions about operating matters. Operating segments are components of the Group, about which separate financial information is available, that is evaluated regularly by the chief operating decision maker in the process of decision making regarding allocation of resources and assessing the performance of the Group.

For management purposes, the Group is organized into business units based on their products and services.

The Group activities are divided into six reportable operating segments as follows:

1) the *Press* segment includes the Group's following activities: publishing of dailies: *Gazeta Wyborcza* and *Metrocafe.pl* (until mid-October 2016) as well as publishing of the magazines within Agora's Magazine Department and Free Press division,

2) the *Movies and Books* segment includes the Group's activities within the cinema management of Helios S.A., film distribution activities of Next Film Sp. z o.o. as well as activities of Agora`s Special Projects Department (including book collections and film production),

3) the *Outdoor* segment includes the activities within the AMS Group, which provides advertising services on different forms of outdoor advertising panels,

4) the *Internet* segment includes the following Group's activities: the Internet and multi-media products and services within the Agora's Internet department, Trader.com (Polska) Sp. z o.o., Yieldbird Sp. z o.o. (previously AdTaily Sp. z o.o.), Sport4People Sp. z o.o., Sir Local Sp. z o.o., GoldenLine Sp. z o.o. and Optimizers Sp. z o.o.;

5) the *Radio* segment includes the Group's activities within local radio stations, super-regional *TOK FM* radio and Agora's Radio Department,

6) the *Print* segment includes the Group's activities related to printing services within the Agora's Printing Department and Agora Poligrafia Sp. z o.o.

Accounting policies for operating segments are the same as followed by the Agora Group, besides some issues described below.

Data within each reportable segment are consolidated pro-forma. The Management Board monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Press segment operating costs associated with the production of the Group's own titles are settled on the basis of allocation of direct and indirect costs associated with their production from the Print segment. Segment performance is evaluated based on operating profit or loss.

Operating results of reportable segments do not include:

a) revenues and total cost of cross-promotion of Agora's different media if such promotion is executed without prior reservation between segments of the Agora Group; the direct variable cost of campaigns carried out on advertising panels is the only cost that is included above; it is allocated from the *Outdoor* segment to other segments,
b) amortisation recognised on consolidation (described below).

Group financing (including finance costs and finance revenue) and income tax are managed on a Group level and are not allocated to operating segments. Transfer prices between operating segments are set on the market basis in the manner similar to transactions with third parties.

Reconciling positions show data not included in particular segments, inter alia: operating costs and the result on other operating activities of Agora's support divisions (centralized IT, administrative, HR functions, etc.), the Management Board and Agora TC Sp. z o.o., as well as activity of Green Content Sp. z o.o. (untill November 30, 2016), intercompany eliminations and other matching adjustments, which reconcile the data presented in the management reports to the consolidated financials of the Agora Group. In case of equity accounted investees, the reconciling positions include the investment in Stopklatka S.A. and in Green Content Sp. z o.o. (since December 1, 2016).

Operating depreciation and amortisation includes amortisation of intangible assets and fixed assets of each segment. Amortisation recognised on consolidation can be defined as consolidation adjustments, inter alia: the amortisation of intangible assets and adjustments to property, plant and equipment recognised directly on consolidation.

Impairment losses and reversals of impairment losses show impairment losses and their reversals presented in other operating expenses and income.

Amount of investment in associates and joint ventures accounted for by the equity method include the amount of acquired shares adjusted by the Group`s share of net results of those entities accounted for by the equity method. The financials presented for twelve months ended 31 December 2016 and 31 December 2015 relate to Online Technologies HR Sp. z o.o, Instytut Badan Outdooru Sp. z o.o., Stopklatka S.A., GoldenLine Sp. z o.o. (in 2015), Hash.fm Sp. z o.o. and Green Content Sp. z o.o. (from 1 December 2016).

Capital expenditure consists of additions based on the invoices booked in the reported period connected to purchases of intangible and fixed assets. In case of Movies and Books segment capital expenditure do not include outlays related to the cinema fit-out works to the extent in which those outlays are reimbursed by the owners of the premises, in which those cinemas are located.

The Agora Group does not present geographical reporting segments, because its business activities are carried out mainly in Poland.

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

(a) Operating segment information, continued

	Twelve months ended 31 December 2016							
	Press	Movies and books	Outdoor	Internet	Radio	Print	Reconciling positions	Total
Revenues from external customers	256,693	345,992	165,856	161,844	107,975	153,910	6,162	1,198,432
Intersegment revenues (2)	11,202	17,986	2,182	6,040	5,436	1,598	(44,444)	-
Total revenues	**267,895**	**363,978**	**168,038**	**167,884**	**113,411**	**155,508**	**(38,282)**	**1,198,432**
Total operating cost (1), (2), (3)	**(270,738)**	**(337,012)**	**(143,097)**	**(144,902)**	**(100,625)**	**(163,186)**	**(22,190)**	**(1,181,750)**
Operating profit / (loss) (1)	**(2,843)**	**26,966**	**24,941**	**22,982**	**12,786**	**(7,678)**	**(60,472)**	**16,682**
Net finance income and cost							(15,018)	(15,018)
Share of results of equity accounted investees (3)	-	-	-	232	-	-	(1,701)	(1,469)
Income tax							(13,379)	(13,379)
Net loss								**(13,184)**

(1) segments do not include amortisation recognised on consolidation, which is presented in reconciling positions;

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

(3) reconciling positions show data not included in particular segments, inter alia: other cost and the result on other operating activities of Agora's support divisions (centralized IT, administrative, HR functions, etc.), the Management Board and Agora TC Sp. z o.o. (PLN 81,653 thousand), as well as activity of Green Content Sp. z o.o. (till November 30,2016), intercompany eliminations and other matching adjustments which reconcile the data presented in the management reports to the consolidated financials of the Agora Group. In case of equity accounted investees, the reconciling positions include the investment in Stopklatka S.A. and in Green Content Sp. z o.o. (since December 1, 2016).

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

(a) Operating segment information, continued

	Twelve months ended 31 December 2016							
	Press	**Movies and books (3)**	**Outdoor**	**Internet**	**Radio**	**Print**	**Reconciling positions**	**Total**
Operating depreciation and amortisation	(8,888)	(30,333)	(15,828)	(4,891)	(3,146)	(15,790)	(16,313)	(95,189)
Amortisation recognised on consolidation (1)	-	(517)	-	(2,736)	-	-	254	(2,999)
Impairment losses	(1,339)	(562)	(2,062)	(1,408)	(501)	(212)	(1,272)	(7,356)
Reversals of impairment losses	755	27	86	254	164	139	9	1,434
Cost of group lay-offs	(5,831)	-	-	(442)	-	(163)	(470)	(6,906)
Capital expenditure (2)	1,420	31,942	24,736	6,146	3,660	4,154	11,700	83,758

	As at 31 December 2016							
	Press	**Movies and books**	**Outdoor**	**Internet**	**Radio**	**Print**	**Reconciling positions (4)**	**Total**
Property, plant and equipment and intangible assets	72,230	280,238	275,855	67,670	81,786	157,644	165,550	1,100,973
Investments in associates and joint ventures accounted for by the equity method	-	-	-	1,842	-	-	19,575	21,417

(1) is not presented in operating result of the Group's segments;
(2) based on invoices booked in the period;
(3) capital expenditure include lease property, plant and equipment in the amount of PLN 13,813 thousand;
(4) reconciling positions include mainly Company's headquarter (PLN 108,993 thousand) and other property, plant and equipment and intangible assets of Agora's support divisions and Agora TC Sp. z o.o. not included in particular segments and intercompany eliminations. In case of equity accounted investees, the reconciling positions include the investment in Stopklatka S.A. and in Green Content Sp. z o.o., reconciling positions include also non-current assets, which as at 31 December 2016 were presented in the balance sheet as non-current assets held for sale according to the description provided in note 4c.

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

(a) Operating segment information, continued

	Twelve months ended 31 December 2015							
	Press	**Movies and books**	**Outdoor**	**Internet**	**Radio**	**Print**	**Reconciling positions**	**Total**
Revenues from external customers	291,457	326,709	153,135	145,698	102,937	163,117	6,287	1,189,340
Intersegment revenues (2)	9,376	18,360	3,005	4,843	4,811	1,575	(41,970)	-
Total revenues	**300,833**	**345,069**	**156,140**	**150,541**	**107,748**	**164,692**	**(35,683)**	**1,189,340**
Total operating cost (1), (2), (3)	**(283,599)**	**(321,511)**	**(139,071)**	**(126,356)**	**(94,345)**	**(162,428)**	**(43,298)**	**(1,170,608)**
Operating profit/(loss) (1)	**17,234**	**23,558**	**17,069**	**24,185**	**13,403**	**2,264**	**(78,981)**	**18,732**
Net finance income and cost							(1,055)	(1,055)
Share of results of equity accounted investees (3)	-	-	(15)	224			(1,081)	(872)
Income tax							(1,486)	(1,486)
Net profit								**15,319**

(1) segments do not include amortisation recognised on consolidation, which is presented in reconciling positions;

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

(3) reconciling positions show data not included in particular segments, inter alia: other cost and the result on other operating activities of Agora's support divisions (centralized IT, administrative, HR functions, etc.), the Management Board and Agora TC Sp. z o.o. (PLN 90,863 thousand), as well as activity of Green Content Sp. z o.o., intercompany eliminations and other matching adjustments which reconcile the data presented in the management reports to the consolidated financials of the Agora Group. In case of equity accounted investees, the reconciling positions include the investment in Stopklatka S.A.

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

(a) Operating segment information, (continued)

	Twelve months ended 31 December 2015							
	Press	**Movies and books (3)**	**Outdoor**	**Internet**	**Radio**	**Print**	**Reconciling positions**	**Total**
Operating depreciation and amortisation	(9,754)	(36,809)	(13,218)	(5,379)	(2,814)	(15,849)	(16,817)	(100,640)
Amortisation recognised on consolidation (1)	-	(534)	-	(1,068)	-	-	254	(1,348)
Impairment losses	(3,157)	(667)	(3,566)	(1,411)	(582)	(225)	(337)	(9,945)
Reversals of impairment losses	3,760	30	772	308	177	62	8	5,117
Capital expenditure (2)	1,683	46,942	49,800	2,804	4,018	4,115	19,770	129,132

	As at 31 December 2015							
	Press	**Movies and books**	**Outdoor**	**Internet**	**Radio**	**Print**	**Reconciling positions (4)**	**Total**
Property, plant and equipment and intangible assets	72,512	279,033	268,983	48,482	81,279	176,294	191,170	1,117,753
Investments in associates and joint ventures accounted for by the equity method	-	-	-	13,267	-	-	6,671	19,938

(1) is not presented in operating result of the Group's segments;
(2) based on invoices booked in the period;
(3) capital expenditure include lease property, plant and equipment in the amount of PLN 23,922 thousand;
(4) reconciling positions include mainly Company's headquarter (PLN 114,278 thousand) and other property, plant and equipment and intangible assets of Agora's support divisions and Agora TC Sp. z o.o. and Green Content Sp. z o.o. not included in particular segments and intercompany eliminations. In case of equity accounted investees, the reconciling positions include the investment in Stopklatka S.A.

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

(b) Sales

	2016	2015
Sales of advertising services	561,621	562,372
Sales of newspapers and magazines	135,689	144,845
Sales of goods for resale	92,389	83,834
Ticket sales	194,173	162,195
Printing services	147,730	156,250
Other sales	66,830	79,844
	1,198,432	**1,189,340**

Sales includes barter sales of PLN 39,421 thousand (2015: PLN 41,815 thousand).

22. EXPENSES BY NATURE

	2016	2015
Depreciation of property, plant and equipment (note 4)	77,857	78,426
Amortisation of intangibles (note 3)	20,331	23,562
Raw materials, energy and consumables	221,043	226,057
Advertising and promotion costs	83,490	87,351
Property operating lease rentals	59,169	49,862
Outdoor location lease rentals	47,288	52,028
Taxes and similar charges	11,251	8,490
Other external services rendered	349,954	333,670
Staff costs (note 25)	330,143	317,338
Total expenses by nature	**1,200,526**	**1,176,784**
Change in the balance of products	277	(192)
Cost of production for in-house use	(258)	(294)
Total operating expenses	**1,200,545**	**1,176,298**
Selling expenses	(226,123)	(235,535)
Administrative expenses	(125,186)	(120,619)
Cost of sales	**849,236**	**820,144**

23. OTHER OPERATING INCOME

	2016	2015
Gain on disposal of non-financial non-current assets (1)	7,792	4,069
Grants received	2,497	2,543
Reversal of impairment losses for receivables	1,407	5,093
Reversal of write-downs for assets under construction	28	-
Reversal of provisions	600	1,287
Donations received	248	233
Liabilities written off	1,258	708
Gain on disposal of subsidiary (note 33)	10,478	-
Gain on a bargain purchase (note 33)	2,228	-
Other	3,305	5,984
	29,841	**19,917**

(1) In 2016 gain on disposal of non-financial non-current assets includes inter alia gain on sale of property in Lodz (note 4d).

The reversal of impairment losses for receivables results from repayment of receivables, which were previously classified as doubtful.

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

24. OTHER OPERATING EXPENSE

	2016	2015
Impairment losses recognised for receivables	4,457	6,039
Impairment losses recognised for non-financial non-current assets	1,137	2,635
Donations	736	671
Provisions recognised	146	334
Liquidation of fixed assets including dismantling panels	1,320	958
Other	3,250	3,590
	11,046	**14,227**

25. STAFF COSTS

	2016	2015
Wages and salaries	273,141	271,274
Social security costs	50,096	46,064
Cost of lay-offs (note 18)	6,906	-
	330,143	**317,338**
Average number of persons employed	**3,013**	**3,031**

The headcount figure include employees of Agora S.A. and of the companies consolidated using the full consolidation method (see note 39).

26. MANAGEMENT BOARD AND SUPERVISORY BOARD REMUNERATION

The remuneration of the Management Board members of Agora S.A. is based on three elements – fixed remuneration (base salary), variable component (motivation plans and discretionary bonuses) and non-wage benefits, whose scope is determined by the Supervisory Board.

Remuneration paid to Management Board members (including one-off bonuses paid from motivation plans) is presented in the table below:

	2016	base salary	variable component (including Three Year Incentive Plan)	other benefits
Management Board				
Bartosz Hojka	2,612	804	1,807	1
Grzegorz Kossakowski	2,148	600	1,547	1
Robert Musial	2,085	594	1,487	4
Bartosz Hojka	1,727	240	1,487	-
	8,572	**2,238**	**6,328**	**6**

	2015	base salary	variable component	other benefits
Management Board				
Bartosz Hojka	902	599	303	-
Grzegorz Kossakowski	864	540	324	-
Robert Musial	736	480	252	4
Bartosz Hojka	384	132	252	-
	2,886	**1,751**	**1,131**	**4**

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

Tomasz Jagiello received also remuneration as the President of the Management Board of Helios S.A. in the amount of PLN 356 thousand (in 2015: in the amount of PLN 352 thousand) . The other members of Agora's Management and Supervisory Board did not receive any remuneration for serving as board members in subsidiaries, joint-ventures and associates.

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

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

Supervisory Board	2016	2015
Andrzej Szlezak	108	108
Wanda Rapaczynski	72	72
Tomasz Sielicki	72	72
Dariusz Formela	72	72
Slawomir S. Sikora (1)	35	72
Paweł Mazur (1)	35	72
Anna Krynska - Godlewska (2)	37	-
Andrzej Dobosz (2)	37	-
	468	**468**

(1) Slawomir S. Sikora and Pawel Mazur were Members of Supervisory Board till June 23,2016;

(2) Anna Krynska – Godlewska and Andrzej Dobosz are a Member of Supervisory Board from June 24,2016;

27. INCENTIVE PLANS BASED ON FINANCIAL INSTRUMENTS

a)Three-Year-Long Incentive Plan for the period of 2013-2015

Starting from the third quarter 2013, Management Board members of the Company participated in an incentive program for the period of 2013-2015 ("Three-Year-Long Incentive Plan").

The rules, goals, adjustments and conditions for Three-Year-Long Incentive Plan fulfillment for the Management Board members were specified in the Supervisory Board resolutions.

Till the end of 2014 the Three -Year-Long Incentive Plan was based on two components: the stage of realisation of the financial result ("the EBITDA target") and the percent of Company's share price increase ("the Target of Share Price Increase").

In 2014, due to the fulfillment of the condition concerning the achievement of certain EBITDA level of the Agora Group (being the sum of operating profit/loss and amortization and depreciation), the Three -Year-Long Incentive Plan was modified so that, starting from the first quarter of 2015, the potential reward resulting from the Three -Year-Long Incentive Plan was based only on the percent of Company's share price increase. As a result, the liability relating to the EBITDA target component of the Plan accumulated so far has been reversed and credited to the Income Statement in the fourth quarter of 2014.

The value of potential reward resulting from the component based on the percent of Company's share price increase was charged to the Income Statement in proportion to the full vesting period of the Three-Year-Long Incentive Plan, that is from the third quarter of 2013 till the second quarter of 2016.

In accordance with its assumptions, Three -Year-Long Incentive Plan for the period of 2013-2015 was settled in cash in the second quarter of 2016. The realization of the plan resulted in the total payment of PLN 1,628 thousand.

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

a) Incentive Plan for years 2016-2017

Starting from the second quarter 2016, Management Board members of the Company participate in a new incentive program, on the basis of which, they will be eligible to receive an annual bonus based on two components described below:

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

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

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

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

As at 31 December 2016, the fair value of potential reward from the fulfillment of the EBITDA target has been calculated on the basis of the best estimate of the expected fulfillment value of the EBITDA target for 2016 and was charged to the Income Statement.

The fair value of the potential reward concerning the realization of the Target of Share Price Increase, was estimated on the basis of the Binomial Option Price Model (Cox, Ross, Rubinstein model), which takes into account – inter alia – actual share price of the Company (as at the balance sheet date of the current financial statements) and volatility of the share price of Company during the last 12 months preceding the balance sheet date. As at 31 December 2016, the value was charged to the Income Statement in proportion to the vesting period of the Incentive Plan.

The basic parameters of the Binomial Option Price Model used for calculation of the fair value of the potential reward from the realization of the Target of Share Price Increase and the estimated cost of the Incentive Plan charged to the Income statement of the Agora Group for the period, are described below:

the share price of Agora S.A. as at the current balance sheet date	PLN	12.59
volatility of the share price of Agora S.A. during the last twelve months	%	27.12
the Average Share Price IVQ	PLN	12.03
risk-free rate	%	0.74-1.74 (at the maturity dates)

Total impact of the Incentive Plan on the consolidated financial statements of the Agora Group is presented below:

	2016
Income statement –increase/(decrease) staff cost	1,457
Income statement - deferred income tax	(277)
Liabilities - accruals - as at the end of the period	1,457
Deferred tax asset - as at the end of the period	277

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

The cost of the Incentive Plan concerning the Management Board of Agora S.A.:

	2016
Bartosz Hojka	521
Grzegorz Kossakowski	312
Tomasz Jagiello	312
Robert Musial	312
TOTAL	**1,457**

28. FINANCE INCOME

	2016	2015
Interests on loans and similar items	196	212
Other interest and income from short-term financial assets	2,735	2,823
Reversal of impairment losses for financial assets	386	331
Valuation of put options	297	507
F/x gains	-	193
Other	39	43
	3,653	**4,109**

29. FINANCE COST

	2016	2015
Interest on loans payable, lease liabilities and similar items	3,900	4,614
Other interest	1,444	521
Remeasurement of shares at the acqusition date (note 33)	5,537	-
Valuation of put options	7,432	-
F/x losses	201	-
Other	157	29
	18,671	**5,164**

30. INCOME TAXES

Income tax recognised in the consolidated income statement

	2016	2015
Current tax expense		
Current year	(19,362)	(14,291)
Adjustments for prior periods	216	136
	(19,146)	**(14,155)**
Deferred tax expense		
Origination and reversal of temporary differences	4,592	12,762
Utilization of tax loss	(16)	(177)
Origination of tax loss	348	-
The amount of benefit from a temporary difference of a prior period	843	-
The adjustment of deferred tax related to tax losses	-	84
	5,767	**12,669**
Total tax expense recognised in the income statement	**(13,379)**	**(1,486)**

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

Income tax expense recognised in other comprehensive income

	2016	2015
Actuarial gains/(losses) on defined benefit plans	1	(55)
Total tax expense recognised in other comprehensive income	**1**	**(55)**

Current tax receivables and liabilities are expected to be recovered or settled within one year.

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

	2016	2015
Profit before tax	**195**	**16,805**
Tax calculated at a rate of 19% (2015: 19%)	**(499)**	**(3,193)**
Tax effect of:		
Share of results of equity accounted investees	(279)	(166)
Other non-taxable revenues	712	937
Other non-deductible expenses	(4,459)	(2,519)
Temporary differences on which deferred tax was not recognised	40	(2)
Utilisation of tax losses and tax credits on which deferred tax was not recognised	-	4,231
Tax losses on which deferred tax was not recognised	(9,898)	(979)
Recognition of deferred tax on temporary differences from previous period	843	35
Other	161	170
Tax calculated at an effective rate of 6861% (2015: 8.8%)	**(13,379)**	**(1,486)**

31. TAX EXEMPTION IN SPECIAL ECONOMIC ZONE

By 8 August 2016 the Group's subsidiary (Agora Poligrafia Sp. z o.o.) operated in a Special Economic Zone. Agora Poligrafia Sp. z o.o. was granted the right to tax exemption up to a maximum amount of 75% of capital expenditures incurred since the date of permit for activity in the Special Economic Zone to 31 December 2006 (at 31 December 2006 qualifying capital expenditures amounted to PLN 71,130 thousand). The printing activities conducted in the Special Economic Zone are subject to the tax exemption. Until 8 August 2016 the cumulative taxes not paid amounted to PLN 32,757 thousand (31 December 2015: PLN 32,572 thousand).

32. EARNINGS PER SHARE

In calculating earnings per share the following variables were used:

a) as numerators – net profits attributable to equity holders of the Company for the respective years,
b) as denominators - the average number of shares in the current year which is 47,665,426 for 2016 (2015: 47,906,531).
c)

Weighted average number of ordinary shares:	2016	2015
Issued ordinary shares at the beginning of the period	47,665,426	50,183,961
Effect of own shares buy-back	-	(2,277,430)
Weighted average number of ordinary shares at the end of the period	**47,665,426**	**47,906,531**

There are no dilutive factors.

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

33. BUSINESS COMBINATIONS

Acquisition of GoldenLine Sp. z o.o.

On January 25, 2016 Agora S.A. acquired 106 shares in the share capital of GoldenLine Sp. z o.o. ("GoldenLine"), from shareholders of that company, for the total price of PLN 8,480 thousand. Before the conclusion of the above agreement, Agora was already in possession of 72 shares of GoldenLine, which represented 36% of the share capital and gave the right to 72 votes, constituting 36% of the votes at the shareholders meeting of the company, and which were acquired on 29th of December, 2011. As a result of the transaction on January 25, 2016, Agora S.A. owned 178 shares in the share capital of GoldenLine, with the nominal value of PLN 1,000 each and the total nominal value of PLN 178 thousand, which represent 89% of the company's share capital and 89% of the votes at the shareholders' meeting. As a result of this transaction Agora obtained control over GoldenLine.

Obtaining control over GoldenLine enables the Group to concentrate its activities in the field of recruitment services and Employer Branding in that company. Thanks to this transaction and the fact that, on April 1, 2016, Agora contributed to Goldenline Sp. z o.o. a non-cash contribution in the form of Centrum Kompetencyjne Praca, Agora Group will strengthen its market position in the category "Work" and will provide comprehensive solutions in the rapidly growing market of recruitment services.

The minority shareholder of the GoldenLine remains G.C. Geek Code Ltd, controlled by Mariusz Gralewski - the main founder of GoldenLine. G.C. Geek Code Ltd holds 22 shares in GoldenLine, which represented 11% of the share capital and gives the right to 22 votes at the general meeting of shareholders and represented 11% of the votes at the general meeting of shareholders. The sale agreement provided that after the transaction principles of cooperation between Agora and G.C. Geek Code shall be stated. In case there is no agreement in this respect, G.C. Geek Code will be entitled to sell its shares in the share capital of the Company to Agora, within 3 months from the date of the share purchase agreement, the terms and conditions being the same as in the contract of January 25, 2016. On April 28, 2016 the deadline of 3 months was prolonged on the basis of agreement between the parties by 3 consecutive months and on September 30, 2016, the parties signed an option agreement governing the terms and conditions of sale by a minority shareholder - G.C. Geek Code Ltd. ("G.C. Geek Code") of its shares in GoldenLine Sp. o.o. ("GoldenLine") to Agora S.A. According to the provision of the agreement, the parties have specified the detailed terms and conditions of put and call options regarding the shares held by G.C. Geek Code and any other shares in GoldenLine which G.C. Geek Code may purchase in the future. In case the put option or call option is executed, the valuation of shares will be based on the future financial results of GoldenLine.

<u>Business combination accounting</u>

As a result of the above mentioned transaction, the Group has obtained control over the company GoldenLine Sp. z o.o. Since the date of its acquisition the company is fully consolidated. The Group measured the non-controlling interest in the acquired company at the non-controlling interest`s proportionate share of the acquiree`s identifiable net assets.

The fair value of acquired assets and assumed liabilities and fair value of consideration transferred as at the acquisition date is as follows:

	Fair value as at the acquisition date
Assets	
Intangible assets (1)	20,940
Property, plant and equipment	535
Trade receivables	1,948
Other receivables and prepayments	22
Cash and cash equivalents	2,276
	25,721

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

	Fair value as at the acquisition date
Liabilities	
Deferred tax liabilities	(3,561)
Trade payables	(415)
Other current liabilities	(462)
Income tax liabilities	(18)
Deferred revenues and accruals	(2,762)
	(7,218)
Identificable net assets at fair value	**18,503**
Non-controlling interests	(2,035)
Fair value of pre-existing equity interest in the company	(5,760)
Cash consideration transferred	(8,480)
Goodwill/(bargain purchase) as at the acquisition date	**(2,228)**

(1) According to IFRS 3, the Group measured the acquired intangible assets of GoldenLine Sp. z o.o. at their acquisition-date fair value and recognized three intangible assets, which met the condition of identifiability under IFRS 3, and have been not presented up till now in the balance sheet of the company, that is: the GoldenLine domain, the value of IT software & technology and the user database, whose total fair value amounted to PLN 18,740 thousand.

According to IFRS 3, the Group remeasured its pre-existing 36% equity interest in the company to its fair value as at the acquisition date, which resulted in a loss of PLN 5,537 thousand (being PLN 5,760 thousand less PLN 11,297 thousand carrying amount of the equity-accounted investee at the date of acquisition). The loss on the remeasurement of previously held equity interest was recognized as finance cost in the consolidated income statement of Agora Group for the first quarter of 2016.

Simultaneously, the identificable net assets measured at fair value as at the acquisition date exceeded the aggregate amount of the fair value of consideration transferred, the fair value of pre-existing equity interest in the company and the value of the non-controlling interests and the Group recognized the resulting gain on a bargain purchase in the amount of PLN 2,228 thousand, which was included in other operating income in the consolidated income statement of Agora Group for the first quarter of 2016.

As a result, the total negative impact of the acquisition of the company GoldenLine on the consolidated net result of the Agora Group in the first quarter of 2016 amounted to PLN 3,309 thousand.

The fair value of the acquired trade receivables amounted to PLN 1,948 thousand. The gross contractual amounts of acquired trade receivables was PLN 2,100 thousand, of which PLN 152 thousand was expected to be uncollectible.

The acquisition-related costs of PLN 98 thousand have been expensed and were included in administrative expenses in the income statement of the Agora Group for the first quarter of 2016.

From the date of acquisition till December 31, 2016, GoldenLine has contributed revenues of PLN 17,554 thousand and a net loss of PLN 757 thousand to the consolidated revenues and net profit of the Agora Group.

The right granted to the non-controlling shareholder to sell his remaining equity interest in the company to Agora ("put option") meets the definition of a financial liability under IAS 32 and was recognised in the consolidated balance sheet of Agora Group at its redemption amount amounting to PLN 1,760 thousand as at the acquisition date. According to the Group accounting policy, at the initial recognition, the value of this liability decreased the line retained earnings within the Group`s equity.

Other changes in related companies

On January 18, 2016 the following financial instruments were assigned to the Company as a result of subscription for shares made by the Company on December 31, 2015 in connection with public offering of 4,641,304 series E ordinary bearer shares of the company Stopklatka S.A.: (i) as a result of the basic subscription : 1,902,907, (ii) as a result of the additional subscription: 13,144, which were paid for in the total amount of PLN 4,407 thousand. The remaining, unused amount of cash paid by the Company in connection with the subscription for shares of Stopklatka S.A., amounting to PLN 10,645 thousand, was returned to the Company on January 21, 2016. On February 9, 2016 the District Court for the capital city of Warsaw in Warsaw, XIII Commercial Division of the National Court Register entered into the register of entrepreneurs of the National Court Register the increase of the share capital of Stopklatka S.A. from the amount PLN 6,529,956 to the amount PLN 11,171,260. Agora S.A. currently owns 4,596,203 ordinary bearer shares of the nominal value of PLN 1 per share and the total nominal value of PLN 4,596,203 that represent 41.14% of the company's share capital and 41.14% of the votes at the General Meeting of Stopklatka S.A.

On February 5, 2016 Agora S.A. acquired 8 shares in the share capital of AdTaily Sp. z o.o. from a shareholder of that company for the total price of PLN 115 thousand. As a result of the above transaction, Agora S.A. currently owned 730 shares in the share capital of AdTaily Sp. z o.o. with the nominal value of PLN 50 per share and the total nominal value of PLN 36,500, which represent 86.90% of the company's share capital and 86.90% of votes at the shareholders' meeting. On March 11, 2016 the District Court for Cracow-Srodmiescie in Cracow, XI Commercial Division of the National Court Register, registered the above mentioned change with the register of entrepreneurs of the National Court Register.

On March 1, 2016, the extraordinary general meeting of shareholders of the company Sport4People Sp. o.o. adopted a resolution on dissolution of the company and opening of the liquidation proceedings. On April 4, 2016 the District Court for the capital city of Warsaw in Warsaw, XIII Commercial Division of the National Court Register, registered the above mentioned change with the register of entrepreneurs of the National Court Register.

On March 4, 2016, the District Court for the Capital City Warsaw, XIII Commercial Division of the National Court Register, entered into the register of entrepreneurs of the National Court Register the company operating under the business name Searchlab Sp. o.o. with its registered office in Warsaw. The sole shareholder of this company is Agora S.A. Agora S.A. held 100 shares in the share capital of the company Searchlab Sp. o.o., with the nominal value of PLN 50 per share. The shares were taken up in return for a cash contribution in the amount of PLN 5 thosuand.

On March 23, 2016, the extraordinary general meeting of shareholders of Green Content Sp. z o.o. adopted the resolution increasing the share capital by 2,000 new shares with the nominal value of PLN 50 per share and the total nominal value of PLN 100 thousand. Agora S.A. covered 2,000 new shares with PLN 10,000 thousand cash contribution. On April 29, 2016 the District Court for the capital city of Warsaw in Warsaw, XIII Commercial Division of the National Court Register registered the above mentioned change. After the registration, the share capital amounted to PLN 200 thousand and is divided into 4,000 shares with nominal value of PLN 50 per share. Consequently, Agora S.A. held 4,000 shares representing 100% of the company's share capital and 100% of the votes at shareholders' meeting.

On April 1, 2016, the extraordinary general meeting of shareholders of Searchlab Sp. z o.o. adopted the resolution increasing the share capital by 1,900 new shares with nominal value of PLN 50 per share and total nominal value PLN 95 thousand. Agora S.A. covered 1,900 new shares with a non-cash contribution in a form of Agencja Reklamy Internetowej "SearchLab", which organisationally, financially and operationally constitutes, within the internal organisational structure of the Company, a separate set of tangible and intangible assets, intended for the implementation of specific economic tasks, i.e. (i) the sale and running of online advertising campaigns on external surfaces of economic entities, with respect to which SearchLab operates as an agent for sales and performance of advertising campaigns; and (ii) provision of advisory services and operation in the field of search engine optimisation (SEO); which is an independent enterprise independently performing these tasks. On April 29, 2016 the District Court for the capital city of Warsaw in Warsaw, XIII Commercial Division of the National Court Register registered the above mentioned change, and also change of Company's name to Optimizers Sp. z o.o. After the registration, the share capital amounts to PLN 100 thousand and is divided into 2,000 shares with nominal value PLN 50 per share. Agora S.A. holds 2,000 shares, representing 100% of the company's share capital and 100% of the votes at shareholders' meeting.

On April 1, 2016, the extraordinary general meeting of shareholders of Goldenline Sp. z o.o. adopted the resolution increasing the share capital by 100 new shares with nominal value of PLN 1,000 per share and total nominal value of PLN 100 thousand. Agora S.A. covered the 100 new shares with a non-cash contribution in a form of Centrum Kompetencyjne Praca, which organisationally, financially and operationally constitutes, within the internal organisational structure of the Company, a separate set of tangible and intangible assets intended for the implementation of specific economic tasks, i.e. (i) the running of the Gazetapraca.pl website; and (ii) the sale of recruitment solutions, and (iii) provision of services connected to the employer branding activities, which is an independent enterprise performing these tasks. On June 13, 2016 the District Court for the capital city of Warsaw in

Warsaw, XIII Commercial Division of the National Court Register registered the above mentioned change. After the registration, the share capital amounts to PLN 300 thousand and is divided into 300 shares with nominal value PLN 1,000 per share. Agora S.A. holds 278 shares representing 92,67% of the company's share capital and 92,67% of the votes at shareholders' meeting.

On May 25, 2016, Grupa Radiowa Agory Sp. z o.o. ("GRA") acquired 90 shares in the share capital of Projekt Inwestycyjny Sp. z o.o. ("PI") from a shareholder of that company. As a result of the above transaction, GRA currently owns 300 shares in the share capital of PI, with the nominal value of PLN 500 per share and the total nominal value of PLN 150,000, represented 100% of the company's share capital and 100% of the votes at the shareholders' meeting. On June 16, 2016 the District Court for the capital city of Warsaw in Warsaw, XIII Commercial Division of the National Court Register, registered the above mentioned change with the register of entrepreneurs of the National Court Register.

On July 8, 2016, Agora S.A. received, from a non-controlling shareholder of Helios S.A., a call to purchase 0.38% shares of Helios S.A. The call was submitted pursuant to the provisions of an option agreement dated August 31, 2010; the price for shares was calculated in accordance with the provisions of this agreement. On August 4, 2016, in performance of the call for acquisition, Agora S.A. and a non-controlling shareholder of Helios S.A. signed the Promised Share Purchase Agreement, as a result of which Agora S.A. purchased 0.38% of shares of that company, for the total price of PLN 791 thousand, calculated in accordance with provisions of the option agreement concluded between the parties. As a result, shares held by Agora S.A. currently represent 88.88% of the company's share capital and 88.88% of the voting rights at the shareholders' meeting.

On September 7, 2016, the extraordinary general meetings of shareholders of the companies Grupa Radiowa Agory Sp. z o.o. with its registered office in Warsaw ("GRA") and Projekt Inwestycyjny Sp. z o.o. with its registered office in Warsaw ("PI") adopted resolutions on merger of PI (as acquired company) with GRA (as acquiring company).). On November 30, 2016 the District Court for the capital city of Warsaw in Warsaw, XIII Commercial Division of the National Court Register, entered into the register of entrepreneurs of the National Court Register the merger of Grupa Radiowa Agory Sp. z o.o. with its subsidiary Projekt Inwestycyjny Sp. z o.o. (merger by acquisition of Projekt Inwestycyjny Sp. z o.o.).

On September 9, 2016, Agora S.A. acquired 8 shares in the share capital of Adtaily Sp. z o.o. with its registered seat in Warsaw, from a shareholder of that company for the total price of PLN 203 thousand. As a result of the above transaction, Agora S.A. owns 738 shares with nominal value of PLN 50 per share and total nominal value of PLN 36,900, which represent 84,25% of the company's share capital and 84,25% of the votes at the shareholders' meeting (currently Yieldbird Sp. z o.o.).

On October 4, 2016, the District Court for the capital city of Warsaw in Warsaw, XIII Commercial Division of the National Court Register entered into the register of entrepreneurs of the National Court Register the increase of the share capital of Adtaily Sp. z o.o. with its registered office in Warsaw, from the amount of PLN 42,000 to the amount of PLN 43,800 on the basis of the resolution adopted by the extraordinary general meeting of shareholders of Adtaily Sp. z o.o. on May 12, 2016 concerning the share capital increase by 36 new shares with the nominal value of PLN 50 per share. New shares were assigned to two new minority shareholders of Adtaily Sp. z o.o., 18 for each of them. After the registration of the share capital increase, Agora S.A. owns 738 shares with nominal value of PLN 50 per share and total nominal value PLN 36,900, which represent 84,25% of the company's share capital and 84,25% of the votes at shareholders' meeting.

On December 29, 2016 the extraordinary general meeting of shareholders of Sport4People Sp. z o.o. w likwidacji (in liquidation) with its registered seat in Warsaw approved the financial statements as at the day preceding transfer of the company's assets remaining after its creditors have been satisfied to Agora S.A. as its sole shareholder and on completion of the liquidation. On December 30, 2016 Sport4People Sp. z o.o. w likwidacji (in liquidation) submitted an application to the District Court for the capital city of Warsaw in Warsaw, XIII Commercial Division of the National Court Register for a deletion thereof from the the register of entrepreneurs of the National Court Register. . On February 16, 2017, the District Court for the capital city of Warsaw in Warsaw, XIII Commercial Division of the National Court Register, removed Sport4People Sp. z o.o. in liquidation from the register of entrepreneurs in the National Court Register.

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

Disposal of shares in a subsidiary Green Content Sp. z o.o.

On December 9, 2016, Agora S.A. and Discovery sp. z o.o. ("Discovery") concluded an investment agreement ("Agreement") regarding Green Content sp z o.o. ("Green Content"). The agreement's purpose is to establish rules for cooperation between these entities, including corporate governance rules.

As at the day of conclusion of the Agreement, the share capital of Green Content consisted of 4,000 shares, each with a nominal value of PLN 50.0. As a result of the conclusion of the Agreement, Discovery acquired from Agora 860 shares in Green Content's capital, each with a nominal value of PLN 50.0, and the total nominal value of PLN 43 thousand, representing 21.5% of the share capital of Green Content, for the price of PLN 4,000 thousand.

Additionally, in connection with the resolution of the extraordinary general meeting of shareholders of December 9, 2016, increasing the share capital of Green Content from the amount of PLN 200,000 to the amount of PLN 307,500, Discovery made a statement regarding the taking up of 2,150 newly issued shares (each of the nominal value of PLN 50.0) in the increased share capital of Green Content in exchange for a cash contribution in the amount of PLN 10,000 thousand. On January 3, 2017 the District Court for the capital city of Warsaw in Warsaw, XIII Commercial Division of the National Court Register entered the abovementioned increase into the register of entrepreneurs of the National Court Register.

As a result of the above events, Agora S.A. currently owns 3,140 shares with the nominal value of PLN 50 and total nominal value of PLN 157 thousand, representing 51.06% of the company shares's capital and 51.06% of the votes at the shareholders' meeting.

Simultaneously, according to the rules defined in the Agreement, there shall exist a possibility of selling the remaining shares by Agora to Discovery by 31 December 2017.

Agora S.A., together with Discovery, jointly controls the company Green Content, due to the fact that, on the basis of the concluded Agreement, decisions about the relevant activities require the unanimous consent of the both parties sharing control. As a result, in the consolidated financial statements of Agora Group, the remaining shares in Green Content are accounted for by applying the equity method in accordance with the requirements of IFRS 11 and the shares disposal transaction described above was settled in accordance with the principles of IFRS 10 prescribed for disposal of subsidiaries.

The positive impact of the transaction on other operating income of the Group for the fourth quarter of 2016 amounted to PLN 10,478 thousand, mainly due to the remeasurement to fair value of the retained investment in Green Content Sp. z o.o. at the date of its initial recognition as a jointly controlled entity.

Information on the net assets disposed of and the calculated gain on disposal of the company are disclosed in the table below:

	Carrying value as at disposal date
Assets	
Intangible assets	(17,051)
Property, plant and equipment	(615)
Deferred tax assets	(462)
Accounts receivable and prepayments	(2,330)
Cash and cash equivalents	(104)
	(20,562)
Liabilities	
Liabilities related to purchase of non-current assets and intangibles	15,303
- including long-term	*11,120*
Trade and other payables	305
	15,608

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Net assets disposed of	**(4,954)**
Cash consideration received	4,000
Fair value of the shares retained in the company	14,605
Initial recognition of cash pooling liabilities	(3,173)
Gain on disposal of subsidiary	**10,478**
- including the portion of the gain attributable to measuring the shares retained in the company	*8,225*

Call for the repurchase of shares in a subsidiary

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

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

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

The shareholders, whose shares are subject of sell-out procedures, haven't agreed on sell-out price calculated based on Article 418 (1) § 6 of CCC and based on Article 418 (1) § 7 of CCC, applied to the registry court for appointment of expert in order to determine the price of sell-out shares by the court. The final evaluation of Shares, which are subject to the sell-out and squeeze-out procedures, will be calculated by an expert appointed by the registry court having the jurisdiction over the registered office of Helios S.A.

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

An expert appointed by the court is currently preparing a valuation of the shares.

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

34. FINANCIAL RISK MANAGEMENT

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

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

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

Risk management framework

The Management Board has overall responsibility for the establishment and oversight of the Group's risk management framework.

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

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

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The biggest customers (in respect of the turnover) are press distributors (companies unrelated to Agora S.A.). Because the value of transactions with none of distributors of the Group has exceeded 10% of the total revenue of the Group, the concentration of customers does not exist. As a result, the Group's credit risk is limited due to a great number and diversification of customers.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Based on historic default rates, the Group do not create impairment allowances for receivables from related companies, trade receivables that are past due by up to 90 days or for barter receivables; around 90 % of the balance, which includes the amount owed by the Group's most significant customers relates to customers that have a good payment record.

The ageing of overdue trade receivables as at balance sheet date is presented in note 9.

Investments

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

Collaterals

The maximum exposure to credit risk corresponds to the carrying amount of financial instruments.

The information related to collaterals held is described in note 35.

Liquidity risk

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

The Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. In addition, as at December 31, 2016, the Group maintains line of credit in Bank Pekao S.A presented in note 14.

In addition, the Group 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 December 5, 2014 between Bank Polska Kasa Opieki S.A. and the following companies from the Group: Agora S.A., Agora Poligrafia Sp. z o.o., Trader.com (Polska) Sp. z o.o., Agora TC Sp. z o.o., Grupa Radiowa Agory Sp. z o.o., Doradztwo Mediowe Sp. z o.o., Inforadio Sp. z o.o., IM40 Sp. z o.o., Yeildbird Sp. z o.o. (since August 7,2015), Green Content Sp. z o.o. (since February 19,2016 r.) and Optimizers Sp. z o.o. (since April 8, 2016 r.). 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. Intra-group balances and transactions related to cash pooling agreemet are eliminated in the consolidated financial statements.

Additionally, during 2015 the Group used services of factoring with a recourse on the basis of an agreement signed between AMS S.A. and mFaktoring S.A. with a financing limit of PLN 15,000 thousand. The agreement was secured by a blank promissory note issued by AMS S.A. and guaranteed by Adpol Sp. z o.o. On 23 December 2015 the factoring agreement was terminated.

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 Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return rate.

Foreign currency risk

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

Cash nad cash equivalents denominated in foreign currency amounted to PLN 1,653 thousand as at balance sheet date (31 December 2015: PLN 396 thousand), mainly in EURO and USD.

Accounts receivable in foreign currency amounted to PLN 6,263 thousand as at balance sheet date (31 December 2015: PLN 8,530 thousand), principally in USD and EURO.

Accounts payable requiring settlement in foreign currency amounted to PLN 3,010 thousand as at balance sheet date (31 December 2015: PLN 6,659 thousand), payable principally in EURO and USD.

The Group does not hedge against exchange rate risk by entering into long-term hedging contracts. However, the Group may still enter into short term forward currency contracts with maturity up to 6 months.

In 2016, Agora S.A. was not engaged in any currency option instruments or other derivatives (used for hedging or speculative ones).

Interest rate risk

The Group invests in short-term deposits and short-term securities with variable interest rates. All the deposits and securities mature within one year.

Additionally, the Group has interest bearing bank loans and finance lease aggrements with interest at a floating rate based on WIBOR 1M or 3M.

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Sensitivity analysis

a) Interest rate risk

The Group has many financial instruments (including bank deposits, credits and loans and cash pooling liabilities). 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 2016, assuming a +/- 1pp change in interest rates, the impact of changes in fair value of financial instruments is estimated at the level of net loss/profit of PLN 525 thousand (as at December 31, 2015: PLN 546 thousand).

b) Foreign currency risk

The Group has many financial instruments (including bank deposit, receivables, 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 2016, assuming the appreciation/depreciation of Polish zloty by 10%, the fair value of financial instruments that will fluctuate, is estimated to impact the net profit/loss in the amount of PLN 391 thousand (as at December 31, 2015: PLN 171 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 of the Group is the Management Board's overarching priority and the Group plans to use its capital in order to achieve that objective, building its long term value through acquisitions and greenfield projects. The Management Board monitors the ratio levels: ROCE and the paid dividend per share. Each decision concerning dividend payments or share repurchases is made after conducting proper analyses of the Company's financial position, investment capacity at the time, the balance sheet structure and the Company's share price quoted on the stock exchange and is approved by the General Meeting of Shareholders.

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

The Management Board focuses on keeping the balance between possibility 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.

35. FINANCIAL INSTRUMENTS

1) General information

	Short-term financial assets	**Bank deposits**	**Loans granted**	**Bank loans received**
a) Classification	Certificates in investment funds – financial asset at fair value through profit or loss	Loans and receivables	Loans and receivables	Financial liability
b) Nature of the instrument	Short-term low risk investments	Short-term low risk investments	long- and short-term loans	Bank loans
c) Carrying value of the instrument	2016: PLN 73,989 thousand 2015: PLN 85,771 thousand	2016: PLN 24,578 thousand 2015: PLN 5,024 thousand	2016: PLN 6,043 thousand 2015: PLN 9,425 thousand	2016: PLN 64,287 thousand 2015: PLN 56,411 thousand
d) Value of the instrument in foreign currency, if applicable	n/a	n/a	n/a	n/a
e) Purpose of the instrument	Investing of cash surpluses	Investing of cash surpluses	Financing of entities co-operating with the Group	Bank loan – investment needs Bank overdraft – operating needs

	Short-term financial assets	Bank deposits	Loans granted	Bank loans received
f) Amount on which future payments are based	Total value of investments	Total value of deposits	Face value	Face value
g) Amount and timing of future cash receipts or payments	Interest depending on maturity	Interest depending on maturity	Interest depending on maturity	Bank loans - Interests paid monthly
h) Date of repricing, maturity, expiry or execution	Liquid	Liquid – overnight or within 3 months	According to agreements	Payment terms for all loans are described in note 14
i) Early settlement option	Any time	Any time	Possible	Possible
j) Execution price or range of prices	Market value	Face value plus interests	Face value plus interests	Face value plus interests
k) Option to convert or exchange instrument to other asset or liability	None	None	None	None
l) Stated rate or amount of interest, dividend or other periodic return and the timing of payments	According to valuation of certificates, based on currency market instruments Timing of payments– at maturity, on the basis of the Group's decision	WIBID minus margin Timing of payments – at maturity	WIBOR + margin Timing of payments– instalments or at maturity date	Bank loans – WIBOR + bank margin Timing of payments - monthly
m) Collateral held or pledged	None	None	For a loan with carrying value of PLN 3 963 thousand – blank promissory note	Collaterals are described in note 14
n) Other conditions	None	None		Credit line is repayable when 'total borrowings/EBITDA' ratio breaks the level stated in the credit agreement or at least two from other financial ratios fall outside set levels
o) Type of risk associated with the instrument	Interest rate, credit risk of financial institution	Interest rate, credit risk of financial institution	Interest rate, credit risk of subsidiaries and associates	Interest rate
p) Fair value of the instrument	Equal to carrying value	Close to carrying value	Close to carrying value	Close to carrying value
q) Method of fair value determination	Market quotations	Discounted cash flow	Discounted cash flow	Discounted cash flow

Interest rate risk

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

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Credit risk

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

The information about trade receivables is included in note 9 and about trade payables in note 20 and about cash pooling liabilities in note 16.

2) Detailed information on financial instruments

	2016	2015
Interest income on financial assets		
Bank deposits	178	351
Short-term financial assets (investment certificates)	1,441	1,552
Loans granted	196	212
Other	383	534
Interest and commissions expense on financial liabilities		
Bank loans	(2,101)	(1,940)
Finance lease liabilities	(1,799)	(2,334)
Factoring	-	(71)
Cash pooling	(14)	-
Other	(454)	(189)

3) Fair value hierarchy for financial instruments

The Group applies the following hierarchy for disclosing information about fair value of financial instruments – by valuation technique:

- level 1: quoted prices in active markets (unadjusted) for identical assets or liabilities;
- level 2: valuation techniques in which inputs that are significant to fair value measurement are observable, directly or indirectly, market data;
- level 3: valuation techniques in which inputs that are significant to fair value measurement are not based on observable market data.

The table below shows financial instruments measured at fair value at the balance sheet date:

	31 December 2016	Level 1	Level 2	Level 3
Certificates in investment funds	73,989	-	73,989	-
Financial assets measured at fair value	**73,989**	**-**	**73,989**	**-**
Put option liabilities	24,707	-	-	24,707
Financial liabilities measured at fair value	**24,707**	**-**	**-**	**24,707**

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

	31 December 2015	Level 1	Level 2	Level 3
Certificates in investment funds	85,771	-	85,771	-
Financial assets measured at fair value	**85,771**	**-**	**85,771**	**-**
Put option liabilities	16,575	-	-	16,575
Contingent payment liability	4,304	-	-	4,304
Financial liabilities measured at fair value	**20,879**	**-**	**-**	**20,879**

The table below shows a reconciliation from the beginning balance to the ending balance for financial instruments in Level 3 of the fair value hierarchy:

	31 December 2016	31 December 2015
Opening balance	**20,879**	**22,218**
Additions resulting from initial recognition (note 33)	1,760	-
Expiration of put option recognised in equity	-	(213)
Remeasurement recognised in profit or loss , incl.:	7,136	(507)
- finance income	296	507
- finance cost	(7,432)	-
Exercise of the put option (1)	(791)	(619)
Settlement of the contingent payment (2)	(4,277)	-
Closing balance	**24,707**	**20,879**

(1) in 2016 relates to a call to purchase 0.38% shares of Helios S.A. exercised by a non-controlling shareholder pursuant to the provisions of an option agreement dated August 31, 2010;

(2) relates to a call to pay an additional price for the shares sold by a former non-controlling shareholder of Helios S.A pursuant to the provisions of a share sale agreement dated December 11, 2014.

Key assumptions that are most significant to the fair value measurement of financial instruments in Level 3 of the fair value hierarchy include: estimated level of the EBITDA result (being the sum of operating profit/loss and amortization and depreciation) during the period specified in put option conditions and discount rate. In case of the put option granted to the non-controlling shareholders of Helios S.A., an increase of the estimated EBITDA level over the period specified in put option conditions by 10%, would cause an increase of put option liability by ca PLN 2,400 thousand, while an increase of the discount rate by 1pp, would cause a decrease of the liability by ca PLN 1,200 thousand.

4) Cash flows related to financial liabilities

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

31 December 2016

	Contractual cash flows	6 months or less	between 6 and 12 months	between 1 and 2 years	between 2 and 5 years	more than 5 years
Bank loans	68,247	13,583	10,565	17,796	26,303	-
Finance lease liabilities	50,871	9,359	8,839	10,534	20,073	2,066
Trade payables	93,611	93,611	-	-	-	-
Cash pooling liabilities	9,818	9,818	-	-	-	-
Put option liabilities	33,545	-	-	-	1,760	31,785
Liabilities related to purchase of non-current assets	11,860	9,565	346	361	1,169	419
Total	**267,952**	**135,936**	**19,750**	**28,691**	**49,305**	**34,270**

31 December 2015

	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	62,189	24,481	6,250	11,624	17,145	2,689
Finance lease liabilities	56,007	11,473	7,789	15,684	17,315	3,746
Trade payables	100,009	100,009	-	-	-	-
Contingent payment liability	4,304	-	4,304	-	-	-
Put option liabilities	21,961	-	-	-	26	21,934
Liabilities related to purchase of non-current assets	28,636	11,382	332	1,755	5,676	9,491
Total	**273,106**	**147,345**	**18,675**	**29,063**	**40,162**	**37,860**

36. CONTRACTUAL INVESTMENT COMMITMENTS

Contractual investment commitments related to fixed assets existing at the balance sheet date amounted to PLN 25,236 thousand (31 December 2015: PLN 34,785 thousand) and to intangible assets amounted to PLN 846 thousand (31 December 2015: 2,838 PLN thousand).

The Management Board of the Company would like to point out that the commitments for the purchase of property, plant and equipment include also future liabilities resulting from the signed agreements related to the realization of the concession contract for the construction and utilization of 1,580 bus shelters in Warsaw and 600 shelters in Cracow. The investment process in Warsaw has commenced in 2014 and shall be completed in 2017. The estimated total cost of the bus shelter construction in Warsaw amounts to ca PLN 80 million. The investment process in Cracow has commenced in 2015 and shall last 10 years.

Moreover, according to the medium term development plans of the Agora Group announced in March 2014, the subsidiary Helios S.A., plans to open new cinema facilities. Since March 2014 till the end of 2018 the investment outlays related to this process may amount to ca PLN 80 million. In years 2014-2016 the number of new facilities, by which the Helios network enlarged was 11.

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

37. CONTINGENCIES, GUARANTEES AND OTHER COLLATERALS

As of 31 December 2016, the Company had contingencies, guarantees and other collaterals arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, other than those noted below:

Benefiting party	Debtor	Valid till	As at 31 December 2016	As at 31 December 2015	Scope of collateral
Guarantees provided by Agora S.A.					
Bank Pekao S.A.	Agora's employees	28 Jan 2017 - 05 Jul 2020	307	289	loans for the purchase of photographic equipment
Bank Pekao S.A.	Doradztwo Mediowe Sp. z o.o.	30 Jun 2017	14,400	14,400	cash pooling agreement
Bank Pekao S.A.	Optimizers Sp. z o.o.	30 Jun 2017	1,200	-	cash pooling agreement
Bank Pekao S.A.	Optimizers Sp. z o.o.	31 Jul 2020	375	-	credit cards
Bank Pekao S.A.	Green Content Sp. z o.o.	31 Jul 2020	375	-	credit cards
Guarantees provided by AMS S.A.					
Tejbrant Polska Sp. z o.o.	Adpol Sp. z o.o.	30 Jun 2017	3,000	3,000	contract for delivery and installation of bus shelters
Guarantees provided by Adpol Sp. z o.o.					
mBank S.A.	AMS S.A.	2 Mar 2020 - 24 Apr 2020	32,400	44,400	bank guarantees related to the contract for the construction of bus shelters in Warsaw
Bills of exchange issued by AMS S.A. and Adpol Sp. z o.o.					
Gmina Miasto Szczecin	AMS S.A.	indefinite period	90	90	rent agreements on advertising panels
mBank S.A.	AMS S.A.	3 Mar 2017 - 8 Sep 2018	1,844	2,730	bank guarantees
Zarzad Drog Miejskich Warszawa	Adpol Sp. z o.o.	1 Jan 2022	200	200	contract for construction and exploitation of MSI panels

The total amount of the contingencies, guarantees and other collaterals is smaller than 10% of the Group's equity.

Additionally, Helios S.A. issued blank promissory notes as collaterals for bank loan agreements and finance lease agreements and guarantees on rent agreements.

Moreover, AMS S.A. provided to the bank cash deposits as a cash collateral securing the bank guarantees issued in relation to the concession contract for construction and utilization of bus shelters in Warsaw. In the third quarter of 2016 AMS S.A. fulfilled the conditions giving entitlement to the reduction of the cash deposits and the cash in the amount of PLN 8.0 million was returned to the company. Consequently, as at 31 December 2016 the deposit receivable amounts to PLN 21.6 million (out of which PLN 10.8 million is presented within long-term receivables).

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

Advertising panels dismantling costs

Majority of lease agreements for rent of space for advertising panels includes an obligation to remove panels and restore the space to its previous condition. Agreements are usually concluded for finite periods, shorter than the useful life of the panels. Despite provisions of the agreements, the necessity to uninstall the panel will depend on future decisions taken at the end of the lease period. Based on the experience of AMS S.A., the majority of the agreements are prolonged without any expenditures on restoration. Taking into account these uncertainties, AMS SA decided to recognize expenditures on restoration when incurred or when the decision to restructure the panels is taken (including restoration). The restoration costs amounted to PLN 673 thousand in 2016 and PLN 727 thousand in 2015.

38. COMMITMENTS UNDER OPERATING LEASES

The future minimum lease payments under non-cancellable operating leases (including the lease of outdoor locations for advertising panels, Helios cinemas, buildings and other) are summarised as follows:

	31 December 2016	31 December 2015
Within one year	90,572	83,809
Between one and five years	236,113	213,826
More than five years	265,731	264,120
Total	**592,416**	**561,755**

The amounts disclosed above include VAT that the Group will be able to recover. The value of net minimum lease payments denominated in EURO amounted to EUR 91,345 thousand (2015: EUR 87,806 thousand).

Annual payments of the Group related to the perpetual usefruct of land amount to PLN 1,357 thousand (2015: PLN 1,393 thousand).

The amount of minimum lease payments recognised as costs (connected with outdoor operation lease rentals, Helios cinemas and other rentals) in the income statements is shown in note 22.

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

39. GROUP COMPANIES

Basic information about the companies composing the Agora Group as at 31 December 2016 are presented in the tables below:

		31 December 2016							
			Assets		Liabilities				
Companies consolidated (7)		% of shares held (effectively)	Non-current	Current	Non-current	Current	Sales	Net result	Other comprehensive income
1	Agora Poligrafia Sp. z o.o., Tychy	100.0%	56,859	15,879	64	32,268	63,261	511	6
2	AMS S.A., Warsaw	100.0%	197,528	112,588	15,758	84,577	172,245	26,705	(29)
3	IM 40 Sp. z o.o., Warsaw (1)	72.0%	590	2,640	-	359	3,868	1,294	-
4	Grupa Radiowa Agory Sp. z o.o. (GRA) Sp. z o.o., Warsaw	100.0%	55,174	20,527	96	9,462	51,204	6,653	(7)
5	Adpol Sp. z o.o., Warsaw (2)	100.0%	20,623	37,717	29	3,123	22,370	673	(1)
6	Inforadio Sp. z o.o., Warsaw (1)	66.1%	3,549	4,514	1,647	1,576	10,732	293	(1)
7	Agora TC Sp. z o.o., Warsaw	100.0%	231	2,999	21	1,481	7,538	981	(2)
8	Doradztwo Mediowe Sp. z o.o., Warsaw (1)	100.0%	3,426	37,772	79	41,063	108,214	3,290	4
9	Trader.com (Polska) Sp. z o.o., Warsaw	100.0%	1,208	1,790	131	1,310	10,822	759	4
10	Helios S.A., Lodz	88.9%	235,164	54,107	64,833	84,384	311,626	25,108	12
11	Next Film Sp. z o.o., Lodz (3)	88.9%	371	4,555	-	2,413	8,076	(1,352)	-
12	Yieldbird Sp. z o.o. (previously AdTaily Sp. z o.o.), Warsaw (4)	84.3%	1,933	13,241	4	9,999	44,385	2,981	-
13	Sport4People Sp. z o.o. in liquidation, Cracow	100.0%	-	-	-	-	68	(43)	-
14	Sir Local Sp. z o.o. , Warsaw	78.4%	383	81	-	65	419	(253)	-
15	TV Zone Sp. Z o.o., Warsaw	100.0%	-	11	-	-	-	(13)	-
16	Joy Media Sp. z o.o., Warsaw	100.0%	-	7	-	-	-	(10)	-
17	PTA Sp. z o.o., Warsaw	100.0%	-	7	-	-	-	(10)	-
18	Optimizers Sp. z o.o., Warsaw (5)	100.0%	57	851	8	582	2,974	(124)	-
19	Goldenline Sp. z o.o., Warsaw (6)	92.7%	3,335	6,146	565	5,709	19,861	757	-

(1) indirectly through GRA Sp. z o.o.;
(2) indirectly through AMS S.A.;
(3) indirectly through Helios S.A.;
(4) on December 28, 2016, the National Court Register registered the change of the company`s name from AdTaily Sp. z o.o. to Yieldbird *Sp. z o.o.;*
(5) company set up in March 2016;
(6) acquisition of additional shares described in note 33;
(7) the presented data are before elimination of intergroup transactions.

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

39. GROUP COMPANIES, CONTINUED

	Companies consolidated (5)	% of shares held (effectively)	31 December 2015 Assets Non-current	Assets Current	Liabilities Non-current	Liabilities Current	Sales	Net result	Other comprehensive income
1	Agora Poligrafia Sp. z o.o., Tychy	100.0%	60,469	19,709	17,361	22,930	69,985	(13,662)	3
2	AMS S.A., Warsaw	100.0%	191,150	98,663	24,307	65,808	163,583	16,594	26
3	IM 40 Sp. z o.o., Warsaw (1)	72.0%	674	2,780	-	368	4,598	1,509	-
4	GRA Sp. z o.o., Warsaw	100.0%	58,422	17,690	82	8,413	49,985	15,761	4
5	Adpol Sp. z o.o., Warsaw (2)	100.0%	29,004	33,556	23	3,661	41,988	4,361	6
6	Inforadio Sp. z o.o., Warsaw (1)	66.1%	3,726	5,175	1,890	1,504	11,049	960	1
7	Agora TC Sp. z o.o., Warsaw	100.0%	165	2,094	17	587	7,487	906	1
8	Doradztwo Mediowe Sp. z o.o., Warsaw (1)	100.0%	3,270	31,158	82	37,585	103,775	2,651	4
9	Trader.com (Polska) Sp. z o.o., Warsaw	100.0%	1,604	1,956	918	1,848	10,592	696	6
10	Helios S.A., Lodz	88.5%	232,617	26,557	73,921	70,319	265,304	13,825	15
11	Next Film Sp. z o.o., Lodz (3)	88.5%	68	4,338	-	542	18,202	721	-
12	Yieldbird Sp. z o.o. (AdTaily Sp. z o.o.), Warsaw	86.0%	698	6,190	3	3,897	22,292	1,917	-
13	Sport4People Sp. z o.o. Cracow	100.0%	-	516	-	108	379	(60)	-
14	Projekt Inwestycyjny Sp. z o.o. , Warsaw (1)	70.0%	-	38	-	7	-	(16)	-
15	Sir Local Sp. z o.o. , Warsaw	78.4%	575	520	-	330	843	(516)	-
16	TV Zone Sp. Z o.o., Warsaw	100.0%	-	24	-	-	-	(27)	-
17	Green Content Sp. z o.o., Warsaw (4)	100.0%	13,545	96	12,192	1,354	-	(6)	-
18	Joy Media Sp. z o.o., Warsaw (4)	100.0%	-	17	-	-	-	(3)	-
19	PTA Sp. z o.o., Warsaw (4)	100.0%	-	17	-	-	-	(3)	-

(1) indirectly through GRA Sp. z o.o.;
(2) indirectly through AMS S.A.;
(3) indirectly through Helios S.A.;
(4) the company fully consolidated from August 17, 2015;
(5) the presented data are before elimination of intergroup transactions.

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

39. GROUP COMPANIES, CONTINUED

	Joint ventures and associates accounted for using the equity method (3)	% of shares held (effectively)	Assets: Non-current	Assets: Current	Liabilities: Non-current	Liabilities: Current	Sales	Net result	Other comprehensive income
	31 December 2016								
1	Online Technologies HR Sp. z o.o., Szczecin	46.2%	940	207	-	460	1,497	157	-
2	Instytut Badań Outdooru IBO Sp. z o.o., Warsaw (1), (4)	40,0%	8,356	739	-	9,975	13	(529)	-
3	Stopklatka S.A., Warsaw	41.1%	21,021	9,406	7,805	13,678	29,845	(766)	-
4	Hash.fm Sp. z o.o., Warsaw	49.5%	2	1,000	-	325	2,835	324	-
5	Green Content Sp. z o.o., Warsaw (2)	51.1%	20,841	13,370	11,305	7,497	321	(2,716)	-

	Joint ventures and associates accounted for using the equity method (3)	% of shares held (effectively)	Assets: Non-current	Assets: Current	Liabilities: Non-current	Liabilities: Current	Sales	Net result	Other comprehensive income
	31 December 2015								
1	Goldenline Sp. z o.o. Warsaw	36,0%	5,449	5,075	537	4,492	11,774	822	-
2	Online Technologies HR Sp. z o.o., Szczecin	46.2%	766	245	-	482	895	31	-
3	Instytut Badan Outdooru IBO Sp. z o.o., Warsaw (1), (4)	40,0%	7,500	900	-	8,750	-	(388)	-
4	Stopklatka S.A., Warsaw	41.0%	18,920	9,701	8,872	20,582	25,657	(2,634)	-
5	Hash.fm Sp. z o.o., Warsaw	49.5%	2	664	-	313	688	(178)	-

(1) indirectly through AMS S.A.;
(2) the company fully consolidated till 30 November 2016, income statement included data for December 2016, disposal of shares was described in note 33;
(3) the presented data are after elimination of intergroup transactions.;
(4) in 2016 the Group did not recognise its share of loss in the company in the amount of PLN 212 thousand (2015: PLN 140 thousand)., because the Group has no obligation to cover this loss.

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

39. GROUP COMPANIES, CONTINUED – CONT.

Stopklatka S.A., Online Technologies HR Sp. z o.o. and Green Content Sp. z o.o. (fully consolidated until 30 November 2016) are companies classified as joint ventures, due to the fact that, on the basis of the investment agreements and company agreements, decisions about the relevant activities in these companies require the unanimous consent of the both main investors sharing control.

Additional information related to joint venture Stopklatka S.A. are presented below:

	31 December 2016	31 December 2015
Cash and cash equivalents	3,645	5,734
Financial liabilites	13,002	21,436
Deprecation and amortisation expense	(9,141)	(8,538)
Interest income	17	18
Interest expense	(159)	(236)

As at 31 December 2016, financial liabilities (excluding trade payables and other) included short-term loans in the amount of PLN 4,133 thousand (2015: PLN 11,501 thousand) and liabilities related to the purchase of broadcasting licence with the book value of PLN 8,869 thousand (2015: PLN 9,935 thousand), out of which the long-term part amounted to PLN 7,696 thousand (2015: PLN 8,869 thousand).

The company Stopklatka S.A. is listed on the Warsaw Stock Exchange. Based on the closing price of shares at the balance sheet date, which reached PLN 10.00 per share, the fair value of the investment in the company amounted to PLN 45,962 thousand (2015: PLN 26,534 thousand).

As at 31 December 2016, based on the investment agreement related to the acquistion of shares in Stopklatka S.A., the Group has unrecognised commitments to contribute additional funding to the company in the amount of PLN 1,593 thousand (2015: PLN 6,000 thousand).

Additional information related to joint venture Green Content Sp. z o.o. are presented below:

	31 December 2016 *
Cash and cash equivalents	61
Financial liabilites	12,880
Deprecation and amortisation expense	(694)
Interest expense	(35)
Income tax recognised in the income statement	636

***** *company fully consolidated until 30 November 2016, income statement data comprise period of December 2016.*

As at 31 December 2016, financial liabilities (excluding trade payables and other) included finance lease liabilities in the amount of PLN 320 thousand, (out of which the long-term part amounted to PLN 153 thousand) and liabilities connected with TV license in the carrying amount of PLN 12,560 thousand, (out of which the long-term part amounted to PLN 11,152 thousand).

On October 26, 2016, a cooperation agreement between the subsidiary of Agora - Green Content Sp. z o.o. ("Green Content") and EmiTel Sp. z o.o. ("EmiTel") was signed. The agreement was concluded for a definite period from December 1, 2016 until December 28, 2025, which is the duration of the license to transmit METRO television program granted to Green Content. The total estimated value of the agreement within the expected time of its validity amounts to approximately PLN 62.0 million.

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

The contract covers the provision by EmiTel for Green Content the service of placing the television program METRO on MUX-8 and ensuring uninterrupted digital signal transmission of MUX-8 in the DVB-T standard. The total liability for damages (contractual and tort) of each of the parties, including contractual penalties, is limited to the amount of compensation that the company Green Content should pay EmiTel for 36 months of the contract (does not apply to damage caused willfully).

On 2 December 2016 company Green Content started broadcasting on METRO television channel as a part of MUX-8.

Information concerning the non-controlling interests in subsidiaries is presented in the table below:

	31 December 2016				
Company	% of shares held by non-controlling interests as at 31 December 2016	Accumulated amount of non-controlling interests as at 31 December 2016	Net profit/(loss) allocated to non-controlling interests in 2016	Other comprehensive income allocated to non-controlling interests in 2016	Dividends paid to non-controlling shareholders in 2016
IM 40 Sp. z o.o.	28.0%	804	361	-	422
Inforadio Sp. z o.o.	33.9%	1,642	99	-	325
Helios S.A.	11.1%	15,579	2,796	-	-
Next Film Sp. z o.o.	11.1%	193	(150)	-	-
Yieldbird Sp. z o.o.	15.7%	695	465	-	104
Sir Local Sp. z o.o.	21.6%	(27)	(54)	-	-
Goldenline Sp. z o.o.	7.3%	1,309	(65)	-	-
Total		**20,195**	**3,453**	**-**	**852**

	31 December 2015				
Company	% of shares held by non-controlling interests as at 31 December 2015	Accumulated amount of non-controlling interests as at 31 December 2015	Net profit/(loss) allocated to non-controlling interests in 2015	Other comprehensive income allocated to non-controlling interests in 2015	Dividends paid to non-controlling shareholders in 2015
IM 40 Sp. z o.o.	28.0%	864	422	-	484
Inforadio Sp. z o.o.	33.9%	1,870	325	-	113
Helios S.A.	11.5%	13,270	1,557	2	-
Next Film Sp. z o.o.	11.5%	358	87	-	-
Yieldbird Sp. z o.o.	14.1%	301	368	-	79
Sport4People Sp. z o.o.	0.0%	-	(58)	-	-
Sir Local Sp. z o.o.	21.6%	27	(87)	-	-
Projekt Inwestycyjny Sp. z o.o.	30.0%	9	(5)	-	-
Total		**16,699**	**2,610**	**2**	**676**

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

The effect of transactions with non-controlling interests on the equity attributable to owners of the parent are presented in the table below:

	31 December 2016	31 December 2015
The change in the equity attributable to owners of the parent resulting from:		
- acquistion of additional shares from non-controlling shareholders	160	27
- increase of share capital in a subsidiary	662	-
- subscription for shares by non-controlling shareholders	(98)	-
Net impact on the equity attributable to owners of the parent	**724**	**27**

40. RELATED-PARTY TRANSACTIONS

Table below presents total investments and the balances with related parties:

	31 December 2016	31 December 2015
Jointly controlled entities		
Shares	20,487	7,511
Current loans granted	2,066	5,735
Trade receivables	895	135
Cash pooling liabilities	9,818	-
Trade liabilities	204	393
Other liabilities	110	14
Associates		
Shares	930	12,427
Current loans granted	3,963	3,650
Trade receivables	21	31
Trade liabilities	1	29
Major shareholder		
Trade receivables	5	-
Other liabilities	-	75
Management Board of the Company		
Receivables	3	16
Management Boards of group companies		
Receivables	70	56
Liabilities	1	1

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

Table below presents total transactions with related parties during the year:

	2016	2015
Jointly controlled entities		
Sales	1,536	1,128
Purchases	(912)	(1,483)
Other operating revenues	-	1
Interests on loans granted	82	117
Finance cost	(14)	-
Associates		
Sales	89	48
Purchases	(110)	(129)
Interests on loans granted	114	94
Dividends received	360	-
Major shareholder		
Sales	63	62
Other operating revenues	162	197

Following types of transactions occur within the Agora Group:

- advertising and printing services,
- rent of machinery, office and other fixed assets,
- providing various services: legal, financial, administration, trade, sharing market research results, outsorcing,
- grant and repayment of loans and interest revenues and costs,
- dividend distribution,
- cash pooling settlements.

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

41. ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and assumptions are continually evaluated and are based on historical experience and best knowledge of the Group as at the date of the estimation. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities concern impairment tests for goodwill and 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.

There are two key assumptions identified, which have the most significant impact on the estimated recoverable amount of the assets:

1) estimated rate of real free cash flow to firm after the period of detailed forecast and

2) pre-tax discount rate.

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

Basic information about the method applied is summarized below:

	Goodwill related to activities in Trader.com (Polska) - Internet	**Goodwill related to activities in particular magazine titles**	**Goodwill related to radio activities**	**Goodwill related to activities in outdoor segment**	**Goodwill related to activities in cinema market**	**Goodwill allocated to activities in press segment**
Carrying amount as at 31 December 2016	PLN 23,745 thousand	PLN 25,734 thousand	PLN 63,667 thousand	PLN 140,944 thousand	PLN 39,096 thousand	PLN 43,375 thousand
Assumptions	Financial forecasts and projections of the market for next years based on the best knowledge of the market, available market data and expierence.					
Detailed forecast period	5 years	5 years	5 years	5 years	5 years	5 years
Years:	Estimated rate of free cash flow to firm in the period of detailed forecast (pre-tax)					
2017	(29%)	(7%)	(46%)	22%	(25%)	418%
2018	21%	21%	20%	(21%)	5%	(9%)
2019	34%	(3%)	3%	(5%)	13%	11%
2020	15%	3%	(1%)	42%	(3%)	(4%)
2021	10%	3%	6%	23%	11%	1%
	Discount rate for the years (pre-tax)					
2017-2021	7.8%	6.1%	7.6%	6.6%	7.2%	8.4%
	The long-term growth rate after the period covered by the forecast					
	0.5%	0.0%-0.5%	0.5%	0.5%	0.5%	(2.1%)

In 2016 and 2015 there were no impairment losses connected with the investments mentioned in the table above.

In relation to the cash generating unit relating to activities in Trader.com (Polska) – Internet, the possible change in the two key assumptions, could result in the estimated recoverable amount of the CGU being equal to its carrying amount.

	Goodwill related to activities in Trader.com (Polska) - Internet
The long-term growth rate after the period covered by the forecast *	0.5%
- change required for carrying amount to equal recoverable amount	*(0.3pp)*
Estimated pre-tax discount rate *	7.8%
- change required for carrying amount to equal recoverable amount	*0.2pp*

** estimated on the basis of the best knowledge, available market data and past experience.*

42. SELECTED CONSOLIDATED FINANCIAL DATA TOGETHER WITH TRANSLATION INTO EURO

	PLN thousand		EURO thousand	
	2016	2015	2016	2015
Sales	1,198,432	1,189,340	273,883	284,205
Operating profit	16,682	18,732	3,812	4,476
Profit before income taxes	195	16,805	45	4,016
Net profit/(loss) for the period attributable to equity holders of the parent	(16,637)	12,709	(3,802)	3,037
Net cash from operating activities	96,994	111,076	22,167	26,543
Net cash used in investing activities	(28,691)	(128,976)	(6,557)	(30,820)
Net cash used in financing activities	(49,269)	(3,267)	(11,260)	(781)
Net increase / (decrease) in cash and cash equivalents	19,034	(21,167)	4,350	(5,058)
Total assets	1,569,382	1,610,213	354,743	377,851
Non-current liabilities	128,389	118,589	29,021	27,828
Current liabilities	323,675	321,439	73,163	75,429
Equity attributable to equity holders of the parent	1,097,123	1,153,486	247,993	270,676
Share capital	47,665	47,665	10,774	11,185
Weighted average number of shares	47,665,426	47,906,531	47,665,426	47,906,531
Earnings per share (in PLN / in EURO)	(0.35)	0.27	(0.08)	0.06
Book value per share (in PLN / in EURO)	23.02	24.08	5.20	5.65

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

- income statement and cash flow statement figures for 2016 (for 2015) using the arithmetic average of exchange rates published by NBP and ruling on the last day of each month for four quarters. For the 2016 EURO 1 = PLN 4.3757 (EURO 1 = 4.1848 PLN).
- balance sheet figures using the average exchange rates published by NBP and ruling as at the balance sheet date. The exchange rate as at 31 December 2016 – EURO 1 = 4.4240 PLN; as at 31 December 2015 – EURO 1 = 4.2615 PLN .

43. EVENTS AFTER THE BALANCE SHEET DATE

On February 17, 2017, the Management Board of Agora S.A. received from the Member of the Management Board, Mr Robert Musial, statement of resignation from the position of the member of the Company's Management Board, effective February 28, 2017.

On March 1, 2017, the Management Board of Agora S.A., pursuant to par. 28 section 3 of the Company's Statute, elected by way of co-option Ms. Agnieszka Sadowska as an additional member of the Management Board.

On March 2, 2017, Agora S.A. sold to Agora TC Sp. z o.o. with its registered office in Warsaw for the total amount of PLN 18,000 : (i) 400 shares in Joy Media Sp. z o.o. with its register office in Warsaw of the total nominal value of PLN 20,000 representing 100% of the share capital of this company, (ii) 400 shares in PTA Sp. z o.o. with its register office in Warsaw of the total nominal value of PLN 20,000 representing 100% of the share capital of this company, (iii) 1,100 shares in TV Zone Sp. z o.o. with its register office in Warsaw of the total nominal value of PLN 55,000 representing 100% of the share capital of this company. As the result of this transaction Agora TC Sp. z o.o. became a sole shareholder of this companies.

On March 13, 2017, Agora TC Sp. z o.o. with its registered office in Warsaw sold to Next Film Sp. z o.o. with its register office in Lodz shares of Joy Media Sp. z o.o. with its register office in Warsaw with the total nominal value of PLN 20,000 representing 100% of the share capital of this company for the total price of PLN 4,500. As the result of this transaction Next Film Sp. z o.o. became a sole shareholder of this company.

Warsaw, March 31, 2017

Bartosz Hojka – President of the Management Board	Signed on the Polish original
Grzegorz Kossakowski – Member of the Management Board	Signed on the Polish original
Tomasz Jagiello – Member of the Management Board	Signed on the Polish original
Agnieszka Sadowska – Member of the Management Board	Signed on the Polish original

Signature of the person responsible for keeping the accounting records

Ewa Kuzio – Chief Accountant	Signed on the Polish original

KPMG

Agora S.A. Group

Report on the audit

of the consolidated financial statements

Financial Year ended

31 December 2016

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

Contents

1. General

1.1. Identification of the Group

1.1.1. Name of the Group

Agora S.A. Group

1.1.2. Registered office of the Parent Company of the Group

ul. Czerska 8/10
00-732 Warsaw

1.1.3. Registration of the Parent Entity in the register of entrepreneurs of the National Court Register

Registration court:	District Court for the Capital City of Warsaw in Warsaw, XIII Commercial Department of the National Court Register
Date:	7 November 2001
Registration number:	KRS 0000059944
Share capital as at the end of reporting period:	PLN 47,665,426.00

1.1.4. Management of the Parent Entity

The Management Board is responsible for management of the Parent Entity.

As at 31 December 2016, the Management Board of the Parent Entity was comprised of the following members:

- Bartosz Hojka – President of the Management Board,
- Grzegorz Kossakowski – Member of the Management Board,
- Robert Musiał – Member of the Management Board,
- Tomasz Jagiełło – Member of the Management Board.

On 17 February 2017 Mr. Robert Musiał resigned from the position of the Member of the Management Board of the Parent Entity, effective 28 February 2017.

On 1 March 2017 by a resolution of the Management Board of the Parent Entity, Mrs Agnieszka Sadowska was appointed as Member of the Management Board of the Parent Entity by way of co-opting.

1.2. Key Certified Auditor and Audit Firm Information

1.2.1. Key Certified Auditor information

Name and surname:	Zbigniew Libera
Registration number:	90047

1.2.2. Audit Firm information

Name:	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
Address of registered office:	ul. Inflancka 4A, 00-189 Warsaw
Registration number:	KRS 0000339379
Registration court:	District Court for the Capital City of Warsaw in Warsaw, XII Commercial Department of the National Court Register
NIP number:	527-26-15-362

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. is entered into the register of audit firms, maintained by the National Council of Certified Auditors, under number 3546.

1.3. Prior period consolidated financial statements

The consolidated financial statements for the financial year ended 31 December 2015 were audited by KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. and received an unmodified opinion.

The consolidated financial statements were approved at the General Meeting of the Parent Entity on 23 June 2016.

The consolidated financial statements were submitted to the Registration Court on 18 July 2016.

1.4. Audit scope and responsibilities

The consolidated financial statements were audited in accordance with the contract dated 26 June 2014, concluded on the basis of the resolution of the Supervisory Board dated 3 April 2014 on the appointment of the auditor.

We conducted our audit in accordance with section 7 of the Accounting Act dated 29 September 1994 (Official Journal from 2016, item 1047 with amendments) ("the Accounting Act") and International Standards on Auditing as adopted by the resolution dated 10 February 2015 of the National Council of Certified Auditors as National Standards on Assurance.

We audited the consolidated financial statements at the Group entities during the period from 6 February 2017 to 3 March 2017.

Management of the Parent Entity is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations. Management of the Parent Entity is also responsible for the report on the Group's activities.

Our responsibility is to express an opinion and to prepare a report on the audit of the financial statements.

The Management Board of the Parent Entity submitted a statement, dated as at the same date as this report, as to the preparation of the consolidated financial statements that give a true and fair view, which confirmed that there were no undisclosed matters which could significantly influence the information presented in the consolidated financial statements.

All required statements, explanations and information were provided to us by Management of the Group and all our requests for additional documents and information necessary for expressing our opinion and preparing the report have been fulfilled.

The scope of the work planned and performed has not been limited in any way. The method and scope of our audit is detailed in working papers prepared by us and retained in the offices of the Audit Firm.

The Key Certified Auditor and the Audit Firm are independent of the entities within the Group in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants' as adopted by the resolution of National Council of Certified Auditors dated 13 June 2011 ("IESBA Code") and the impartiality and independence requirements as described in Art. 56 points 3 and 4 of the Act on Certified Auditors and their Self-Governance, Audit Firms authorized to Audit Financial Statements and Public Oversight dated 7 May 2009 (Official Journal from 2016, item 1000 with amendments) and have fulfilled other ethical responsibilities in accordance with these regulations and the IESBA Code.

2. Financial analysis of the Group

2.1. Summary analysis of the consolidated financial statements

2.1.1. Consolidated balance sheet

ASSETS	31.12.2016 PLN '000	% of total	31.12.2015 PLN '000	% of total
Non-current assets:				
Intangible assets	462,781	29.5	448,064	27.8
Property, plant and equipment	627,510	40.0	669,689	41.6
Long-term financial assets	83	-	98	-
Investments in equity accounted investees	21,417	1.4	19,938	1.2
Receivables and prepayments	14,287	0.9	14,179	0.9
Deferred tax assets	13,374	0.8	10,388	0.7
	1,139,452	72.6	1,162,356	72.2
Current assets:				
Inventories	33,829	2.2	29,031	1.8
Accounts receivable and prepayments	254,354	16.2	281,716	17.5
Income tax receivable	836	-	121	-
Short-term securities and other financial assets	80,032	5.1	105,826	6.6
Cash and cash equivalents	50,197	3.2	31,163	1.9
	419,248	26.7	447,857	27.8
Non-current assets held for sale	10,682	0.7	-	-
	429,930	27.4	447,857	27.8
TOTAL ASSETS	1,569,382	100.0	1,610,213	100.0

EQUITY AND LIABILITIES	31.12.2016 PLN '000	% of total	31.12.2015 PLN '000	% of total
Equity attributable to equity holders of the parent:				
Share capital	47,665	3.0	47,665	3.0
Share premium	147,192	9.4	147,192	9.1
Retained earnings and other reserves	902,266	57.5	958,629	59.5
	1,097,123	69.9	1,153,486	71.6
Non-controlling interest	20,195	1.3	16,699	1.0
Total equity	1,117,318	71.2	1,170,185	72.6
Non-current liabilities:				
Deferred tax liabilities	23,768	1.5	22,527	1.4
Long-term borrowings	71,931	4.6	60,850	3.8
Other financial liabilities	24,707	1.6	16,575	1.0
Retirement severance provision	2,745	0.2	2,451	0.2
Provisions	696	-	927	0.1
Deferred revenues and accruals	4,542	0.3	15,259	0.9
	128,389	8.2	118,589	7.4
Current liabilities:				
Retirement severance provision	228	0.1	198	-
Trade and other payables	160,881	10.2	165,998	10.3
Income tax liabilities	14,114	0.9	9,463	0.6
Short-term borrowings	38,988	2.5	46,794	2.9
Other financial liabilities	9,818	0.6	4,304	0.3
Provisions	7,541	0.5	2,115	0.1
Deferred revenues and accruals	92,105	5.8	92,567	5.8
	323,675	20.6	321,439	20.0
TOTAL EQUITY AND LIABILITIES	1,569,382	100.0	1,610,213	100.0

2.1.2. Consolidated income statement

	1.01.2016 - 31.12.2016 PLN '000	% of total sales	1.01.2015 - 31.12.2015 PLN '000 (*)	% of total sales
Sales	1,198,432	100.0	1,189,340	100.0
Cost of sales	(849,236)	70.9	(820,144)	69.0
Gross profit	*349,196*	*29.1*	*369,196*	*31.0*
Selling expenses	(226,123)	18.9	(235,535)	19.8
Administrative expenses	(125,186)	10.4	(120,619)	10.1
Other operating income	29,841	2.5	19,917	1.7
Other operating expenses	(11,046)	0.9	(14,227)	1.2
Operating profit	*16,682*	*1.4*	*18,732*	*1.6*
Finance income	3,653	0.3	4,109	0.3
Finance costs	(18,671)	1.6	(5,164)	0.4
Share of results of equity accounted investees	(1,469)	0.1	(872)	0.1
Profit before income tax	*195*	-	*16,805*	*1.4*
Income tax expense	(13,379)	1.1	(1,486)	0.1
Net profit/(loss) for the period	*(13,184)*	*1.1*	*15,319*	*1.3*
Attributable to:				
Equity holders of the parent	(16,637)		12,709	
Non-controlling interest	3,453		2,610	
	(13,184)		15,319	
Basic/diluted earnings per share (in PLN)	**(0.35)**		**0.27**	

(*) data restated

2.1.3. Consolidated statement of comprehensive income

	1.01.2016 - 31.12.2016 PLN '000	% of profit	1.01.2015 - 31.12.2015 PLN '000	% of profit
Net profit/(loss) for the period	*(13,184)*	*100.0*	*15,319*	*100.0*
Other comprehensive income/(loss):				
Items that will not be reclassified to profit or loss				
Actuarial gains/(losses) on defined benefit plans	(3)	-	293	1.9
Income tax effect	1	-	(55)	0.3
	(2)	**-**	***238***	***1.6***
Items that will be reclassified to profit or loss				
Other comprehensive income/(loss) for the period	***(2)***	**-**	***238***	***1.6***
Total comprehensive income/(loss) for the period	***(13,186)***	***100.0***	***15,557***	***101.6***
Attributable to:				
Shareholders of the parent	(16,639)	126.2	12,945	84.5
Non-controlling interests	3,453	26.2	2,612	17.1
	(13,186)	100.0	15,557	101.6

2.2. Selected financial ratios

	2016	2015	2014
1. Return on sales			
profit for the period x 100% / revenue	negative value	1.3%	negative value
2. Return on equity			
profit for the period x 100% / equity - profit for the period	negative value	1.3%	negative value
3. Debtors' days			
average trade receivables (gross) x 365 days / revenue	64 days	67 days	70 days
4. Debt ratio			
liabilities x 100% / equity and liabilities	28.8%	27.4%	25.1%
5. Current ratio			
current assets / current liabilities	1.3	1.4	1.5

- Revenue includes revenue from sales of finished products, merchandise and raw materials.
- Average trade receivables represent the average of trade receivables at the beginning and at the end of the period, with no deduction made for allowances.

3. Detailed report

3.1. Accounting principles

The Parent Entity maintains current documentation describing the accounting principles applied by the Group and adopted by the Management Board of the Parent Entity.

The accounting principles are described in the notes to the consolidated financial statements to the extent required by International Financial Reporting Standards as adopted by the European Union.

In view of the fact that not all entities being part of the Group apply common accounting principles consistent with the accounting principles applied by the Parent Entity, appropriate adjustments to the financial statements of those entities were made to ensure consistency with the accounting principles applied by the Parent Entity.

The financial statements of the entities included in the consolidated financial statements were prepared at the end of the same reporting period as the financial statements of the Parent Entity.

3.2. Basis of preparation of the consolidated financial statements

The consolidated financial statements of the Agora S.A. Group were prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations.

The consolidated financial statements were prepared on the basis of the consolidation documentation prepared in accordance with the requirements the Decree of the Ministry of Finance dated 25 September 2009 on principles for the preparation of consolidated financial statements of a capital group by companies other than banks and insurance companies (Official Journal from 2009 No. 169, item 1327 with amendments).

3.3. Method of consolidation

The method of consolidation is described in note 2 (c) of the notes to the consolidated financial statements.

3.4. Goodwill arising on consolidation

The method of calculating goodwill arising on consolidation is described in note 2 (e) of the notes to the consolidated financial statements.

3.5. Consolidation of equity and calculation of non-controlling interest

The share capital of the Group is equal to the share capital of the Parent Entity.

Other equity items of the Group are determined by adding the equity balances of subsidiaries included in the consolidated financial statements in the proportion reflecting the Parent Entity's share in the subsidiaries' equity as at the end of the reporting period to the corresponding positions of the equity of the Parent Entity.

Only equity of subsidiaries arising after the Parent Entity obtained control of the subsidiary is included in the equity of the Group.

Non-controlling interests in subsidiaries included in the consolidated financial statements were determined based on the non-controlling interests' share in the subsidiaries' equity as at the end of the reporting period.

3.6. Consolidation eliminations

Intercompany balances within the Group were eliminated on consolidation.

Sales between entities and other intercompany operating revenues and expenses and financial revenues and expenses were eliminated on consolidation.

The consolidation eliminations were based on the accounting records of Agora S.A. (or subsidiary entities) and agreed with information received from the subsidiaries.

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

Signed on the Polish original

....
Zbigniew Libera
Key Certified Auditor
Registration No. 90047
Limited Liability Partner with power of attorney

31 March 2017

AGORA GROUP

Management Discussion and Analysis for **the year 2016** to the consolidated financial statements

March 31, 2017

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NET LOSS PLN 13.2 MILLION
EBITDA PLN 114.9 MILLION
OPERATING CASH FLOW PLN 97.0 MILLION

Unless indicated otherwise, all data presented herein represent the period of 2016, while comparisons refer to 2015. All data sources are presented in part IV of this MD&A.

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

- In 2016, the Group's revenue amounted to PLN 1,198.4 million and increased by 0.8% yoy. The increase in the Group's revenue in this period resulted primarily from an increase in the inflows of the Movies and Books, Internet, Outdoor and Radio segments. However, revenue of the Press and Print segments was lower yoy. In the period January–December 2016, the most dynamic increase in revenue was recorded in the Internet segment — by 11.6% yoy, to PLN 167.9 million. Another segment characterised by high revenue growth dynamics was the Outdoor segment. From the beginning of the year to the end of December 2016, total revenue of the segment amounted to PLN 168.0 million, increasing by 7.6% yoy. Total revenue of the Movies and Books segment amounted to PLN 364.0 million in 2016 — an increase by 5.5% yoy. This was mainly thanks to high attendance in Helios cinemas, which translated into an increase in the revenue from both ticket sales as well as concession sales. However, income on the Agora's Publishing House activity was lower than in 2015, primarily due to lower income associated with the game *The Witcher 3: Wild Hunt* and its add ons. Income on film activity was also lower yoy due to lower number of sold tickets for movies distributed by NEXT FILM. Revenue of the Radio segment also increased — by 5.3% yoy, amounting to PLN 113.4 million. The revenue of the Press segment decreased by 10.9% yoy to PLN 267.9 million. This decline resulted primarily from lower advertising revenue in that segment, the free *Metrocafe.pl* daily no longer being issued as well as lower income on copy sales. On the other hand, higher income on sale of advertising in online services of magazines had positive impact on the level of revenue in this segment. The revenue of the Print segment amounted to PLN 155.5 million and decreased by 5.6% yoy mainly due to lower volume of orders.
- In 2016, the Group's operating costs increased by 0.9% yoy and amounted to PLN 1,181.7 million. The highest dynamics in the increase in operating costs — up by 14.7% yoy to PLN 144.9 million, was recorded in the Internet segment. This resulted mainly from higher costs related to brokerage of advertising space of third-party internet publishers, as well as higher staff costs and consolidation of GoldenLine. The increase in operating costs in the Radio segment by 6.7% yoy to PLN 100.6 million was mainly the result of the higher costs of promotion and marketing, higher costs related with brokerage activities in Helios cinemas, as well as higher staff costs. The increase in operating costs in the Movies and Books segment — up by 4.8% yoy to PLN 337.0 million, is mainly related to higher costs of film copy purchase and the development of the Helios network. In the Outdoor segment, the increase in operating costs up to PLN 143.1 million results from higher staff costs as well as higher costs of advertising campaigns due to their higher number. The costs of the Print segment slightly increased and remained at a similar level to costs from 2015. The Press segment recorded significantly decreased operating costs as a result of a reduction in all cost categories. The most significant decreases took place for the following items: materials, energy, goods and printing services as well as staff costs. Costs in the Press segment were also reduced due to the *Metrocafe.pl* daily being no longer issued.

- It should be noted that in 2016, the Group's results were affected by one-off events. The Group's operating result in the fourth quarter of 2016 was negatively impacted by the provision related to the group lay-off process implemented at Agora S.A., which was charged to the operating result at the EBIT level in the amount of PLN 6.9 million. However, the Group's operating profit was positively affected by gains from sale of the Company's real property in Lodz, amounting to PLN 6.0 million and from sale of shares in the subsidiary, Green Content Sp. z o.o., amounting to PLN 10.5 million. Additionally, it should be noted that the Group's net result decreased by PLN 7.1 million financial costs due to the standard, compliant with the rules specified in the accounting policy of the Agora Group, revaluation of liabilities due to put options granted to non-controlling shareholders of subsidiaries. Apart from one-off events recorded in the fourth quarter of 2016, the Group's results throughout 2016 were affected by the acquisition of 106 shares in the share capital of GoldenLine from this company's shareholders for a total price of PLN 8.5 million in the first quarter of 2016. A detailed description of this transaction is included in note 33 to the consolidated financial statements of Agora Group for the year 2016. The total negative impact of the acquisition of GoldenLine on the net result of the Group amounted to PLN 3.3 million.
- As a result in 2016, the Group's EBITDA amounted to PLN 114.9 million and was lower yoy. The EBIT operating profit amounted to PLN 16.7 million. The net loss amounted to PLN 13.2 million and the net loss attributable to the equity holders of the parent company amounted to PLN 16.6 million.
- On 2 December 2016, the METRO television channel, launched by Agora Group company as a part of MUX-8, started broadcasting. On December 9, 2016, Agora announced sale of minority stake to Discovery Polska Sp. z o.o. As a result of the transaction and rules of cooperation following from the investment agreement, the shares in Green Content still owned by the Group are measured in the Group's consolidated financial statements according to the equity method. It means that the result of the Agora Group will include the share in net profit or loss of Green Content. In 2016, negative impact of Green Content's activity on the net result of the Agora Group before the sale of the minority stake amounted to approximately PLN 2.0 million, while the Group's share in the company's net loss in December 2016 amounted to approximately PLN 1.4 million. At the same time, settlement of the sale of shares in Green Content had positive impact on the Group's other operating income in the fourth quarter of 2016 in the amount of PLN 10.5 million and in the amount of PLN 9.2 million on the Group's net result. In effect, the company's total impact on the net result of the Agora Group in 2016 was positive and amounted to approximately PLN 5.8 million.
- As at 31 December 2016, the Group's monetary assets amounted to PLN 124.2 million, which comprised cash and cash equivalents in the amount of PLN 50.2 million (cash on hand, bank accounts and deposits) and PLN 74.0 million invested in short-term securities. Additionally, as at 31 December 2016, the Group held long-term cash receivables of PLN 21.6 million deposited by AMS S.A. as cash collateral securing the bank guarantees granted in relation to performance of the concession contract for the construction and modernisation of bus/tram shelters in Warsaw (PLN 10.8 million of which is disclosed under long-term receivables).
- As at the end of December 2016, the Group's debt amounted to PLN 110.9 million (including external debt of Helios S.A. consisting of bank loans and finance lease liabilities in the amount of PLN 81.3 million).

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

1. EXTERNAL FACTORS

1.1 Advertising market [3]

According to the Agora S.A. estimates ("Company", "Agora"), based on public data sources, in 2016, total advertising spending in Poland amounted to almost PLN 8.4 billion and increased by 2.5% yoy. At that time, advertisers limited their expenditure only in press. The growth of advertising expenditure was visible in other advertising market segments.

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

Tab. 1

Total advertising expenditure	Television	Internet	Magazines	Radio	Outdoor	Dailies	Cinema
2.5%	1.5%	9.5%	(8.0%)	1.5%	4.5%	(19.5%)	13.5%

The share of particular media segment in total advertising expenditure, in 2016, is presented in the table below:

Tab. 2

Advertising spendings, in total	Television	Internet	Magazines	Radio	Outdoor	Dailies	Cinema
100.0%	48.5%	28.0%	6.0%	7.5%	6.0%	2.5%	1.5%

1.2 Copy sales of dailies [4]

In 2016, the drop in total paid circulation of dailies in Poland amounted to 9.3%. The largest decrease was observed in regional dailies.

1.3. Cinema admissions [10]

In 2016, the number of tickets sold in Polish cinemas increased by 16.5% yoy to nearly 52.1 million tickets.

2. INTERNAL FACTORS

2.1. Revenue

Tab. 3

in million PLN	**2016**	**% share**	**2015**	**% share**	***% change yoy***
Total sales (1)	**1,198.4**	***100.0%***	**1,189.3**	***100.0%***	***0.8%***
Advertising revenue	561.6	*46.9%*	562.4	*47.3%*	*(0.1%)*
Copy sales	135.7	*11.3%*	144.8	*12.2%*	*(6.3%)*
Ticket sales	194.2	*16.2%*	162.2	*13.6%*	*19.7%*
Printing services	147.7	*12.3%*	156.2	*13.1%*	*(5.4%)*
Other	159.2	*13.3%*	163.7	*13.8%*	*(2.7%)*

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

In 2016, **the Group's total revenue** amounted to PLN 1,198.4 million (up by 0.8% yoy).

In 2016, the Group's **advertising revenue** slightly decreased — by 0.1% yoy — and amounted to PLN 561.6 million. It grew at the fastest pace in the Internet and Outdoor segments. Advertising revenue in the Movies and Books as well as Radio segments also increased.

In 2016, **revenue from tickets sold in Helios cinemas** increased by 19.7% yoy and amounted to PLN 194.2 million. In the reporting period, the number of tickets sold in Helios cinemas amounted to more than 10.8 million, which meant a yoy increase by 15.4%. In the same period, the overall number of cinema tickets sold in Poland amounted to 52.1 million and increased by 16.5% yoy *[10]*.

In the period January–December 2016, **the Group's copy sales revenue** amounted to PLN 135.7 million and decreased by 6.3% yoy. The factor that influenced the level of the Group's copy sales revenue was, among others, the continued downward trend with regard to copy sales of printed press.

In 2016, **revenue from the sales of printing services** in the Group amounted to PLN 147.7 million and was lower by 5.4% yoy, which was mainly related to lower volume of orders in the heatset technology.

The revenue from other sales amounted to PLN 159.2 million and decreased by 2.7% yoy. The largest category of revenue included under this item is revenue from concession sales in Helios cinemas, which increased by 21.5% yoy to PLN 72.3 million. Revenue from sale of online services in GoldenLine also increased. The main factor causing the decrease of this revenue item was significantly lower yoy income on film distribution as well as revenue related with the game *The Witcher 3: Wild Hunt*, recorded in 2015.

2.2. Operating cost

Tab. 4

in million PLN	**2016**	**% share**	**2015**	**% share**	***% change yoy***
Operating cost net, including:	**(1,181.7)**	***100.0%***	**(1,170.6)**	***100.0%***	***0.9%***
External services	(424.1)	*35.9%*	(400.6)	*34.2%*	*5.9%*
Staff cost	(323.2)	*27.4%*	(317.3)	*27.1%*	*1.9%*
Raw materials, energy and consumables	(221.1)	*18.7%*	(225.6)	*19.3%*	*(2.0%)*
D&A	(98.2)	*8.3%*	(102.0)	*8.7%*	*(3.7%)*
Promotion and marketing	(83.5)	*7.1%*	(87.4)	*7.5%*	*(4.5%)*
Cost of group lay-offs (1)	(6.9)	*0.6%*	-	*0.0%*	-

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

In 2016, the Group's **net operating costs** increased by 0.9% yoy to PLN 1,181.7 million.

In 2016, the **costs of external services** increased by 5.9% yoy and amounted to PLN 424.1 million. The main factors that caused the increase were higher payments for film copies due to higher attendance in cinemas and higher revenue from ticket sales. The costs of advertising brokerage services, mainly in the Internet segment, rent and lease payments as well as waste disposal and cleaning services related to a larger number of cinema facilities were also higher yoy. In 2016, the level of costs of external services was also affected by the settlement with the producer of the game *The Witcher 3: Wild Hunt* related to the sale of the game and its add ons.

In 2016, **staff costs** increased by 1.9% yoy to PLN 323.2 million. There were increases recorded in most of the Group's operating segments. The highest increases took place in the following segments: Movies and Books, among others in connection with development of the Helios cinema network, Internet, among others as a result of full consolidation of GoldenLine and increase in employment in Yieldbird, Optimizers, in sports services of Gazeta.pl and advertising networks as well as in Outdoor segment in connection with higher execution of sales objectives. At the same time, these costs were reduced in the Press and Print segments.

Additionally, in the fourth quarter of 2016, the operating costs of the Press, Internet and Print segments as well as supporting departments were charged with a total amount of PLN 6.9 million in connection with the group lay-offs process carried out at Agora S.A. As a part of this process, by the end of December 2016, 176 termination notices were handed in, terminating employment contracts or changing terms and conditions of employment.

A decrease by 2.8% yoy in the **costs of materials and energy** recorded in 2016 resulted mainly from lower cost of production materials related to lower production volumes.

The Group's cost of promotion and marketing decreased in 2016 by 4.5% yoy to PLN 83.5 million. This resulted from less intensified promotional activity in most operating segments. Its increase only took place in the Radio segment in connection with the Radio Złote Przeboje image campaign.

3. PROSPECTS

In 2016, as a part of strategic review of assets, the Company's Management board decided to sell the real property in Warsaw and Lodz which had not been used by the Company in its operating activity. The Company intends to use the funds from these transactions for development activity. The sale of the real property in Lodz took place in the fourth quarter of 2016. Positive impact on the Group's results in 2017 may be caused by execution of the preliminary sale agreement concerning the right of perpetual usufruct of undeveloped land in Warsaw. The company announced signature of this agreement in regulatory filing No 33/2016 on December 16, 2016.

The total sales price of the real property will amount to PLN 19.0 million net, while positive impact of this transaction of the operating result (EBIT) of the Company and the Agora Group in 2017 can amount to approximately PLN 8.0 million.

At the same time, it should be noted that the net result of the Agora Group in 2017 will also be affected by the activity of the company Green Content, which launched its METRO television channel as a part of MUX-8 on 2 December 2016.

3.1. Revenue

3.1.1. Advertising market [3]

The value of advertising expenditure in 2016 in Poland grew by over 2,5% yoy. The advertisers spent on promotion on their products and services almost PLN 8.4 billion

According to the Company's estimates in 2017 the value of advertising expenditure may grow by 1-3% yoy. The estimated dynamics of changes in advertising expenditure in particular media is presented in the table below:

Tab. 5

Total advertising expenditure	Television	Internet	Magazines	Radio	Outdoor	Dailies	Cinema
1-3%	1-3%	5-8%	(10%)-(7%)	(2%)-2%	1-3%	(17%)-(14%)	1-4%

3.1.2. Copy sales

In 2017, negative trends relating to copy sales of dailies and magazines in their print versions will continue. The Company is continuously developing the offer of digital content. At the beginning of 2014, Agora implemented, as the first publisher in Poland, a new model of access to the digital content of *Gazeta Wyborcza* and a digital subscription offer. At the end of December 2016, the number of paid digital subscriptions of the daily amounted to approximately 100 thousand. At the same time, in the fourth quarter of 2016, the Company conducted restructuring activities in the Press segment, which included both group lay-offs and change in the daily's publishing formula. In the Company's opinion, such activities, together with other factors, should stabilise the Press segment's financial results in the long term.

3.1.3. Ticket sales

The most significant factor affecting attendance in Polish cinemas is the repertoire. Based on the available information, the number of tickets sold in Polish cinemas in 2016 amounted to 52.1 million, which means an increase by more than 16.5% yoy *[10].*

Simultaneously, it should be noted that the year 2016 brought another record in cinema attendance in Poland. The number of tickets sold in Polish cinemas increased significantly third year in a row. In the Company's opinion, a success in 2017 will be repeating the attendance results from 2016.

3.2 Operating cost

Operating costs of the Agora Group in 2017 should be lower than those recorded in 2016. It will be caused mainly by restructuring activities implemented in the Press segment, lower costs of the Agora's Publishing House as well as discontinuation of issue of *Metrocafe.pl*.

3.2.1. Costs of external services

The cost of external services in 2017 will largely depend on the cost of sales brokerage in advertising — in particular in the Internet segment, costs of film copy purchase related directly to the level of revenue from ticket sales and the EUR/PLN exchange rate. In addition, the increase in this cost item will be affected by opening of new cinema facilities in the fourth quarter of 2016 as well as those planned for 2017, fees for film producers related to the Group's film distribution business and execution of other development projects.

3.2.2. Staff cost

According to the Company's estimates staff costs will be lower in 2016. It results primarily from group lay-offs, carried out in Agora S.A. in 2016 (mainly in the Press, Internet and Print segments) as well as from resignation from issuance of the *Metrocafe.pl* daily. The group lay-offs executed in the fourth quarter of 2016 affected mainly the Press segment. However, it should be noted that due the dynamics growth in digital sphere the segment strengthens its competencies in this field by recruitment of specialists. The Company estimates that as a result of all actions undertaken in the segments the cost of staff cost will be lower in that segment by ca. PLN 7.0 million yoy.

Reduction of these costs in the Agora Group will be also caused by lower yoy remuneration in the Outdoor and Radio segments as well as in supporting divisions of Agora S.A. compared to 2016.

Staff costs will increase in the Movies and Books and Internet segments. In the Movies and Books segment, it will be significantly affected by the amendment to the act on minimum wage, implemented from 2017. It will also affect the level of third party services related to the cleaning servies in Helios cinemas. In the Company's opinion, the total influence of the change in the minimum hourly wage may inrease the operating cost in the segment by ca. PLN 8.0 – 10.0 million yoy, which will also affect the operating result of the Movies and Books segment in 2017. On the other hand, in the Internet segment, the costs of fixed remuneration will increase mainly as a result of the process of replacing some civil law agreements with contracts of employment as well as implementation of new development projects.

3.2.3. Promotion and marketing cost

In 2017, the Agora Group is planning to implement more development activities, with which promotional activities are related. The dynamics of changes in individual media, the number of launched development projects, as well as market activities of the Group's competitors may affect the level of these expenses. Considering the above factors, the Company estimates that in 2017 this cost item may increase, in particular in the Internet segment. It is connected with development activities implemented in this area and the planned advertising campaign of the Gazeta.pl service. The Company estimates, however, that expenditure on promotion and marketing in the Press and Movies and Books segments will be lower yoy.

3.2.4. Cost of raw materials and energy

According to the Company's estimates, in 2017 this cost item will be shaped by similar market trends to those in 2016. The Group's Print segment has the largest impact on this cost item, especially the cost of production materials, the volume of production and the EUR/PLN exchange rate. The Company estimates that due to reduction in volume of printed titles, the value of this cost item will be lower in 2017.

4. THE GROWTH DIRECTIONS OF THE AGORA GROUP

The primary objective of Agora is the growth in media sector. Agora Group wants to achieve the objective by the growth of revenues and profitability improvement according to the medium term development plans announced in March 2014. The key to success is execution of four main tasks:

1) digital transformation of print media operations,

2) building position in the TV market,

3) profitability improvement of the Group's key business segments,

4) cost optimization of the Group's shared functions and infrastructure.

Due to the implementation of the metered paywall on *Gazeta Wyborcza's* website in February, 2014 the process of digital transformation significantly accelerated in the Agora Group. In order to achieve that goal, the Group supports development of quality journalism and builds necessary technological tools. At the end of 2016, the number of paid digital subscriptions of *Gazeta Wyborcza* amounted to almost 100.0 thousand. In the near future, the Company plans to focus primarily on increasing the average revenue from the subscription, and on increasing the scale of the advertising revenue from websites associated with the daily, than on the growth of the subscriptions base. At the same time, the Company conducted restructuring activities in areas related to the release of the daily. They concerned both: reducing operational costs which included group lay-offs, as well as activities set to reduce the decline in revenue. The company has introduced twice daily's price increase. Its activities also covered the change in the daily's publishing formula and the introduction of new proposals for the readers.

On March 15, 2014 the Agora Group entered the TV market launching Stopklatka TV - a TV channel created together with Kino Polska TV S.A. Agora's objective was a quick success of the digital film channel and its aspires to build a significant position in the TV thematic channel market in the long term perspective. According to our plan in 2016 Stopklatka achieved profitability. In 2015, Agora won the concession proceedings and on the 2nd of December, 2016 the Company launched TV station METRO on MUX-8, terrestrial platform in signal of eighth multiplex. On the 9th of December, 2016 concluded an investment agreement, gaining Discovery Polska Sp. z o.o. as a partner to run the channel.

Agora systematically develops its other business segments. The Group aims to grow its cinema network Helios and increase the scale of operations in the field of film distribution and co-production. In 2016 Helios network grew by four new cinemas and at the end of the year had already 41 modern cinemas. What is worth to notice thanks to systematic implemented strategy of development and the growth in attendance in Poland, Helios S.A. achieved the best financial results in its history. In the outdoor business Agora wants to strengthen its position in the premium segment – at the end of 2016 1,333 out of 1,580 bus shelters with citylight panels were visible in the streets of Warsaw - which resulted in the highest in the history of AMS SA operating result. The priority for the Group's online operations is an intensive growth in mobile and video as well as further diversification of revenue streams, among others thanks Yieldbird. The Group's objective in the radio business is to grow technical reach of current radio stations. In 2016 the radio stations of Agora achieved the highest daily reach in its history.

The Agora Group undertook optimization initiatives related to the Group's cost of shared functions and infrastructure in order to simplify and unify internal processes.

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

The Management Board of Agora S.A. is of the opinion that current and expected financial situation of the Group is stable and its financial liquitidy is not threatened. The detailed description of the Group's financial situation and its financial results are presented in the section III of this Management Discussion and Analysis for the year 2016.

III. FINANCIAL RESULTS

1. THE AGORA GROUP

The consolidated financial statements of the Agora Group for 2016 include: Agora S.A. and 19 subsidiaries, which operate principally in the internet, print, cinema, radio and outdoor segments. Additionally, as at 31 December 2016 the Group held shares in jointly controlled entities Green Content Sp. z o.o. (fully consolidated until 30 November 2016), Stopklatka S.A. and Online Technologies HR Sp. z o.o., as well as in associated companies Instytut Badan Outdooru IBO Sp. z o.o. and Hash.fm Sp. z o.o.

A detailed list of companies of the Agora Group is presented in the point V.B.1 and selected financial data together with translation into EURO are presented in note 42 to the consolidated financial statements in this report.

2. PROFIT AND LOSS ACCOUNT OF THE AGORA GROUP

Tab. 6

in PLN million	**2016**	**2015**	*% change yoy*
Total sales (1)	**1,198.4**	**1,189.3**	***0.8%***
Advertising revenue	561.6	562.4	*(0.1%)*
Copy sales	135.7	144.8	*(6.3%)*
Ticket sales	194.2	162.2	*19.7%*
Printing services	147.7	156.2	*(5.4%)*
Other	159.2	163.7	*(2.7%)*
Operating cost net, including:	**(1,181.7)**	**(1,170.6)**	***0.9%***
Raw materials, energy and consumables	(221.1)	(225.6)	*(2.0%)*
D&A	(98.2)	(102.0)	*(3.7%)*
External services	(424.1)	(400.6)	*5.9%*
Staff cost	(323.2)	(317.3)	*1.9%*
Promotion and marketing	(83.5)	(87.4)	*(4.5%)*
Cost of group lay-offs (2)	(6.9)	-	-
Gain on disposal of subsidiary (3)	10.5	-	-
Gain on a bargain purchase (4)	2.2	-	-
Operating result - EBIT	**16.7**	**18.7**	***(10.7%)***
Finance cost, net, incl.:	**(15.0)**	**(1.0)**	***1,400.0%***
Income from short-term investment	1.6	1.9	*(15.8%)*
Interest on bank loans, borrowings, finance lease and similar items	(3.9)	(4.3)	*(9.3%)*
Remeasurement of equity interest at the acquisition date (4)	(5.5)	-	-
Revaluation of put options (5)	(7.1)	0.5	-
Share of results of equity accounted investees	**(1.5)**	**(0.9)**	***(66.7%)***
Profit before income tax	**0.2**	**16.8**	***(98.8%)***
Income tax	(13.4)	(1.5)	*793.3%*
Net profit/(loss) for the period	**(13.2)**	**15.3**	**-**

in PLN million	**2016**	**2015**	*% change yoy*
Attributable to:			
Equity holders of the parent	(16.6)	12.7	-
Non - controlling interest	3.4	2.6	*30.8%*
EBIT margin (EBIT/Sales)	*1.4%*	*1.6%*	*(0.2pp)*
EBITDA	**114.9**	**120.7**	***(4.8%)***
EBITDA margin (EBITDA/Sales)	*9.6%*	*10.1%*	*(0.5pp)*

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

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

(3) gain on disposal of subsidiary relates to the sales of shares in Green Content Sp. z o.o. in the fourth quarter of 2016 described in note 31 to the consolidated financial statements of Agora Group;

(4) the line items - gain on a bargain purchase and remeasurement of equity interest at the acquisition date – are related to the acquisition of GoldenLine Sp. z o.o. in the first quarter of 2016 described in note 31 to the consolidated financial statements of Agora Group;

(5) relates to the revaluation of the liabilities resulting from put options granted to the non-controlling shareholders of Helios S.A., GoldenLine Sp. z o.o. and Sir Local Sp. z o.o., additional information concerning the remeasurement of put option liabilities is provided in note 33 to the consolidated financial statements.

2.1. The main products, goods and services of the Agora Group

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

Tab. 7

in million PLN	**2016**	**% share**	**2015**	**% share**	***% change yoy***
Total sales (1)	**1,198.4**	***100.0%***	**1,189.3**	***100.0%***	***0.8%***
Advertising revenue	561.6	*46.9%*	562.4	*47.3%*	*(0.1%)*
Copy sales	135.7	*11.3%*	144.8	*12.2%*	*(6.3%)*
Ticket sales	194.2	*16.2%*	162.2	*13.6%*	*19.7%*
Printing services	147.7	*12.3%*	156.2	*13.1%*	*(5.4%)*
Other	159.2	*13.3%*	163.7	*13.8%*	*(2.7%)*

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

2.2. Financial results presented according to major segments of the Agora Group for 2016

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

Tab. 8

in PLN million	**Press**	**Movies and Books**	**Outdoor**	**Internet**	**Radio**	**Print**	**Reconciling positions (3)**	**Total (consoli-dated) 2016**
Total sales (1)	**267.9**	**364.0**	**168.0**	**167.9**	**113.4**	**155.5**	**(38.3)**	**1,198.4**
% share	22.4%	30.4%	14.0%	14.0%	9.5%	13.0%	(3.3%)	100.0%
Operating cost net (1)	**(270.7)**	**(337.0)**	**(143.1)**	**(144.9)**	**(100.6)**	**(163.2)**	**(22.2)**	**(1,181.7)**
EBIT	**(2.8)**	**27.0**	**24.9**	**23.0**	**12.8**	**(7.7)**	**(60.5)**	**16.7**
Finance cost, net								(15.0)
Share of results of equity accounted investees								(1.5)
Income tax								(13.4)
Net loss for the period								**(13.2)**
Attributable to:								
Equity holders of the parent								(16.6)
Non-controlling interest								3.4
EBITDA	**6.1**	**57.3**	**40.8**	**27.9**	**15.9**	**8.1**	**(41.2)**	**114.9**
CAPEX (2)	(1.4)	(31.9)	(24.7)	(6.1)	(3.7)	(4.2)	(11.7)	(83.7)

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

(2) based on invoices booked in the period, the amount in the Movies and Books segment includes also PLN 13.8 million of non-current assets in lease;

(3) reconciling positions show data not included in particular segments, i.a.: other revenues and costs of Agora's supporting divisions (centralized IT, administrative, finance and HR functions, etc.) and the Management Board of Agora S.A. as well as Agora TC Sp. z o.o., Green Content Sp. z o.o. (until 30 November 2016), intercompany eliminations and other matching adjustments, which reconcile the data presented in the management reports to the consolidated financials of the Agora Group.

2.3. Sales and markets

Over 90% of the total sales of the Group were related to sales in domestic market. Sales to foreign markets are realized mainly through the sales of printing and advertising services to foreign customers and sales of publications (including foreign subscription).

The Group does not depend on one particular customer. The biggest customers of the Group (in respect of the turnover) are press distributors (companies unrelated to Agora S.A.). In 2016, the value of transactions with none of the distributors exceeded 10% of the Group's total revenues.

2.4. Suppliers

The Group does not depend on one particular supplier. Newsprint and printing services are important cost items of the Group. Newsprint used for printing services for external customers and in order to print the Group's own titles is purchased from several suppliers. In 2016, the value of transactions with none of the suppliers exceeded 10% of the Group's total revenues.

2.5. Finance cost, net

Net financial activities of the Group for 2016 were influenced mainly by the revaluation of the liabilities resulting from put options granted to the non-controlling shareholders of subsidiaries and the effect of the remeasurement of previously held equity interest in the subsidiary GoldenLine Sp. z o.o. at the acquisition date in the first quarter of 2016. Moreover, net financial activities of the Group were affected by income from short-term investments and cost of commissions and interest on bank loans and lease liabilities.

3. BALANCE SHEET OF THE AGORA GROUP

Tab. 9

in PLN million	**31-12-2016**	**31-12-2015**	***% change to 31-12-2015***
Non-current assets	**1,139.5**	**1,162.3**	**(2.0%)**
share in balance sheet total	*72.6%*	*72.2%*	*0.4 pp*
Current assets	**429.9**	**447.9**	**(4.0%)**
share in balance sheet total	*27.4%*	*27.8%*	*(0.4 pp)*
TOTAL ASSETS	**1,569.4**	**1,610.2**	**(2.5%)**
Equity holders of the parent	**1,097.1**	**1,153.5**	**(4.9%)**
share in balance sheet total	*69.9%*	*71.6%*	*(1.7 pp)*
Non-controlling interest	**20.2**	**16.7**	**21.0%**
share in balance sheet total	*1.3%*	*1.0%*	*0.3pp*
Non-current liabilities and provisions	**128.4**	**118.6**	**8.3%**
share in balance sheet total	*8.2%*	*7.4%*	*0.8 pp*
Current liabilities and provisions	**323.7**	**321.4**	**0.7%**
share in balance sheet total	*20.6%*	*20.0%*	*0.6 pp*
TOTAL LIABILITIES AND EQUITY	**1,569.4**	**1,610.2**	**(2.5%)**

3.1. Non-current assets

The decrease in non-current assets, versus 31 December 2015, resulted mainly from depreciation and amortisation charges, which were, to some extent, compensated by new investments in property, plant and equipment and intangible assets.

The change in non-current assets versus 31 December 2015 was also affected by the acquisition of assets of GoldenLine Sp. z o.o. in the first quarter of 2016 as well as reclassification of some property, plant and equipment to current assets due to their presentation as non-current assets held for sale.

3.2. Current assets

The decrease in current assets, versus 31 December 2015 results mainly from a decrease in accounts receivable and short-term securities, which was, to some extent, compensated by higher balance of cash and cash equivalents.

3.3. Non-current liabilities and provisions

The increase in non-current liabilities and provisions, versus 31 December 2015, stems mainly from higher long-term loans as well as higher put option liabilities due to their remeasurement. The above changes were, to some extent, compensated by a derecognition of long-term liabilities related to license payments as a result of disposal of shares in Green Content Sp. z o.o.

3.4. Current liabilities and provisions

The increase in current liabilities and provisions, versus 31 December 2015, stems from higher income tax liabilities, provisions (due to group lay-offs) and other financial liabilities (due to recognition of cash pooling liabilities to Green Content Sp z o.o.). Those changes were mostly compensated by a decrease in accounts payable and short-term borrowings.

4. CASH FLOW STATEMENT OF THE AGORA GROUP

Tab. 10

in PLN million	**2016**	**2015**	*% change yoy*
Net cash from operating activities	97.0	111.1	*(12.7%)*
Net cash from investment activities	(28.7)	(129.0)	*(77.8%)*
Net cash from financing activities	(49.3)	(3.3)	*1,393.9%*
Total movement of cash and cash equivalents	**19.0**	**(21.2)**	**-**
Cash and cash equivalents at the end of period	**50.2**	**31.2**	***60.9%***

As at 31 December 2016, the Agora Group had PLN 124.2 million in cash and short-term monetary assets, which comprised cash and cash equivalents in the amount of PLN 50.2 million (cash, bank accounts and bank deposits) and PLN 74.0 million invested in short-term securities. Additionally, as at 31 December 2016 the Group held long-term cash receivables of PLN 21.6 million deposited by AMS S.A. as cash collateral securing the bank guarantees granted in relation to performance of the concession contract for the construction and modernisation of bus/tram shelters in Warsaw (out of which PLN 10.8 million is presented within long-term receivables).

In 2016, Agora S.A. has not been engaged in any currency option instruments or other derivatives (used for hedging or speculative purposes).

On the basis of the Annex no. 2 to the multi - purpose credit line agreement signed on 24 May 2016 with Bank Polska Kasa Opieki S.A., Agora S.A. was provided with a time credit of up to PLN 100.0 million, which may be used by 31 May 2017 and with a credit facility in the current account of up to PLN 35.0 million, which may be used by 31 May 2017. As at 31 December 2016, the amount of the time credit is diminished by the non-renewable tranche used in May 2016 in the amount of PLN 25.0 million, which will be paid up in 13 equal installments from June 30, 2017 till June 30, 2020.

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

4.1. Operating activities

The decrease in net inflows from operating activities, in 2016, stems mainly from the lower result from the main operating activities of the Group and higher payments of income tax liabilities.

4.2. Investment activities

Net outflows from investing activities, in 2016, results mainly from expenditure on property, plant and equipment and intangibles as well as acquisition of GoldenLine sp. z o.o. Those outflows were to some extent compensated by net proceeds from disposal of short-term securities and property, plant and equipment as well as other inflows related to the return of cash paid by the Company in connection with the subscriptions for shares of Stopklatka S.A. and the return of cash deposits provided to the bank by AMS S.A. as a cash collateral securing the concession contract for construction and utilization of bus shelters in Warsaw.

4.3. Financing activities

Net outflows from financing activities, in 2016, results mainly from the payment of dividend to equity holders of the parent (PLN 35.7 million), financial lease payments as well as acquisition of non-controlling interests in subsidiaries. Those outflows were to some extent compensated by net cash inflows from bank loans (including the one related to the tranche of the time credit used by Agora S.A. in the amount of PLN 25.0 million in the second quarter of 2016).

5. SELECTED FINANCIAL RATIOS [5]

Tab. 11

	2016	2015 (2)	*% change yoy*
Profitability ratios			
Net profit margin	(1.4%)	1.1%	*(2.5pp)*
Gross profit margin	29.1%	31.0%*	*(1.9pp)*
Return on equity	(1.5%)	1.1%	*(2.6pp)*
Efficiency ratios			
Inventory turnover	13 days	13 days	-
Debtors days	63 days	65 days	*(3.1%)*
Creditors days	41 days	42 days*	*(2.4%)*
Liquidity ratio			
Current ratio	1.3	1.4	*(7.1%)*
Financing ratios			
Gearing ratio (1)	-	-	-
Interest cover	4.9	5.0	*(2.0%)*
Free cash flow interest cover	2.4	5.7	*(57.9%)*

(1) as at 31 December 2016 and 31 December 2015 the Group had net cash position;

(2) ratios marked with "" symbol were adjusted in connection to the adjustment of comparative amounts as described in note 2 to the consolidated financial statements.*

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

IV. OPERATING REVIEW - MAJOR SEGMENTS OF THE AGORA GROUP

IV.A. PRESS [1]

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

Tab. 12

in PLN million	**2016**	**2015**	***% change yoy***
Total sales, including:	**267.9**	**300.8**	***(10.9%)***
Copy sales	122.8	130.5	*(5.9%)*
incl. Gazeta Wyborcza (1)	*102.1*	*108.8*	*(6.2%)*
incl. Magazines	*14.3*	*16.2*	*(11.7%)*
Advertising revenue (2)	138.0	164.9	*(16.3%)*
incl. Gazeta Wyborcza (1), (3)	*82.4*	*105.1*	*(21.6%)*
incl. Magazines (4)	*24.6*	*21.8*	*12.8%*
incl. Metrocafe.pl (4), (5)	*11.8*	*19.8*	*(40.4%)*
Total operating cost, including (6):	**(270.7)**	**(283.6)**	***(4.5%)***
Raw materials, energy, consumables and printing services	(67.1)	(74.6)	*(10.1%)*
Staff cost	(110.3)	(116.8)	*(5.6%)*
D&A	(8.9)	(9.8)	*(9.2%)*
Promotion and marketing (2), (7)	(45.1)	(49.6)	*(9.1%)*
Cost of group lay-offs (7)	(5.8)	-	-
EBIT	**(2.8)**	**17.2**	**-**
EBIT margin	*(1.0%)*	*5.7%*	*(6.7pp)*
EBITDA	**6.1**	**27.0**	***(77.4%)***
EBITDA margin	*2.3%*	*9.0%*	*(6.7pp)*

(1) since the first quarter of 2016 the sales from copy sales and advertising revenue of Gazeta Wyborcza *include the revenues from the sales and advertising revenue from digital subscriptions of the daily. The data for the previous periods were adjusted accordingly. In previous reporting periods the revenues from the copy sales and advertising revenue of digital subscriptions were presented in other revenues;*

(2) the amounts do not include revenues and total cost of cross-promotion of different media between the Agora Group segments (only direct variable cost of campaigns carried out on advertising panels) if such promotion is executed without prior reservation;

(3) in 2015 the presented amounts refer to only a portion of total revenues from dual media offers (published both in Gazeta Wyborcza*, as well as on GazetaPraca.pl, Domiporta.pl, Komunikaty.pl verticals and Nekrologi.Wyborcza.pl website), which is allocated to the print edition of* Gazeta Wyborcza*. Since 2016 total revenues from dual media offers are presented in the advertising revenues of* Gazeta Wyborcza*.*

(4) in 2016 custom publishing activities, which till the end of 2015 were reported together with the results of Metrocafe.pl*, are offered by the Magazines division. The data for 2015 were not adjusted in this respect.*

(5) the amounts refer to total revenues of the Free Press including revenues from Metrocafe.pl*'s display advertising (previously* Metro*), classifieds and inserts as well as from metroBTL services and* Metrocafe.pl*'s special activities;*

(6) segment operating costs associated with the production of the Group's own titles are settled on the basis of allocation of direct and indirect cost associated with their production from the Print segment;

(7) the amounts include inter alia the production and promotional cost of gadgets offered with Gazeta Wyborcza *and Agora's magazines.*

1. REVENUE

In 2016, total revenue of the Press segment decreased by 10.9% yoy and amounted to PLN 267.9 million. The value of the segment's revenue was affected the most by lower revenue from advertising sales (down by 16.3% yoy), both for *Gazeta Wyborcza* and *Metrocafe.pl*. Lower revenue of *Metrocafe.pl* was related to the discontinuation of its issue in mid October 2016. Revenue from the advertising sales in magazines was, however, higher than in 2015, which was related with systematically implemented strategy for monetisation of their online position. During this period, the segment's revenue from copy sales was also lower and amounted to PLN 122.8 million.

1.1. Copy sales

1.1.1. Copy sales and readership of Gazeta Wyborcza *[4]*

In 2016, *Gazeta Wyborcza* maintained its leading position among the opinion-forming dailies. The average payable distribution of *Gazeta Wyborcza* amounted to 159 thousand copies and decreased by 10.5% yoy. At the same time, it should be noted that the daily is systematically increasing the number of payable active digital subscriptions. At the end of December 2016, their number amounted to approximately 100 thousand. In the analysed period, the revenue from copy sales of *Gazeta Wyborcza* decreased by 6.2% yoy. In the reporting period, the weekly readership of *Gazeta Wyborcza* stood at 6.9% (2.1 million readers; CCS, weekly readership index), which placed it as the second daily among nationwide dailies.

1.1.2. Copy sales of Agora's magazines

In 2016, revenue from copy sales of Magazines decreased by 11.7% yoy. The average number of monthly magazine copies sold by Agora amounted to 303.7 thousand copies (down by 1.5% yoy).

1.2. Advertising sales [3]

1.2.1. Advertising sales of Gazeta Wyborcza

In 2016, *Gazeta Wyborcza*'s net advertising revenue from all the advertising activity (including display advertising, classifieds and inserts) amounted to PLN 82.4 million (down by 21.6% yoy).

It should be noted that since 2016, total revenue from the dual-media offer are included in the revenue from advertising sales of *Gazeta Wyborcza*. In 2015, the above figures included only a portion of revenue from dual-media advertising offers (published both in the print edition of *Gazeta Wyborcza* and on the *GazetaPraca.pl, Domiporta.pl, Komunikaty.pl* vertical portals and the *Nekrologi.Wyborcza.pl* website), which is allocated to the print edition of *Gazeta Wyborcza*.

In 2016, ad spending in Polish dailies decreased by almost 19.5% yoy. In the analysed period, *Gazeta Wyborcza's* spending on display advertising decreased by ca 23.0% yoy, and its estimated share in display ad spending in dailies decreased by ca. 1.5 pp yoy, amounting to ca. 35.5%.

In 2016, *Gazeta Wyborcza's* share in the national newspapers ad spend amounted to almost 45.5% and decreased by 0.5 pp yoy. In this period, *Gazeta Wyborcza* maintained its share in ad spending in Warsaw based dailies. At the same time, *Gazeta Wyborcza's* share in ad spending in local dailies (excluding Warsaw) decreased by ca. 2.5 pp yoy.

One should bear in mind that these advertising market estimations may represent some margin of error due to a significant discounting pressure on the part of advertisers. Once the Company has more reliable market data, it may adjust the ad spend estimations in the consecutive reporting periods.

1.2.2. Advertising sales of Metrocafe.pl *[3],[4]*

In 2016 as a result of shut-down of this title in mid October, advertising revenue of *Metrocafe.pl* decreased by 40.4% yoy and amounted to PLN 11.8 million.

1.2.3. Advertising sales of Agora's magazines

In 2016, the advertising sales of Agora's magazines increased by 12.8% yoy to PLN 24.6 million. Its increase is, among others, a result of income on advertising sales in *Pogoda na życie* monthly (title issued only in 2016), a result of dynamic development of online services as well as of the *custom publishing* offer, reported since 2016 under advertising revenue of Magazines.

At the same time, advertisers limited their expenditure in magazines by almost 8.0%. Agora had a 3.7% share in the total national magazines ad spend (based on rate card data) *[7]* and a 7.2% share in monthlies ad spend (based on rate card data) *[7].*

2. COST

In 2016, the segment's operating costs declined by 4.5% yoy and amounted to PLN 270.7 million. This resulted mainly from lower costs of materials, energy, goods and printing services due to lower printing volumes of own magazines, among others due to discontinuation of issue of the free *Metrocafe.pl* in mid October 2016.

Moreover, promotion and marketing costs in the Press segment were lower yoy, and they amounted to PLN 45.1 million. A decrease was also recorded in staff costs due to lower bonus payments in connection with lower year-on-year execution of sales budgets and lower headcount in the segment. At the same time, in the fourth quarter of 2016, a group lay-off process was being implemented in the segment. The provision for this purpose amounted to PLN 5.8 million and was charged to the segment result in the fourth quarter of 2016.

3. NEW INITIATIVES

In 2016, the Press segment was focused on development of its product portfolio — both paper-based and digital.

During that time, prices of individual issues of *Gazeta Wyborcza* was changed twice and were accompanied by changes in the daily. Since February 2016, the Thursday, Friday and Saturday paper editions of *Gazeta Wyborcza* had been available at new prices: PLN 3.40 on Thursdays and Fridays and PLN 3.50 on Saturdays. The subscription offer for the digital version of the daily has also been modified, providing readers with two packages to choose from: Wyborcza and Wyborcza Premium, both available at new prices.

Since 4th of June 2016, *Gazeta Wyborcza* has been available with modified layout, changed content arrangement and a modified logo. Information is more distinctly separated from commentaries, the latter now being printed on a grey background. The order of sections has also been altered. For instance, economy-related topics appear closer to the title page. The refreshed logo of *Gazeta Wyborcza* features a modern font and the word "Wyborcza" is more visible, referencing the logos of the digital brand — Wyborcza.pl or Wyborcza.biz. The logos of 19 local editions of the daily have also been changed.

Since 17 October 2016, *Gazeta Wyborcza* has been released in a new publishing formula and with a new layout of weeklies issued together with this title on individual days of the week. At the same time, the Monday issue of the daily has been supplemented with a completely new magazine, *Moj biznes. Ludzie, praca, innowacje*.

The changes in the publishing offer of the daily were also accompanied by change of the prices of the individual issues. On Mondays and Fridays, a copy of *Gazeta Wyborcza* costs PLN 3.99, on Tuesdays, Wednesdays and Thursdays — PLN 2.99, while the weekend edition — PLN 4.49 in Warsaw and PLN 4.29 in other towns.

These changes were also accompanied by a premiere of a new version of the *Wyborcza.pl* service, which improved the transparency of content layout and facilitated reading of longer texts through inclusion on audiovisual materials, graphics and social media comments. Moreover, the new service ensures quicker loading of the page and its contents. Special exposure on the new page was given to video materials prepared by the Wyborcza.pl team, which are emitted according to the morning, afternoon and evening cycles. During that time, the Wideo.Wyborcza.pl team was considerably expanded and strengthened in terms of personnel with competences within the scope of digital messaging.

Starting with its February issue, the *Dziecko* monthly has been coming out in a new format, with a refreshed layout, changed order of sections and at a lower price. The magazine provides practical advice and tips for parents on the upbringing and care of infants and young children.

The January 21st, 2016 marked the début of the new shopping platform Avanti24 established as a combination of Avanti24 and Groszki.pl. The website offers lifestyle-oriented advice addressed mainly to women of all ages who are interested in fashion, beauty and the latest trends. It also functions as an aggregator of online stores with a convenient product search engine.

In February 2016, an innovative project developed by *Gazeta Wyborcza* and BIQdata.pl was awarded funding as part of Google's Digital News Initiative in the Large Projects category. The project's aim is to help Poles understand the impact of large and small-scale politics on their everyday lives, including their household budgets, education and healthcare. A total of 7 Polish projects received funding, including two submitted by Agora — one by *Gazeta Wyborcza* and one by Grupa Radiowa Agory.

Wysokie Obcasy, a weekly published with *Gazeta Wyborcza* on Saturdays, as a part of the second round of *the Digital News Initiative* programme, was subsidised by Google for implementation of the project under the working title *Women Choose The News*. The result of the project will be a platform created exclusively by women. Journalists from all EU Member States will cooperate with the platform. Their proposals of crucial daily information will reach th audience through a website, a newsletter and social media. The most important women in public life — operating in politics, artists or activists — will also appear in the service. The portal will be created in English by the editorial team of *Wysokie Obcasy*.

In July this year, the editorial team of Ladnydom.pl offered new functionalities to its users, including the possibility to purchase products which are of interest to them and a product search engine. Thanks to the above, not only can they read about attractive products but also buy them. In July 2016, a special edition of the monthly *Avanti – Fit&Beauty* was published. It was dedicated to fitness, healthy lifestyle and diets.

IV.B MOVIES AND BOOKS [1]

The Movies and Books segment includes the pro-forma consolidated financials of Helios S.A. and NEXT FILM Sp. z o.o., which form the Helios group, and Agora's Special Projects division comprising, i.a, the Publishing House division and film production division.

Tab. 13

in PLN million	**2016**	**2015**	***% change yoy***
Total sales, including :	**364.0**	**345.1**	***5.5%***
Tickets sales	195.1	162.6	*20.0%*
Concession sales	72.3	59.5	*21.5%*
Advertising revenue (1)	30.2	28.4	*6.3%*
Revenues from film activities (1), (2)	8.5	17.8	*(52.2%)*
Revenues from Publishing House	45.6	64.3	*(29.1%)*
Total operating cost, including:	**(337.0)**	**(321.5)**	***4.8%***
Raw materials, energy and consumables (3)	(31.8)	(28.6)	*11.2%*
External services (3)	(158.8)	(139.4)	*13.9%*
Staff cost (3)	(39.2)	(34.9)	*12.3%*
D&A (3)	(29.6)	(29.1)	*1.7%*
Promotion and marketing (1), (3)	(26.7)	(27.4)	*(2.6%)*
Costs related to Publishing House (4)	(45.7)	(58.4)	*(21.7%)*
EBIT	**27.0**	**23.6**	***14.4%***
EBIT margin	*7.4%*	*6.8%*	*0.6pp*
EBITDA (4)	**57.3**	**60.4**	***(5.1%)***
EBITDA margin	*15.7%*	*17.5%*	*(1.8pp)*

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

(2) the amounts comprise the revenues from film co-production (executed in Special Projects division) and film distribution in cinemas (executed by NEXT FILM);

(3) the amounts do not include costs related to Publishing House division;

(4) the amounts include D&A cost in Publishing House division, which in 2016 amounted to PLN 0.7 million and in 2015 amounted to PLN 7.7 million.

1. REVENUE [3]

In 2016, the revenue of the Movies and Books segment increased by 5.5% yoy to PLN 364.0 million.

During this time, the number of visitors to Helios cinemas amounted to over 10.8 million and increased by 15.4% yoy. This, combined with higher average ticket price and higher concession sales, translated into a considerably higher revenue from ticket sales and concession sales, which amounted to PLN 195.1 million and PLN 72.3 million, respectively.

In 2016, the Movies and Books segment's total revenue from film co-production and distribution amounted to PLN 8.5 million, showing a 52.2% decrease yoy. In 2016, NEXT FILM released 6 Polish productions and 2 foreign titles for cinema distribution. These films attracted considerably fewer viewers to cinemas compared to those released by the company for cinema distribution in 2015. At the same time, cinemas screened films introduced to the big screen in earlier periods.

In 2016, the Special Projects division recorded revenue from film co-production of the films introduced to Polish cinemas in earlier periods, mainly *Karbala* in connection with the distribution in cinemas, on DVD and VOD.

In 2016, the revenue of Agora's Publishing House (operating within the Special Projects division) amounted to PLN 45.6 million and decreased by 29.1% year on year. In 2015, the level of Agora's Publishing House's revenue was considerably positively affected by the revenue from the rights to sell the game *The Witcher 3: Wild Hunt*.

In 2016, Agora's Publishing House issued 60 premiere books, 19 musical publications and 7 film publications. As a result, during the analysed period, the Publishing House sold approximately 0.9 million books and books with CDs/DVDs.

2. COST

In 2016, the operating costs of the Movies and Books segment increased by 4.8% yoy and amounted to PLN 337.0 million.

The increase in the segment's operating costs in 2016 resulted, among other things, from the higher cost of external services. An important factor that caused the increase in this cost item were higher payments for film copies due to higher attendance in Helios cinemas, which simultaneously translated into the increase in revenue from ticket sales. Moreover, the increase in the cost of external services is connected with higher rent costs at the cinemas of the Helios network associated with its expansion. Due to the expansion of the Helios cinema network and higher concession sales, an increase was recorded in staff costs, the costs of materials and energy and in the value of goods and materials sold. The decrease in promotion and marketing costs is related to less intensified promotional activity in film distribution. However, operating costs of the Publishing House, which amounted to PLN 45.7 million, were lower year on year. In 2015, the level of costs of the Publishing House was significantly affected by the costs related to the rights to sell the game *The Witcher 3: Wild Hunt.*

3. NEW INITIATIVES

In 2016, NEXT FILM, a Helios subsidiary company specialising in film distribution, introduced 8 new film productions entitled: *Excentrycy, czyli po slonecznej stronie ulicy; Opowiesc o miłosci i mroku; Wszystko gra; Tajemnice Manhattanu; Slugi Boze; Jestem Morderca*, *Szkola uwodzenia Czeslawa M*. and *Plac Zabaw* to Polish cinemas.

Agora also acted as the co-producer of four movies: *Excentrcy, czyli poslonecznej stronie ulicy; Sługi boze; Jestem Morderca and Szkola uwodzenia Czeslawa M.*

In the first quarter of 2016, productions that were shown in cinemas in 2015 were released on DVD: *Krol zycia* and *Karbala* in January 2016, and *Obce niebo* in February 2016. In the second quarter of 2016, in May, Agora released *Excentrycy, czyli po slonecznej stronie ulicy* on DVD.

On 8 April 2016, *Krol swingu*, a musical inspired by Janusz Majewski's film *Excentrycy, czyli po slonecznej stronie ulicy,* had its début in Wroclaw. Cast in the leading roles were Maciej Stuhr, Sonia Bohosiewicz and Natalia Rybicka who all starred in the movie, joined by singer Kuba Badach. Szczecin, Poznan Plock, Gdansk and Bydgoszcz also hosted these concerts with swing hits of the 1950's. The event was organised by: Agora and Festival Group.

In mid-March 2016, Helios and the Blue City shopping and entertainment centre announced the opening of the network's new cinema in Warsaw. In the first half of 2016, Helios also signed agreements to open 6 new cinema facilities in the following cities: Przemysl, Tomaszow Mazowiecki, Wolomin, Stalowa Wola, Krosno and Gdansk.

In October 2016, the Helios network opened four facilities: in Poznan, Przemysl, Gdansk and Tomaszow Mazowiecki. Helios remains the largest cinema network in Poland with respect to the number of facilities — at the end of 2016 it had 41 cinemas with 229 screens and ca. 47 thousand seats. Also in October 2016, the Helios network announced signature of an agreement on opening two more multiplexes. In 2018, the network will open a cinema in the Forum Gdansk complex in Gdansk, while in 2021, it will launch a modern facility in Galeria Piaseczno in Piaseczno near Warsaw. In February 2017 the network opened a new cinema in Wolomin and still plans to open new Helios facilities.

Since April 8, 2016 till October 9, 2016 Polish edition of unique *Titanic, the Exhibition* was available for visiting. The exhibition attracted over 1 million visitors in Europe. Over 200 items retrieved from the wreck of the Titanic were displayed in Warsaw's Palace of Culture and Science, as well as exact replicas of the ship's interior. Agora was the co-organiser of the Polish edition of the exhibition.

IV.C. OUTDOOR (AMS GROUP)

The Outdoor segment consists of the pro-forma consolidated data of companies constituting the AMS group (AMS S.A., Adpol Sp. z o.o.).

Tab. 14

in PLN million	**2016**	**2015**	***% change yoy***
Total sales, including:	**168.0**	**156.1**	***7.6%***
Advertising revenue (1)	165.6	153.4	*8.0%*
Total operating cost, including:	**(143.1)**	**(139.0)**	***2.9%***
Execution of campaigns (1)	(25.1)	(23.6)	*6.4%*
Maintenance cost (1)	(59.6)	(63.0)	*(5.4%)*
Staff cost	(22.5)	(20.1)	*11.9%*
Promotion and marketing	(4.3)	(5.2)	*(17.3%)*
D&A	(15.9)	(13.2)	*20.5%*
EBIT	**24.9**	**17.1**	***45.6%***
EBIT margin	*14.8%*	*11.0%*	*3.8pp*
EBITDA	**40.8**	**30.3**	***34.7%***
EBITDA margin	*24.3%*	*19.4%*	*4.9pp*
Number of advertising spaces (2)	24,052	24,375	*(1.3%)*

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

(2) excluding small advertising panels of AMS group installed on bus shelters and in the Warsaw subway, as well as advertising panels on busses and trams.

Thanks to a significant increase in revenue, the Outdoor segment improved its operating results in 2016.

Throughout 2016, the segment's operating result at the EBIT level increased by 45.6% yoy and amounted to PLN 24.9 million. The segment's EBITDA increased to PLN 40.8 million and the EBITDA margin increased by 4.9 pp yoy to 24.3%. It is the best result in the history of the Outdoor segment.

1. REVENUE [8]

According to the IGRZ (Outdoor Advertising Chamber) report, in 2016, expenditure in the outdoor advertising market was higher by 4.5% yoy.

In 2016 the growth dynamics of AMS' advertising revenues was higher that the growth of the outdoor market expenditure reported by IGRZ and amounted to 8.0% yoy.

A more dynamic revenue growth for the entire 2016 than that recorded by the market was mainly achieved based on advertisers' spending on *citylight* and *backlight* panels, *18 m billboards* and municipal transport vehicles.

In 2016, the estimated share of the AMS Group in the outdoor ad spend amounted to almost 36.5% *[8]*.

2. COST

In 2016, the segment's operating costs increased by 2.9% yoy and amounted to PLN 143.1 million, mainly due to higher costs of campaign execution, staff costs and amortisation.

In 2016, the costs of executed campaigns grew by 6.4% yoy as a result of higher costs of poster printing, higher costs of lease of advertising space on buses and higher costs of implementation of non-standard projects on advertising panels. Their increase resulted from execution of more: poster printing services, advertising campaigns on buses and non-standard campaigns.

The reduction of the costs of system maintenance by 5.4% yoy in 2016 results mainly from the change of the structure of AMS operating costs. As a result of implementation of the concession contracts for the construction and use of bus/tram shelters, amortisation costs increased and the costs of rent were reduced. Another element contributing to reduction of these costs was a decrease in the number of owned advertising panels, mainly in the BB12 segment.

Staff costs increased by 11.9% yoy in 2016 as a consequence of an increase in the variable components of remuneration as a result of better performance in terms of assumed sales targets.

In 2016, the segment's marketing and promotion expenses decreased by 17.3% yoy. This was due to a social communication campaign of a total value lower than the campaigns executed in 2015.

An increase in D&A costs compared to 2015 has also contributed to the increase in the segment's operating costs. This increase results from intensive investment activity in connection with the performance of the concession contracts for the construction and use of bus shelters in Warsaw and Cracow. As at the end of December 2016, there were already 1,333 new bus shelters on the streets of Warsaw and 162 in Cracow.

Due to a large number of agreed substitute locations and prolonged time of issuing so-called administrative permits for bus/tram shelters in Warsaw the deadline of construction the last part of bus shelters was changed. On the basis of agreement with city of Warsaw the last portion of 247 bus shelters will be construted till the end of September 2017.

3. NEW INITIATIVES

In the first quarter of 2016, the Outdoor segment, in collaboration with an advertising agency and a commercial partner, prepared a unique promotional campaign using the interactive functions of a citylight panel in bus shelters in Wroclaw.

In May 2016, the interior of an advertising column was used for the first time in a promotional campaign in Poland. As part of the first project, in a campaign for a retail chain, the AMS team used advertising columns filled with flowers, whilst another project involved placing cones made of compact discs inside the columns, as well as models of animals referencing the artwork of the music album being promoted. Both campaigns took place in Warsaw.

In the last quarter of 2016, AMS won another tender in Wroclaw for two-year lease of 74 citylights in the strict city centre. At the same time, the company finalised the construction of 51 bus shelters in Sosnowiec. AMS introduced new non-standard solutions into its offer: heated benches at bus/tram shelters and special poster print, thanks to which images gain the effect of depth (3D optical impression). The company also proposed a completely new solutions to its customers available from January 2017 — Dynamic Backlight, which allows for a more dynamic advertising message using a static vinyl poster (optical effect of movement on a static panel).

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

The Internet segment includes the pro-forma consolidated financials of Agora's Internet Department, Trader.com (Polska) Sp. z o.o., Yieldbird Sp. z o.o. (formerly AdTaily Sp. z o.o.), Sport4People Sp. z o.o., Sir Local Sp. z o.o., GoldenLine Sp. z o.o. (since January 2016) and Optimizers Sp. z o.o. (since March 2016).

Tab. 15

in PLN million	**2016**	**2015**	***% change yoy***
Total sales , including	**167.9**	**150.5**	***11.6%***
Display ad sales (1)	135.2	123.8	*9.2%*
Ad sales in verticals (2)	13.0	13.5	*(3.7%)*
Total operating cost, including	**(144.9)**	**(126.3)**	***14.7%***
External services	(64.0)	(48.1)	*33.1%*
Staff cost	(52.4)	(48.6)	*7.8%*
D&A	(4.9)	(5.4)	*(9.3%)*
Promotion and marketing (1)	(15.5)	(17.9)	*(13.4%)*
Cost of group lay-offs	(0.4)	-	-
EBIT	**23.0**	**24.2**	***(5.0%)***
EBIT margin	*13.7%*	*16.1%*	*(2.4pp)*
EBITDA	**27.9**	**29.6**	***(5.7%)***
EBITDA margin	*16.6%*	*19.7%*	*(3.1pp)*

(1) the amounts do not include total revenues and cost of cross-promotion of Agora's different media (only direct variable cost of campaigns carried out on advertising panels) if such promotion is executed without prior reservation, as well as inter-company sales between Agora's Internet Department, Trader.com (Polska) Sp. z o.o., Yieldbird Sp. z o.o., Sport4People Sp. z o.o., Sir Local Sp. z o.o., GoldenLine Sp. z o.o. and Optimizers Sp. z o.o.;

(2) in 2015 presented amounts include, among others, allocated revenues from the dual media offer (i.e. published both in Gazeta Wyborcza, *as well as on GazetaPraca.pl, Domiporta.pl, Komunikaty.pl verticals and Nekrologi.Wyborcza.pl website). Since 2016 the revenues from dual media offers, as well as revenues from listings in verticals Komunikaty.pl and NekrologiWyborcza.pl are not allocated to Internet division.*

In the entire 2016, EBIT operating result of the Internet segment amounted to PLN 23.0 million and decreased by 5.0% yoy *[1]*.
It should be noted that the comparability of the segment's results against the corresponding periods in 2015 is impacted by the change in the settlement method for dual-media announcements as well as announcements at *Komunikaty.pl* and *Nekrologi.Wyborcza.pl* and the acquisition of majority ownership of GoldenLine Sp. z o.o. as of January 2016. Due to taking control of the company in January 2016, its results are consolidated under the full method, while in 2015 they were recognised in the results of the Agora Group under the equity method. Moreover, comparability of the results in the whole 2016 to analogical period of 2015, was affected by damages paid in 2015 to Agora S.A. by Business Insider Inc. in connection with termination of the agreement under which Agora S.A. was to run a business-technology portal, which also contributed to an improved operating result of the segment in 2015.

1. REVENUE

In 2016, the revenue increased by 11.6% yoy, reaching PLN 167.9 million. This substantial increase in revenue was affected, among other things, by higher sales of web display advertising and the sales of other internet services, such as access to the candidate search engine and employers' profiles through the *GoldenLine.pl* website.

In 2016, the inflows from web display advertising sales increased by 9.2% yoy,reached the record level of PLN 135.2 million. The increase in the segment's advertising revenue was significantly influenced by higher sales of web display advertising by the Yieldbird network (formerly AdTaily) and affiliated networks as well as revenue generated by the GoldenLine.pl website.

In the entire 2016 advertising sales in verticals went down by 3.7% yoy to PLN 13.0 million. The growth dynamics of the revenue was negatively affected by the change in the method of settling inflows from dual-media announcements as well as announcements on *Komunikaty.pl* and *Nekrologi.Wyborcza.pl* with the Press segment. However, there was a significant increase in the sales of announcements in recruitment (such as *Goldenline.pl*) and real estates (*Domiporta.pl*) verticals.

2. COST

In 2016, they were by 14.7% yoy higher and amounted to PLN 144.9 million. The increase in operating costs was significantly affected by higher costs of external services, staff costs and costs relating to the group lay-offs.

The costs of external services increased by 33.1% yoy to PLN 64.0 million in the entire 2016. The increase in the costs of external services was caused mainly by higher rental costs of advertising space Yieldbird, affiliated networks and GoldenLine. The increase in this cost item was accompanied by growing revenue from advertising brokerage services which contributed to the growth of the segment's total revenue. Apart from the higher rental costs of advertising space, the segment also recorded an increase in the costs of other external services in GoldenLine (consolidated under the full method as of January 2016) and in Yieldbird.

The staff costs increased by 7.8% yoy to PLN 52.4 million in 2016. It is mainly the result of full consolidation of GoldenLine and an increased headcount in Yieldbird, Optimizers, sports websites of Gazeta.pl and affiliated marketing.

Expenditure on promotion and marketing in the Internet segment decreased in 2016. This decrease is connected primarily with the reduction in advertising expenditure settled in barter on promotion of *Gazeta.pl* websites and Kinoplex.pl website, which was sold in 2016.

3. IMPORTANT INFORMATION ON INTERNET ACTIVITIES

In December 2016, the reach of *Gazeta.pl group* websites among Polish Internet users stood at 59.3%, and the number of users reached 16.3 million. The total number of page views of *Gazeta.pl group* websites reached 733.5 million, with an average viewing time of 58 minutes per user *[6]*.

In December 2016, 10.5 million Internet users (reach of 38.2%) viewed the websites of *Gazeta.pl group* on mobile devices, which made *Gazeta.pl group* the sixth player according to the market survey of Gemius PBI. The number of mobile page views amounted to 362.3 million, and the share of mobile page views on the websites of *Gazeta.pl group* stood at 49.4% and was the highest among Polish horizontal portals *[6]*.

The websites of Gazeta.pl group are ranked among the top thematic market players. In accordance with the data of Gemius PBI for December 2016, the websites of Gazeta.pl group are the leader in the Work category (*Gazetapraca.pl, Goldenline.pl*), hold the third place in the Information and Journalism and Sports (among others, *Sport.pl*), Children and Family (*eDziecko.pl*), Rumours, celebrity life (*Plotek.pl*) categories, and the fourth place in the thematic ranking of and Cuisine and Cooking (*Ugotuj.to, Haps.gazeta.pl*).

4. NEW INITIATIVES

In January 2016, Agora acquired a majority stake in GoldenLine Sp. z o.o. for PLN 8,48 million. With this transaction, the Company will strengthen its position in the recruitment services market, by creating the only range of services available to Polish employers and candidates to be this comprehensive.

In March 2016, Agora's Internet segment was joined by Optimizers Sp. z o.o. This is the new name of an online advertising agency specialising in performance marketing that belongs to the Agora Group and has been transformed into a separate company. Optimizers provides advertising services in the area of performance marketing to businesses of various sizes, representing various industries. The agency began operations in March 2009, focusing on SEM/SEO activities. Since then it has extended its service range to include new advertising products.

The Internet segment has also added new websites to its portfolio. In February 2016, Gazeta.pl launched Weekend.Gazeta.pl, which is an extension of the online magazine's weekend edition — long, compelling articles are now also published on weekdays, from Monday to Friday. On 30 November 2016, the premiere of a new version of the largest fitness website in Poland took place— under a new name — Myfitness.pl. The website included new editorial formats, including tests of new products, trainings and celebrity diets.

The segment has provided its users with new versions of its popular applications: Sport.pl LIVE for iOS-based devices in February 2016 and Moja Ciaza from eDziecko.pl for Android-based devices in March. As of June 2016, a completely new version of Gazeta.pl LIVE, the best Polish news application for Android-based devices (the highest-rated app in its category by Google Play users), has been available. Its modern design makes it even more user-friendly. The app also features a number of new functions enabling users to obtain interesting information even quicker. The application has a new content layout based on a news feed with one distinguished topic. Users can adjust it to their own needs and news consumption model.

In February 2016, Gazeta.pl launched Wideonews.Gazeta.pl, an online video news service featuring short, attractive clips created for social media. March 2016 marked the premiere of Next.Gazeta.pl, a business and technology website. This project combines the high quality of its unique, original content with an attractive, accessible form. Haps, Gazeta.pl's new culinary format, has been created exclusively for social media. Haps video recipes can be viewed conveniently on any device and on various social platforms.

In the fourth quarter of 2016, Gazeta.pl presented new video formats. The first one of them was *Myk!* — an online video format dedicated to social media, which refers in its form to the popular *Haps* (cooking video) and forms a part of the online video-advice trend. The second one is the *Dress for Less* project, executed by the editorial team of *Gazeta.pl* in cooperation with the lifestyle website *Fashion Post.* It was created with people interested in fashion, shopping and style in mind and shows how to create the style of favourite celebrities for reasonable money.

The Internet segment also prepared new language versions of the popular cooking format, *Haps*. Facebook users can watch *Haps* videos in Polish, English, German, Czech and Hungarian.

IV.E. RADIO

The Radio segment includes the pro-forma consolidated financials of Agora's Radio Department, all local radio stations and a super-regional radio TOK FM, which are parts of the Agora Group. These include: 23 Golden Hits (Zlote Przeboje) local radio stations, 4 local radio stations (since March 1, 2016; in 2015 and in January-February 2016 7 local radio stations broadcasted under the name Rock Radio), 7 local stations broadcasting under the brand Radio Pogoda (3 stations since June 12, 2015, 4 stations since July 31, 2015, 7 stations since March 1, 2016) and a super-regional news radio TOK FM broadcasting in 22 metropolitan areas (on July 22, 2016 Radio TOK FM started broadcasting in Bydgoszcz and Rzeszow).

Tab. 16

in PLN million	**2016**	**2015**	***% change yoy***
Total sales, including :	**113.4**	**107.7**	***5.3%***
Radio advertising revenue (1), (2)	95.1	94.4	*0.7%*
Total operating cost, including: (2)	**(100.6)**	**(94.3)**	***6.7%***
Staff cost	(31.8)	(30.1)	*5.6%*
External services	(44.0)	(42.2)	*4.3%*
D&A	(3.1)	(2.8)	*10.7%*
Promotion and marketing (2)	(14.6)	(12.3)	*18.7%*
EBIT	**12.8**	**13.4**	***(4.5%)***
EBIT margin	*11.3%*	*12.4%*	*(1.1pp)*
EBITDA	**15.9**	**16.2**	***(1.9%)***
EBITDA margin	*14.0%*	*15.0%*	*(1.0pp)*

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

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

1. REVENUE [3]

In 2016, the revenue of the Radio segment increased by 5.3% yoy and amounted to PLN 113.4 million. The increase in revenue of the segment resulted mainly from higher revenue from provided brokerage services for Helios cinemas and higher air time sales in the radio stations of Agora Radio Group. However, in the discussed period, inflows from brokerage of sale of air time in stations of other broadcasters were lower. In 2016, the total radio advertising expenditure in Poland increased by 1.5% yoy.

2. COST

In 2016, the operating costs of the segment increased by 6.7% yoy to PLN 100.6 million. This increase was mainly due to higher costs of promotion and marketing relating primarily to the expenditure incurred on Radio Złote Przeboje image campaign.

In the discussed period, the costs related with sales brokerage services for Helios cinemas, reported under external services, were also higher yoy. Apart from the advertising brokerage costs and the costs related to the sales of advertising services in Helios cinemas, the external services item also includes rental fees, production services as well as operator fees.

A yoy increase in staff costs mainly resulted from higher headcount in connection with strengthening of the sales department.

3. AUDIENCE SHARES [9]

Tab. 19

% share in listening	**2016**	**change in pp yoy**
Group's music radio stations (Rock Radio, Zlote Przeboje and Radio Pogoda)	4.0%	0.2pp
News talk radio station TOK FM	2.0%	0.6pp

4. NEW INITIATIVES

Since March 2016, Radio Pogoda has been available to audiences in Bydgoszcz, Wroclaw and the Silesian Metropolis, with music and interesting programmes for mature listeners. The youngest brand in Agora Radio Group's portfolio is now present in 7 Polish cities. It was possible to launch new radio stations under the Radio Pogoda brand due to changing the names of 3 of the Group's stations broadcasting previously as Rock Radio. Rock Radio can still be found on the airwaves in 4 Polish cities: Warsaw, Poznan, Opole and Cracow.

In mid-March 2016, Agora Radio Group's Radio TOK FM started broadcasting in Sieradz and the surrounding area (the transmitter is located in Zdunska Wola) on 105.4 FM. On July 22, 2016, new transmitters started operating in Bydgoszcz and Rzeszow, making the station available in a total of 22 cities.

In turn, in mid-June 2016, Radio Zlote Przeboje started broadcasting from Skomielna Czarna in the Malopolskie province on 94.00 MHz.

The Agora Radio Group (GRA) team is also working on developing its digital offering. GRA's novel project *Mikrofon TOK FM*, as part of which an online platform and an app are to be created, enabling listeners to submit their comments in audio format and effectively co-create the content aired by Radio TOK FM, has been awarded funding as part of Google's Digital News Initiative in the category of prototype projects.

IV.F. PRINT [1]

The Print segment includes the pro-forma financials of Agora's Print division and Agora Poligrafia Sp. z o.o.

Tab. 18

in PLN million	**2016**	**2015**	***% change yoy***
Total sales, including:	**155.5**	**164.7**	***(5.6%)***
Printing services (1)	147.7	156.2	*(5.4%)*
Total operating cost, including (2):	**(163.2)**	**(162.4)**	***0.5%***
Raw materials, energy and production services	(114.1)	(114.5)	*(0.3%)*
Staff cost	(21.5)	(22.1)	*(2.7%)*
D&A	(15.8)	(15.8)	-
Cost of group lay-offs	(0.2)	-	-
EBIT	**(7.7)**	**2.3**	**-**
EBIT margin	*(5.0%)*	*1.4%*	*(6.4pp)*
EBITDA	**8.1**	**18.1**	***(55.2%)***
EBITDA margin	*5.2%*	*11.0%*	*(5.8pp)*

(1) revenues from services rendered for external customers;

(2) segment operating costs associated with the production of the Group's own titles are settled on the basis of allocation of direct and indirect cost associated with their production to the Press segment.

In 2016, the Print segment recorded a positive result at the EBITDA level. However, it was lower than in comparable periods of 2015, amounting to PLN 8.1 million *[1].*

1. REVENUE

In 2016, revenues from the sales of printing services for external customers amounted to PLN 147.7 million and decreased by 5.4% yoy. It resulted mainly from a lower volume of orders, primarily in heatset technology.

2. COST

The yoy increase in operating costs in 2016 resulted, among others, from costs relating to the group lay-offs. The category of staff costs itself decreased yoy due to a lower headcount. The increase in operating costs of the segment was also due to higher transport costs as well as lower printing cost allocation to the Press segment in connection with reduced print volume of titles issued by the Company as well discontinuation of issuance of *Metrocafe.pl* daily.

NOTES

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

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

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

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

Moreover, EBIT of particular operating segments does not include depreciation and amortisation recognised on consolidation as described in note 21 to the consolidated financial statements.

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

[3] The data refer to advertising expenditures in six media (press, radio, TV, outdoor, Internet, cinema). In this MD&A Agora has corrected the numbers for dailies, cinemas and in TV in the fourth quarter of 2015 as well as the data referring to the expenditure in outdoor advertising market in the first, second and third quarter of 2016, the data referring to the expenditure in Internet advertising market in the first, second, third and fourth quarter of 2015 and in the first, second and third quarter of 2016 as well as data referring to advertising expenditure in magazines in the first, second and third quarter of 2016.

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

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

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

Outdoor advertising figures are based on Izba Gospodarcza Reklamy Zewnetrznej estimates [8].

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

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

The data on dailies readership are based on PBC General, research carried out by MillwardBrown on a random, nationwide sample of Poles over 15 years of age. The CCS index was used (weekly readership index) - percentage of respondents reading at least one edition of the title within 7 days of the week preceding research. Size of the sample: nationwide PBC General for January – December 2016: N=20,068.

[5] Definition of ratios:

Net profit margin =
$$\frac{\textit{Net profit /(loss) attributable to equity holders of the parent}}{\textit{Sales of finished products, merchandise and materials}}$$

Gross profit margin =
$$\frac{\textit{Gross profit / (loss) on sales}}{\textit{Sales of finished products, merchandise and materials}}$$

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

Debtors days =
$$\frac{\textit{(Trade receivables gross at the beginning of the period + Trade receivables gross at the end of the period) / 2}}{\textit{Sales of finished products, merchandise and materials / no. of days}}$$

Creditors days =
$$\frac{\textit{(Trade creditors at the beginning of the period + Trade creditors at the end of the period) / 2}}{\textit{Cost of sales / no. of days}}$$

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

Current ratio I =
$$\frac{\textit{Current Assets}}{\textit{Current liabilities}}$$

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

Interest cover =
$$\frac{\textit{Operating profit / (loss)}}{\textit{Interest charge}}$$

Free cash flow interest cover =
$$\frac{\textit{Free cash flow *}}{\textit{Interest charge}}$$

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

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

Since May 2016 a new methodology of Gemius PBI research has been introduced and the data for previous audited periods is not comparable. According to the new methodology the data is presented jointly for PCs and mobile platforms, and the reach of websites is reported accordingly. The way of weighing data and the definitions of indices also changed.

The data for mobile platforms present the traffic through www, however it does not include the users of mobile applications and the pageviews generated through mobile applications (Gazeta.pl LIVE, Sport.PL LIVE, Moje Dziecko, Moja Ciaza, Tuba.fm).

[7] Average paid circulation of monthlies is based on the Agora's own data. Rate card data on magazines obtained from Kantar Media monitoring; commercial brand advertising and sponsored articles, excluding specialized monthlies; accounted for 125 monthlies and 87 other magazines: in total 212 magazines for the period of January – December 2016.

[8] Source: report prepared by Izba Gospodarcza Reklamy Zewnetrznej (IGRZ) in cooperation with Starlink company.

[9] Audience market data referred herein are based on Radio Track surveys, carried out by MillwardBrown SMG/KRC (all places, all days and all quarters) in whole population and in the age group of 15+, from January to December (sample for 2015: 83,940; sample for 2016: 83,751).

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

V. ADDITIONAL INFORMATION

V.A. INFORMATION CONCERNING SIGNIFICANT CONTRACTS FOR THE ISSUER AND ITS GROUP

1. EXECUTION OF THE ANNEX NO. 2 TO THE AGREEMENT GRANTING AGORA THE MULTIPURPOSE CREDIT LINE

In the current report of May 24, 2016, the Management Board of Agora S.A. informed that on May 24, 2016 the Company signed Annex no. 2 (“Annex”) to a multi-purpose credit line agreement ("Agreement") with Bank Polska Kasa Opieki S.A. (“Bank”). The original Agreement was signed on May 28, 2014; the Company informed about this fact in current report no. 10/2014 of May 28, 2014 and current report no. 10/2015 of 26 May 2015. The aforementioned Annex came into force as of May 25, 2016.

In 2016, based on Annex no. 1 to the Agreement, the Company used the time credit in the amount of PLN 25,000,000 within the credit limited granted, for financing current costs incurred as part of current activities of the Company. It will be repaid in 13 equal instalments, from June 30, 2017 to June 30, 2020.

Taking into account the above, and based on the Annex to the Agreement signed, the Company will have the credit limit up to PLN 135,000,000, divided into:

- credit facility in the current account of up to PLN 35,000,000, which can be used by the Company till May 31, 2017;

- time credit of up to PLN 100,000,000, which can be used by the Company till May 31, 2017.
The amount of time credit is reduced by the used and unpaid amounts of this credit.

The possible time credit will be repaid in 13 equal quarterly instalments, from June 30, 2018 until June 30, 2021. Interest rate of the credit is defined on the basis of the WIBOR rate plus the Bank's margin.

The maximum amount of the credit limit exceeds 10% of the Company’s equity, therefore, both the Agreement and the Annex amending it, have been recognized as significant contracts.

Other significant conditions of the Agreement remain unchanged.

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

1. THE CAPITAL STRUCTURE OF THE ISSUER AND SUBORDINATED ENTITIES

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

Tab. 19

		% of shares held (effectively)	
		31 December 2016	31 December 2015
	Subsidiaries consolidated		
1	Agora Poligrafia Sp. z o.o., Tychy	100.0%	100.0%
2	AMS S.A., Warsaw	100.0%	100.0%
3	IM 40 Sp. z o.o., Warsaw (1)	72.0%	72.0%
4	Grupa Radiowa Agory Sp. z o.o. (GRA), Warsaw	100.0%	100.0%
5	Adpol Sp. z o.o., Warsaw (2)	100.0%	100.0%
6	Inforadio Sp. z o.o., Warsaw (1)	66.1%	66.1%
7	Agora TC Sp. z o.o., Warsaw	100.0%	100.0%
8	Doradztwo Mediowe Sp. z o.o, Warsaw (1)	100.0%	100.0%
9	Trader.com (Polska) Sp. z o.o., Warsaw	100.0%	100.0%
10	Yieldbird Sp. z o.o. (previously AdTaily Sp. z o.o.), Warsaw (4)	84.3%	86.0%
11	Helios S.A., Lodz (5)	88.9%	88.5%
12	Next Film Sp. z o.o., Lodz (3), (5)	88.9%	88.5%
13	Sport4People Sp. z o.o. in liquidation, Cracow	100.0%	100.0%
14	Projekt Inwestycyjny Sp. z o.o., Warsaw (1), (6)	-	70.0%
15	Sir Local Sp. z o.o., Warsaw	78.4%	78.4%
16	TV Zone Sp. z o.o., Warsaw	100.0%	100.0%
17	Joy Media Sp. z o.o., Warsaw	100.0%	100.0%
18	PTA Sp. z o.o., Warsaw	100.0%	100.0%
19	GoldenLine Sp. z o.o., Warsaw (7)	92.7%	36.0%
20	Optimizers Sp. z o.o., Warsaw (8)	100.0%	-
	Joint ventures and associates accounted for the equity method		
21	Green Content Sp. z o.o., Warsaw (9)	51.1%	100.0%
22	Stopklatka S.A., Warsaw (10)	41.1%	41.0%
23	Online Technologies HR Sp. z o.o., Szczecin	46.2%	46.2%
24	Hash.fm Sp. z o.o., Warsaw	49.5%	49.5%
25	Instytut Badan Outdooru IBO Sp. z o.o., Warsaw (2)	40.0%	40.0%
	Companies excluded from consolidation and equity accounting		
26	Polskie Badania Internetu Sp. z o.o., Warsaw	15.8%	15.8%

(1) indirectly through GRA Sp. z o.o.;
(2) indirectly through AMS S.A.;
(3) indirectly through Helios S.A;
(4) acquisition of shares from a non-controlling shareholder and subscription for new shares by non-controlling shareholders, besides, the National Court Register registered the change of the company`s seat from Cracow to Warsaw on April 15, 2016 and the change of the business name of the company from Adtaily Sp. z o.o. to Yieldbird Sp. z o.o. on December 28, 2016;
(5) acquisition of shares from non-controlling shareholders;

(6) merger with the company Grupa Radiowa Agory Sp. z o.o.;
(7) acquisition of additional shares and an increase of the share capital by creating new shares covered with a non-cash contribution in a form of Centrum Kompetencyjne Praca;
(8) company set up in March 2016 under the business name Searchlab Sp. z o.o., on April 1,2016 Agora S.A. covered additional shares with a non-cash contribution in a form of Agencja Reklamy Internetowej "SearchLab", on April 29,2016 the change of the business name of the company to Optimizers sp. z o.o. was registered;
(9) disposal of shares;
(10) acquisition of shares in connection with the public offering announced by the company.

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

On January 18, 2016, the Company – as a result of subscription for shares made in connection with the public offering on December 31, 2015 – was allocated 4,641,304 series E ordinary bearer shares of the company Stopklatka S.A., comprising the following numbers of financial instruments: (i) 1,902,907 as a result of basic subscription, (ii) 13,144 as a result of additional subscription, that were paid in cash, in total amount of PLN 4,407 thousand. The remaining, unused amount of cash paid by the Company in connection with the subscription for shares of Stopklatka S.A., amounting to PLN 10,645 thousand, was returned to the Company on January 21, 2016. On February 9, 2016, the District Court for the capital city of Warsaw in Warsaw, XIII Commercial Division of the National Court Register registered the increase of the share capital of Stopklatka S.A. from PLN 6,529,956 to PLN 11,171,260 in the register of entrepreneurs in the National Court Register. Agora S.A. currently owns 4,596,203 shares of the nominal value of PLN 1 per share and the total nominal value of PLN 4,596,203 that represent 41.14% of the company's share capital and 41.14% of the votes at the general meeting of shareholders of Stopklatka S.A.

On January 25, 2016, Agora S.A. acquired 106 shares in the share capital of GoldenLine Sp. z o.o., with its registered office in Warsaw, from shareholders of that company, for the total price of PLN 8,480 thousand. On March 1, 2016, the District Court for the capital city of Warsaw, XIII Commercial Division of the National Court Register registered this change. As a result of the above transaction, Agora S.A. owned 178 shares in the share capital of GoldenLine Sp. z o.o., with the nominal value of PLN 1,000 each and the total nominal value of PLN 178 thousand, which represented 89% of the company's share capital and 89% of the votes at the general meeting of shareholders. The minority shareholder of GoldenLine Sp. z o.o. remains G.C. Geek Code Ltd, controlled by Mariusz Gralewski – the main founder of GoldenLine Sp. z o.o. G.C. Geek Code Ltd hold 22 shares in GoldenLine, which represent 11% of the share capital and give the right to 22 votes at the general meeting of shareholders, making up 11% of the votes at the general meeting of shareholders. According to the sale agreement, after the transaction, detailed principles of cooperation between Agora and G.C. Geek Code would be set. In case no agreement is reached in this respect, G.C. Geek Code was entitled to sell its shares in the share capital of the company to Agora, within 3 months of the date of the share purchase agreement, the terms and conditions being the same as in the contract of January 25, 2016. On April 28, 2016, this deadline was extended by additional 3 months (until 25 July 2016). Until July 25, 2016 Agora S.A. did not receive the declaration on G.C. Geek Code Ltd exercising the aforementioned sale option, due to which this option expired. The option agreement, setting the principles for sale of shares held by G.C. Geek Code Ltd in GoldenLine Sp. z o.o. to Agora S.A. was concluded on September 30, 2016, as described below.

On February 5, 2016, Agora S.A. acquired 8 shares in the share capital of AdTaily Sp. z o.o. with its registered office in Warsaw, from a shareholder of that company, for the total price of PLN 115 thousand. As a result of the above transaction, Agora S.A. owned 730 shares in the share capital of AdTaily Sp. z o.o. with the nominal value of PLN 50 per share and the total nominal value of PLN 36,500, which represented 86.90% of the company's share capital and 86.90% of votes at the general meeting of shareholders. On March 11, 2016, the District Court for Krakow-Srodmiescie in Krakow, XI Commercial Division of the National Court Register registered this change in the register of entrepreneurs in the National Court Register.

On March 1, 2016, the extraordinary general meeting of shareholders of the company Sport4People Sp. z o.o., with its registered office in Warsaw adopted a resolution on dissolution of the company and opening of the liquidation proceedings. On April 4, 2016, the District Court for the capital city of Warsaw, XIII Commercial Division of the National Court Register registered this change in the register of entrepreneurs in the National Court Register.

On March 4, 2016, the District Court for the capital city Warsaw, XIII Commercial Division of the National Court Register, registered the company operating under the business name SearchLab Sp. o.o. with its registered office in Warsaw. The sole shareholder of this company is Agora S.A. Agora S.A. holds 100 shares in the share capital of the company SearchLab Sp. o.o., with the nominal value of PLN 50 each share. The shares were taken up in return for a cash contribution in the amount of PLN 5,000.

On March 23, 2016, the extraordinary general meeting of shareholders of Green Content Sp. z o.o. adopted the resolution increasing the share capital by issuing 2,000 new shares with nominal value of PLN 50 per share and total nominal value of PLN 100 thousand. Agora S.A. covered 2,000 new shares with PLN 10,000 thousand cash contribution. On April 29, 2016, the District Court for the capital city of Warsaw, XIII Commercial Division of the National Court Register registered this change. After the registration of the increase in the register of entrepreneurs in the National Court Register, the share capital amounts to PLN 200 thousand and is divided into 4,000 shares with nominal value of PLN 50 per share. Agora S.A. held 4,000 shares in the company's share capital, representing 100% of the company's share capital and 100% of the votes at the general meeting of shareholders.

On April 1, 2016, the extraordinary general meeting of shareholders of Goldenline Sp. z o.o. adopted the resolution increasing the share capital by issuing 100 new shares with nominal value of PLN 1,000 per share and total nominal value of PLN 100 thousand. Agora S.A. covered the 100 new shares with a non-cash contribution in a form of Centrum Kompetencyjne Praca, which organisationally, financially and operationally constitutes, within the internal organisational structure of Agora S.A., a separate set of tangible and intangible assets intended for the implementation of specific economic tasks, i.e. (i) the running of the Gazetapraca.pl website; and (ii) the sale of recruitment solutions, and (iii) provision of services connected to the employer branding activities, which is an independent enterprise independently performing these tasks. On June 13, 2016, the District Court for the capital city of Warsaw, XIII Commercial Division of the National Court Register registered this change. After the registration of the increase in the register of entrepreneurs in the National Court Register, the company's share capital amounts to PLN 300 thousand and is divided into 300 shares with nominal value of PLN 1,000 per share. Agora S.A. holds currently 278 shares in the company's share capital, representing 92.67% of the company's share capital and 92.67% of the votes at the general meeting of shareholders.

On April 1, 2016, the extraordinary general meeting of shareholders of Searchlab Sp. z o.o. adopted the resolution increasing the share capital by issuing 1,900 new shares with nominal value of PLN 50 per share and total nominal value of PLN 95 thousand. Agora S.A. covered 1,900 new shares with a non-cash contribution in a form of Agencja Reklamy Internetowej "SearchLab," which organisationally, financially and operationally constitutes, within the internal organisational structure of the Agora S.A., a separate set of tangible and intangible assets, intended for the implementation of specific economic tasks, i.e. (i) the sale and running of online advertising campaigns on external surfaces of economic entities, with respect to which SearchLab operates as an agent for sales and performance of advertising campaigns; and (ii) provision of advisory services and operation in the field of search engine optimisation (SEO); which is an independent enterprise independently performing these tasks. On April 29, 2016, the District Court for the capital city of Warsaw, XIII Commercial Division of the National Court Register registered this change, as well as a change of the company's name to Optimizers Sp. z o.o. After the registration of the increase in the register of entrepreneurs in the National Court Register, the share capital amounts to PLN 100 thousand and is divided into 2,000 shares with nominal value of PLN 50 per share. Agora S.A. holds currently 2,000 shares in the company's share capital, representing 100% of the company's share capital and 100% of the votes at the general meeting of shareholders.

On May 12, 2016, the extraordinary general meeting of shareholders of Adtaily Sp. z o.o. ("Adtaily") adopted the resolution increasing the share capital by issuing 36 new shares with nominal value of PLN 50 per share and total nominal value of PLN 1,800 thousand. The extraordinary general meeting of shareholders of Adtaily Sp. z o.o. decided to allocate newly issued shares to two new minority shareholders of Adtaily, 18 shares each. After the registration of the increase in the register of entrepreneurs in the National Court Register, the share capital of the company will amount to PLN 43,800 and will be divided into 876 shares with nominal value of PLN 50 per share, of which Agora S.A. will hold 730 shares in the share capital of the company, representing 83.33% of the share capital and 83.33% of votes at the general meeting of shareholders.

On May 25, 2016, Grupa Radiowa Agory Sp. z o.o, with its registered office in Warsaw ("GRA"), acquired 90 shares in the share capital of Projekt Inwestycyjny Sp. z o.o. ("PI") from a shareholder of that company. As a result of the above transaction, GRA currently owns 300 shares in the share capital of PI with the nominal value of PLN 500 per share and the total nominal value of PLN 150,000, which represented 100% of the company's share capital and 100% of votes at the general meeting of shareholders. On June 16, 2016, the District Court for the capital city of Warsaw, XIII Commercial Division of the National Court Register registered this change in the register of entrepreneurs in the National Court Register.

On July 5, 2016, Agora S.A. received a call to pay the additional price from a former non-controlling shareholder of Helios S.A., submitted pursuant to the agreement of December 11, 2014 concluded by and between this shareholder and Agora S.A., pertaining to sale of shares in the shareholder's possession to Agora S.A. On August 3, 2016, Agora S.A. responded to the call to pay the additional price by transferring the amount of PLN 4,277 thousand to the account of the former non-controlling shareholder of Helios S.A.

On July 8, 2016, Agora S.A. received a request to purchase 0.38% of shares in Helios S.A. from a non-controlling shareholder of this company, submitted pursuant to provisions of the option agreement of August 31, 2010, for the sale price calculated in accordance with provisions of that agreement. On August 4, 2016, in response to the request received by Agora S.A., Agora S.A. and the non-controlling shareholder of Helios S.A. signed a Promised Share Sale Agreement, based on which Agora S.A. purchased 0.38% of shares in this company for the total amount of PLN 791 thousand, calculated in accordance with provisions of the option agreement concluded by and between the parties. As a result of this transaction, Agora S.A. holds currently 88.88% of the share capital of Helios S.A. and 88.88% of votes at general meeting of shareholders.

On September 7, 2016, extraordinary general meetings of shareholders of Grupa Radiowa Agory Sp. z o.o, with its registered office in Warsaw ("GRA") and Projekt Inwestycyjny Sp. z o.o. with its registered office in Warsaw ("PI"), adopted resolutions of the merger of PI (as a company being acquired) with GRA (as an acquiring company). On November 30, 2016, the District Court for the capital city of Warsaw in Warsaw, XIII Commercial Division of the National Court Register, registered in the register of entrepreneurs in the National Court Register the merger of Grupa Radiowa Agory Sp. z o.o. and Projekt Inwestycyjny Sp. z o.o. (merger by acquisition of Projekt Inwestycyjny Sp. z o.o.).

On September 9, 2016, Agora S.A. acquired 8 shares in the share capital of AdTaily Sp. z o.o. with its registered office in Warsaw, from a shareholder of that company, for the total price of PLN 203 thousand. As a result of the above transaction, Agora S.A. owned 738 shares in the share capital of AdTaily Sp. z o.o. with the nominal value of PLN 50 per share and the total nominal value of PLN 36,900, which represented 87.86% of the company's share capital and 87.86% of votes at the shareholders' meeting of AdTaily Sp. z o.o.

In the current report of September 30, 2016, the Management Board of Agora S.A. notified of signing, on September 30, 2016, an option agreement governing the terms of sale of the shares held by minority shareholder – G.C. Geek Code Ltd. (hereinafter: "G.C. Geek Code") in the company GoldenLine Sp. z o.o. (hereinafter: "GoldenLine") to Agora S.A. Under the agreement signed, the parties have defined the detailed terms and conditions of a put option and a call option in respect of the shares held by G.C. Geek Code and any other shares in GoldenLine that G.C. Geek Code may purchase after the conclusion of the agreement. Valuation of shares in the case of exercising the put option or call option will be based on future financial results of GoldenLine. Currently, Agora S.A. holds 278 shares in GoldenLine, representing 92.67% of the share capital of this company and entitling to 278 votes, representing 92.67% of the votes at the general meeting of shareholders. The minority shareholder of GoldenLine Sp. z o.o. is G.C. Geek Code, controlled by Mariusz Gralewski – the main founder of GoldenLine. Currently, Geek Code holds 22 shares, representing 7.33% of the share capital of Goldenline and entitling to 22 votes, representing 7.33% of the votes at the general meeting of shareholders of Goldenline.

On October 4, 2016, the District Court for the capital city of Warsaw in Warsaw, XIII Commercial Division of the National Court Register entered into the register of entrepreneurs in the National Court Register the increase of the share capital of the company from PLN 42,000 to PLN 43,800 based on the resolution of the extraordinary general meeting of shareholders of AdTaily Sp. z o.o. of May 12, 2016. After the aforementioned registration, the share capital of that company equals PLN 43,800 and is divided into 876 shares of the nominal value of PLN 50 per share. Currently, Agora S.A. holds 738 shares in AdTaily Sp. z o.o., representing 84.25% of the share capital of this company and entitling to 738 votes, representing 84.25% of the votes at the general meeting of shareholders.

On November 25, 2016, the extraordinary general meeting of shareholders of AdTaily Sp. z o.o., with its registered office in Warsaw, adopted a resolution, inter alia, on changing the name of the company from AdTaily Sp. z o.o. to Yieldbird Sp. z o.o. The aforementioned change was registered by the District Court for the capital city of Warsaw in Warsaw, XIII Commercial Division of the National Court Register, on 28 December 2016.

In the current report of December 9, 2016, the Management Board of Agora S.A. notified that on December 9, 2016, Agora and Discovery Polska Sp. z o.o. ("Discovery") concluded an investment agreement ("Agreement") regarding Green Content Sp. z o.o. ("Green Content"), the subject matter of which is setting rules for cooperation between these entities, including corporate governance rules.

As at the day of conclusion of the Agreement, the share capital of Green Content comprised 4,000 shares, each with a nominal value of PLN 50.0. As a result of the conclusion of the Agreement, Discovery acquired from Agora S.A. 860 shares in the share capital of Green Content, each with a nominal value of PLN 50.0, and the total nominal value of PLN 43,000, representing 21.5% of the share capital of Green Content, for the price of PLN 4.0 million.

Additionally, as a result of the resolution of the extraordinary general meeting of shareholders of December 9, 2016 on increasing the share capital of Green Content from PLN 200,000 to PLN 307,500, Discovery submitted a declaration on the acquisition of 2,150 shares (each of the nominal value of PLN 50.0) in the increased share capital of Green Content in exchange for cash contribution of PLN 10.0 million. On January 3, 2017, the District Court for the capital city of Warsaw in Warsaw, XIII Commercial Division of the National Court Register, registered this increase in the register of entrepreneurs in the National Court Register.

Agora S.A. currently owns 3,140 shares of the nominal value of PLN 50 per share and the total nominal value of PLN 157,000 that represent 51.06% of the share capital and 51.06% of the votes at the general meeting of shareholders.

As a result of the above events, including registration of the increase in the share capital of Green Content, Discovery holds currently a total of 3,010 shares in the share capital of Green Content, representing 48.94% votes at the general meeting of shareholders of Green Content.

Simultaneously, according to the rules defined in the Agreement, there is a possibility of Agora S.A. selling the remaining shares to Discovery, by December 31, 2017.

The transaction positively influenced results of the Company and the Agora Group in 4Q2016. The impact of the aforementioned transaction on the consolidated result of the Agora Group, due to gain on sale of the subsidiary, was PLN 10.5 million, mainly as a result of the revaluation to fair value of the investment retained in Green Content, in accordance with IFRS. In the unconsolidated financial statements, the Company recorded financial income from sale of shares of PLN 1.8 million.

On December 29, 2016, the extraordinary general meeting of shareholders of Sport4People Sp. z o.o. in liquidation, with its registered office in Warsaw, approved the financial statements drawn up as at the day preceding the transfer to Agora S.A., as a sole shareholder, of assets remaining after satisfying the creditors and as at the day of ending the liquidation proceedings. On December 30, 2016, Sport4People Sp. z o.o. in liquidation, filed the motion to the District Court for the capital city of Warsaw in Warsaw, XIII Commercial Division of the National Court Register, to remove the company from the register of entrepreneurs in the National Court Register. On February 16, 2017, the District Court for the capital city of Warsaw in Warsaw, XIII Commercial Division of the National Court Register, removed Sport4People Sp. z o.o. in liquidation from the register of entrepreneurs in the National Court Register.

On March 2, 2017, Agora S.A. sold to Agora TC Sp. z o.o. with its registered office in Warsaw for the total amount of PLN 18,000 : (i) 400 shares in Joy Media Sp. z o.o. with its register office in Warsaw of the total nominal value of PLN 20,000 representing 100% of the share capital of this company, (ii) 400 shares in PTA Sp. z o.o. with its register office in Warsaw of the total nominal value of PLN 20,000 representing 100% of the share capital of this company, (iii) 1,100 shares in TV Zone Sp. z o.o. with its register office in Warsaw of the total nominal value of PLN 55,000 representing 100% of the share capital of this company. As the result of this transaction Agora TC Sp. z o.o. is currently sole shareholder of this companies.

On March 13, 2017, Agora TC Sp. z o.o. with its registered office in Warsaw sold to Next Film Sp. z o.o. with its register office in Lodz shares of Joy Media Sp. z o.o. with its register office in Warsaw with the total nominal value of PLN 20,000 representing 100% of the share capital of this company for the total price of PLN 4,500. As the result of this transaction Next Film Sp. z o.o. is currently sole shareholder of this company.

3. PARTICIPATION IN BUSINESS ORGANIZATION, HOME AND FOREIGN

The Agora Group wants to actively influence the environment it operates in. Therefore, its related companies are active members and participants of organizations involving business specialists in fields important for Company's activities. Group's representatives participate in the activities, inter alia, of the following major organizations:
- Polish:
    - Confederation of Private Employers „Lewiatan",
    - Polish Association of Stock Exchange Issuers,
    - Press Publishers Chamber,
    - National Circulation Audit Office (ZKDP),
    - Polish Internet Survey,
    - Internet Advertising Bureau Polska,
    - IGRZ – Outdoor Advertising Economic Chamber,
    - ReproPol (Association),
    - Polish Cinemas Association,
    - Polish New Cinemas Association,
    - Creative Poland Asscociation,
    - IAA Polska – International Advertising Asscociation, Poland,
    - Polish Film Institute.

- Foreign:
    - WAN – IFRA World Association of Newspapers and News Publishers,
    - INMA – International Newsmedia Marketing Association,
    - EPC – European Publishers Council.

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

4. MAJOR DOMESTIC AND FOREIGN INVESTMENTS

In 2016 carrying amounts of intangible assets of the Group (magazine titles, goodwill, licenses and patents, other) increased by PLN 14.7 million, (cost increased by PLN 33.2 million, amortisation and impairment losses for the period increased by PLN 18.5 million). Detailed information on intangible assets is included in note 3 to the consolidated financial statements.

In 2016 carrying amounts of property, plant and equipment of the Group decreased by PLN 42.2 million (cost increased by PLN 6.3 million, depreciation and impairment losses for the period increased by PLN 48.5 million). Detailed information on property, plant and equipment is included in note 4 to the consolidated financial statements.

In 2016 the Group purchased additional shares in GoldenLine Sp. z o.o. and obtained control over this company as described in point V.B.2 of this MD&A.

The capital investments (shares, contribution to capital, loans) made outside the Agora Group (including companies excluded from consolidation and equity accounting) did not changed significantly. Detailed information includes note 5 to the consolidated financial statements.

The above mentioned investments were financed from own funds, except for capital expenditure on property, plant and equipment related to new cinema equipment and fit-out works, which were partially financed by means of bank loans and finance lease arrangements.

In 2016, the Group invested its free cash outside its capital group mainly in short-term securities and bank deposits. As at the end of 2016, the amount of such investments was equal to PLN 98.6 million. Moreover, as at 31 December 2016, the Group had cash on hand and on bank accounts in the amount of PLN 25,4 million and had a deposit receivable in the amount of PLN 21.6 million related to a cash deposit provided by the subsidiary AMS S.A. securing the bank guarantees issued in relation to the concession contract for construction of bus shelters in Warsaw.

5. CHANGES IN THE SHAREHOLDERS' STRUCTURE OF THE COMPANY

In accordance to the formal notifications received from the shareholders, particularly on the basis of Article 69 of Act of July 29, 2005, on public offering, conditions governing the introduction of financial instruments to organised trading, and public companies, as at the day of publication of the annual report for 2015 the following shareholders were entitled to exercise over 5% of voting rights at the general meeting of shareholders of the Company:

Tab. 20

	no. of shares	% of share capital	no. of votes	% of voting rights
Agora-Holding Sp. z o.o. *(in accordance with the last notification of September 24, 2015)*	5,401,852	11.33	22,528,252	34.77
Powszechne Towarzystwo Emerytalne PZU S.A. (Otwarty Fundusz Emerytalny PZU Zlota Jesien and Dobrowolny Fundusz Emerytalny PZU) *(in accordance with the last notification of December 27, 2012) (1)*	7,594,611	15.93	7,594,611	11.72
including: Otwarty Fundusz Emerytalny PZU Zlota Jesien *(in accordance with the last notification of December 27, 2012) (1)*	7,585,661	15.91	7,585,661	11.71
Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A. (Nationale-Nederlanden Otwarty Fundusz Emerytalny and Nationale Nederlanden Dobrowolny Fundusz Emerytalny) *(in accordance with the last notification of August 7, 2015) (2)*	6,806,704	14.28	6,806,704	10.51
Aegon Powszechne Towarzystwo Emerytalne S.A. (Aegon Otwarty Fundusz Emerytalny) *(in accordance with the last notification of December 7, 2015)*	3,283,154	6.89	3,283,154	5.07

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

(2) Number of shares according to the shareholder's notification – as at August 7, 2015; proportion of voting rights and percentage of the share capital of Agora S.A. were recalculated by the Company after reduction of the Company's share capital.

Significant changes to the shareholders' structure

In the current report of June 6, 2016, the Management Board of Agora S.A. notified that on June 6, 2016, it received from the proxy of Media Development Investment Fund, Inc., ("Dominant Entity") and MDIF Media Holdings I, LLC, a company controlled by the Dominant Entity ("Buyer"), a notification that as a result of the settlement, on June 3, 2016, of block transactions involving the acquisition of shares in the Company

("Transactions"), the direct stake that the Buyer holds in the total number of votes at the general meeting of shareholders of the Company had increased to 8.26% and the indirect stake that the Dominant Entity holds through the Buyer in the total number of votes at the general meeting of shareholders of the Company had increased to 8.26%. Prior to the completion of the Transactions, the Buyer did not hold directly and the Dominant Entity did not hold indirectly any shares in the Company, nor was the Buyer directly or the Dominant Entity indirectly entitled to exercise any votes at the general meeting of shareholders of the Company. After the completion of the Transactions, the Buyer directly and the Dominant Entity indirectly, through the Buyer, hold 5,350,000 shares in the Company representing a 11.22% of the Company's share capital entitling them to exercise 5,350,000 votes at the general meeting of shareholders of the Company, which represents 8.26% of the total number of votes at the general meeting of shareholders of the Company. In the separate current report of June 6, 2016, the Management Board of Agora S.A. publicly announced the information on the Company obtaining prior information on Media Development Investment Fund, Inc. and MDIF Media Holdings I, LLC. starting negotiations with financial investors of Agora S.A. aimed at purchasing the Company's shares from these investors.

In the current report of June 10, 2016, the Management Board of Agora S.A. notified that on June 9, 2016, due to the settlement, on June 3, 2016, of the sales of Company's shares in block transactions, funds: Nationale-Nederlanden Otwarty Fundusz Emerytalny (hereinafter: "OFE") and Nationale-Nederlanden Dobrowolny Fundusz Emerytalny (hereinafter: "DFE"), managed by Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A., decreased the total number of shares they held in the Company and voting rights at the general meeting of shareholders of Agora S.A. below 10%.

Before the disposal of shares, OFE and DFE held 7,673,655 (seven million six hundred seventy three thousand six hundred fifty five) Company's shares constituting 16.10% of the share capital of the Company and entitling to 7,673,655 (seven million six hundred seventy three thousand six hundred fifty five) votes at the Company's general meeting of shareholders, which constituted 11.84% of total number of votes.

On June 9, 2016, on securities accounts of OFE and DFE, 4,493,055 (four million four hundred ninety three thousand and fifty five) Company's shares were deposited, constituting 9.43% of the Company's share capital. These shares entitle to 4,493,055 (four million four hundred ninety three thousand and fifty five) of votes at the Company's general meeting of shareholders, which constitute 6.93% of total number of votes.

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

Tab. 21

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

	No. of shares	% of share capital	no. of votes	% of voting rights
Nationale-Nederlanden Powszechne Towarzystwo Emerytalne S.A. (Nationale-Nederlanden Otwarty Fundusz Emerytalny and Nationale Nederlanden Dobrowolny Fundusz Emerytalny) *(in accordance with the last notification of June 9, 2016)*	4,493,055	9.43	4,493,055	6.93
Aegon Powszechne Towarzystwo Emerytalne S.A. (Aegon Otwarty Fundusz Emerytalny) *(in accordance with the last notification of December 7, 2015)*	3,283,154	6.89	3,283,154	5.07

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

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

V.C. OTHER SUPPLEMENTARY INFORMATION

1. TRANSACTIONS WITH RELATED PARTIES

Following types of transactions are witnessed within the Agora Group:

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

The above transactions within the Agora Group are carried out on arm's length basis and are within the normal business activities of companies. Detailed information on transactions with related parties is disclosed in note 40 to the consolidated financial statements.

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

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

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

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

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

The remuneration paid by Agora S.A. to Management Board members in 2016 amounted to PLN 8,572 thousand (2015: PLN 2,886 thousand). This amount includes also one-off bonus payments, inter alia, the one resulting from realization of Three-Year-Long Incentive Plan described in note 27 to the consolidated financial statements.

The remuneration paid by Agora S.A. to Supervisory Board members in 2016 amounted to PLN 468 thousand (2015: PLN 468 thousand).

Tomasz Jagiello, member of the Management Board, received also remuneration as the President of the Management Board of subsidiary Helios S.A. in the amount of PLN 356 thousand (in 2015: PLN 352 thousand). The other members of Agora's Management and Supervisory Board did not receive any remuneration for serving as board members in subsidiaries, joint ventures and associates.

Detailed information concerning remuneration of the Management Board and Supervisory Board Members is presented in note 26 to the consolidated financial statements.

In 2016 the remuneration of Management and Supervisory Board Members in subsidiaries amounted to PLN 5,912 thousand (in 2015: PLN 4,877 thousand).

The Agora Group also executed an incentive program based on financial instruments, in which Management Board members of Agora S.A. participated. Detailed information concerning this plan is presented in note 27 to the consolidated financial statements.

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

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

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

4.1. Shares in Agora S.A.

Tab. 22

	as of December 31, 2016 (no. of shares)	*Nominal value (PLN)*
Bartosz Hojka	2,900	2,900
Tomasz Jagiello	0	0
Grzegorz Kossakowski	44,451	44,451
Robert Musial (1)	1,233	1,233

(1) As at the day of publishing this report, Robert Musial did not fulfil the function of a member of the Management Board of Agora S.A.

4.2 Shares in related parties

The status of ownership of shares in subsidiaries and associates by the members of the boards of subsidiaries and associates to Agora S.A. as of December 31, 2016 presents the table below.

Tab. 23

	as at December 31, 2016 (number of shares)	*Nominal value (PLN)*
Members of the Management Board of Agora S.A. holding shares in Agora – Holding Sp. z o.o.		
Bartosz Hojka	1	10,427.84
Members of the Management Board of Helios S.A. holding shares in Helios S.A.		
Tomasz Jagiello	809,000	80,900
Katarzyna Borkowska	68,264	6,826
Grzegorz Komorowski	44,000	4,400
Members of the Management Board of Yieldbird Sp. z o.o. holding shares in Yieldbird Sp. z o.o.		
Marcin Ekiert	90	4,500
Bartłomiej Chmiel	18	900
Members of the Management Board of Hash.fm Sp. z o.o. holding shares in Hash.fm Sp. z o.o.		
Konrad Traczyk	4,600	230,000
Members of the Management Board of Sir Local Sp. z o.o. holding shares in Sir Local Sp. z o.o.		
Michal Kaczmarek	420	21,000
Members of the Management Board of IM 40 Sp. z o.o. holding shares in IM 40 Sp. z o.o.		
Jan Chojnacki	933	93,300

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

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

5.1. Shares in Agora S.A.

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

Tab. 24

	as at December 31, 2016 (number of shares)	*Nominal value (PLN)*
Andrzej Szlezak (1) (2)	0	0
Wanda Rapaczynski (1) (2)	882,990	882,990
Dariusz Formela (1) (2)	0	0
Sławomir S. Sikora (1)	0	0
Tomasz Sielicki (1) (2)	33	33
Paweł Mazur (1)	0	0
Anna Krynska-Godlewska (2)	0	0
Andrzej Dobosz (2)	0	0

(1) Members of the Supervisory Board of Agora S.A. of the previous term of office ended June 23, 2016.
(2) Members of the Supervisory Board of Agora S.A. of the current term of office started June 24, 2016.

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

5.2. Shares in related companies

Tab. 25

	as of December 31, 2016 (no. of shares)	*Nominal value (PLN)*
Members of the Supervisory Board of Agora S.A. holding shares in Agora – Holding Sp. z o.o.		
Wanda Rapaczynski	1	10,427.84
Members of the Supervisory Board of Online Technologies Sp. z o.o. holding shares in Online Technologies Sp. z o.o.		
Malgorzata Grudzinska	54	4,320

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

No changes in 2016.

7. INFORMATION ON CREDIT AND LOAN AGREEMENTS TAKEN/TERMINATED IN 2016 AND GUARANTEES RECEIVED BY AGORA S.A. OR ITS SUBSIDIARIES.

In 2016 no credit or loan agreements were terminated for the Company or its subsidiaries and also nor the Company or its subsidiaries terminated any credit or loan agreements.

a) Agora S.A.

As at December 31, 2016 the Company had an open credit line described below (according to the Annex no. 2 signed on 24 May 2016):

Tab. 26

Creditor	Amount of the credit line	Currency	Interest rate (%)	Agreement/Annex date	Maturity date
Bank Polska Kasa Opieki S.A.	PLN 135 million	PLN	WIBOR 1M or 3M + bank margin	24 May 2016	time credit - ready to use: if used - quarterly 13 instalments from June 30, 2017 to June 30, 2020; credit facility in the current account which may be used by May 31, 2017

On the basis of the Annex no. 2 to the multi - purpose credit line agreement signed on 24 May 2016 with Bank Polska Kasa Opieki S.A., Agora S.A. was provided with a time credit of up to PLN 100.0 million, which may be used by 31 May 2017 and with a credit facility in the current account of up to PLN 35.0 million, which may be used by 31 May 2017. As at 31 December 2016, the amount of the time credit is diminished by the non-renewable tranche used in May 2016 in the amount of PLN 25.0 million, which will be paid up in 13 equal installments from June 30, 2017 till June 30, 2020.

b) subsidiaries

Helios S.A. – new agreements in 2016

Tab. 27

Creditor	Amount of the loan (in PLN thousand)	Currency	Interest rate (%)	Agreement date	Maturity date
Raiffeisen Bank Polska S.A.	8,200	PLN	WIBOR1M + bank margin	09/05/2016	29/10/2021

Moreover, in 2016, the company Helios S.A. received bank warranties securing due performance of contracts in the total amount of PLN 387 thousand with expiry dates from February 18, 2019 to January 16, 2020.

AMS S.A. – new agreements in 2016

Tab. 28

Creditor	Amount of the loan (in PLN thousand)	Currency	Interest rate (%)	Agreement date	Maturity date
mBank S.A.	8,000	PLN	WIBOR O/N + bank margin	25/11/2016	credit facility in the current account which may be used from 30/11/2016 until 28/11/2017

More detailed information concerning loans, including amounts outstanding as at 31 December 2016, is presented in note 14 to the consolidated financial statements.

8. INFORMATION ON LOANS GRANTED IN 2016 AND GUARANTEES OR OTHER OFF-BALANCE SHEET ITEMS

Information on loans granted by Agora S.A. or by its subsidiaries in 2016 is described in the table below:

Tab. 29

No.	Company name	Amount of loan (in PLN thousand)	Currency	Interest rate (%)	Agreement date	Maturity date
1	Green Content Sp. z o.o.	2,000	PLN	Wibor 3M+1,5%	19.02.2016	31.12.2019*
2	Green Content Sp. z o.o.	3,000	PLN	Wibor 3M+1,5%	18.11.2016	31.01.2017*
3	Instytut Badan Outdooru IBO Sp. z o.o.	200	PLN	Wibor 3M+1,5%	05.11.2013**	31.01.2017***

** loans were entirely repaid in 2016 before the maturity date*
*** amount of loan includes tranches paid out in 2016*
**** maturity date according to the annex no. 9 to the loan agreement signed on 9 January 2017, in accordance with the arrangements made till the publication of this MD&A, the payment date has been postponed and will be dependent on the implementation schedule of the research project run by IBO on the outdoor advertising market.*

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

9. THE SYSTEM OF CONTROL OF EMPLOYEE SHARE SCHEMES

In 2016 there was not any employee share scheme.

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

On April 3, 2014, the Supervisory Board appointed KPMG Audyt Spolka z ograniczona odpowiedzialnoscia spolka komandytowa as a certified auditor to audit Company's financial statements for fiscal years 2014, 2015 and 2016. The agreement related to audit and review of financial statements was signed for the above mentioned periods and relate to audit and review of financial statements for a given financial year.

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

Tab. 30

in PLN thousand	Financial year ended 31 December 2016	Financial year ended 31 December 2015
Remuneration for audit (1)	102.6	102.6
Other certifying services, including remuneration for review (1)	68.4	68.4

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

11. INFORMATION ABOUT FINANCIAL INSTRUMENTS

Information about financial statements in respect of:

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

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

12. INFORMATION ON CAPABILITY OF EXECUTION OF INVESTMENT PLANS

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

13. THE DESCRIPTION OF BASIC HAZARDS AND RISK

- **Macroeconomic risk**

Advertising revenues strictly depend on the general economic situation in Poland and in Europe. They grow in the periods of economic upswing and are marked by considerable decrease in time of the economic slowdown. According to the Company's estimations in 2016, advertisers spent 2.5% yoy more on advertising. Advertisers increased their expenditure in almost all advertising market segments. The erosion of advertising expenditure was observed only in press.

It should be noted that the level of advertising revenues is dependent on both the ad volume as well as prices of media purchase which hinders estimations regarding the development of the situation at the particular segments of ad market.

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

- **Seasonality of advertising spending**

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

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

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

The Group's advertising revenues are generated by the following media: dailies, outdoor advertising, radio stations, magazines, internet and cinemas. As a result of structural changes and media convergence particular media in the Agora Group's portfolio compete both with their business competitors and with television broadcasters - constituting almost half of the advertising market expenditure (48.5%) in 2016. The next largest segment of advertising market – Internet held 28.0% share in total ad spend. Ad expenditure in magazines and dailies constituted 6.0% and 2.5% share of total ad spend, respectively. Outdoor advertising held, in 2016, 6.0% of the advertising market share and radio ad spend constituted 7.5% of total ad expenditure. Cinema advertising in Poland constituted 1.5% of all advertising expenditure. Bearing in mind the dynamics of particular and the current Company's estimates of advertising market growth in 2017 there is a risk that the share of particular media in the advertising market will change. This may influence the Group's position and its revenues.

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

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

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

Press

Presently paid press experiences a worldwide trend of copy sales decrease and shrinking of advertising expenditure. Press titles, published by the Group and its competitors, are not resistant to the changes taking place on the press market. The process of classifieds migration from press to Internet is taking its place. The dynamics of the above mentioned processes may have a negative impact on dailies copy sales and the revenues of the Group. At the same time, the Group digitalizes its content and on February 4, 2014 the Company introduced system of metered paywall on websites related to *Gazeta Wyborcza*. At the end of 2016, the number of *Gazeta Wyborcza* active paid subscriptions totalled almost 100 thousand. Nowadays the Company focuses on the growth of average revenue from each subscription and growth of online advertising revenues. It is hard to predict if the Company will be able to deliver above expectations, because of the competitive internet market.

Due to the global changes in the press market, especially those relating to the shrinking incomes from ad sales, the Company decided to discontinue of issue of the free Metrocafe.pl in mid October 2016, what shall affect the Agora's results in 2017.

Press distribution

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

Internet

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

Responsibility for published content

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

Outdoor

Outdoor advertising market in Poland is highly competitive. AMS S.A. competes with Polish companies as well as big international concerns. Outdoor advertising market is of high legal risk due to the possible changes in the rules regarding the use of public space and introduction of new limitations in the centers of large urban areas, as well as rules on fees and tax rates related to this business activity. The factors mentioned above may have an impact on the Group's result.

On September 11, 2015 selected regulations on strengthening landscape protection changed. On its basis the local governments acquired rights to regulate the distribution of visual advertisement and small architecture in public space and charging adequate fees. It is really hard to estimate the impact of this regulation on the Agora Group's results. Till the day of this publication 3 local government introduced new rules of charging fees.

In 2014, execution of the contract to construct of 1,580 bus shelters in Warsaw commenced. The investment process shall last till the end of September, 2017. The estimated cost of the bus shelters' construction amounts to ca PLN 80 million. The duration of the contract is nearly 9 years.

Cinema

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

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

Moreover, the cinema operators compete with other technologies of film screening, inter alia, in Internet.

Risks of running licensed business

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

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

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

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

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

Radio stations

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

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

- **Television**

Due to the purchase of 41.04% stake in Stopklatka S.A. by Agora on March 12, 2014 the Group entered television market. Our television channel competes with existing television broadcasters and potential new market entrants. Among Stopklatka TV competitors there are larger broadcasters with better brand recognition and financial resources than us. Stopklatka competes also with other media, including Internet oraz growing popularity of VOD services and other platforms enabling watching video materials in Internet.

In 2015, a subsidiary company of Agora S.A. – Green Content won a concession proceedings for broadcasting a TV channel via digital terrestrial platform in signal of eighth multiplex. The new TV channel – METRO was launched on 2nd of December, 2016. There is no certainty that the programme offer of our new TV channel will be attractive for a sufficient number of viewers. An additional difficulty is the need for technical adjustment of antennas and TVs of some clients to multiplex the eighth. A proper share in TV audience is a key parameter taken into account in the process of allocating advertising budgets of the largest advertisers. After the execution of the investment agreement on cooperation with Discovery Polska sp. z o.o. in December, 2016 the results of Green Content Sp. z o.o. are consolidated on the equity basis.

- **Movie business**

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

- **Risk of claims as a rusult of intellectual property rights infringement**

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

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

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

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

- **Impairment tests**

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

- **Currency risk**

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

- **Interest rate risk**

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

- **Risk of losing key employees**

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

- **The risk of collective dispute**

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

14. FACTORS AND UNUSUAL EVENTS WHICH HAD INFLUENCE ON THE RESULTS OF BUSINNESS ACTIVITIES FOR 2016 WITH THE ESTIMATION OF THEIR INFLUENCE

A positive impact on the Agora Group results had a sale of the property in Lodz, that improved the Group's result by PLN 6.0 million and the sales of Green Content's shares which improved Group's operating result by PLN 10.5 million.

A negative impact on the Agora Group results had mainly further significant limitation in advertising budgets in press in 2016, coming from the market trends and from the change in policy of spending advertising budgets of state owned companies from the other side. As a result, advertising revenues in Press segment were 26.9 million zł lower y/y. In addition, the Company defrayed costs of the group lay-offs that affect the operating results by 6.9 million zł.

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

In 2016, there were no legal actions against Agora S.A. or its subsidiaries related to their liabilities or debts whose total value would amount to at least 10% of Agora's share capital in a single or in all legal proceedings.

16. INFORMATION ON PURCHASE OF OWN SHARES

In 2016 the Company, its subsidiaries and the Company's proxies did not posses own shares of Agora S.A. and they did not purchase or dispose of the Company's own shares.

17. DIVISIONS OF THE COMPANY AND OF ITS SUBSIDIARIES

Agora S.A. has 19 divisions and the major headquarters in Warsaw. Other companies from the Group do not have local divisions.

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

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

19. ISSUING OF SECURITIES

In 2016 the Company did not issue any securities.

20. OTHER INFORMATION

Significant events for the Company's business activities

In the current report of October 26, 2016 (subsequently adjusted by the current report of October 27, 2016), the Management Board of Agora S.A. notified that on October 26, 2016 the Management Board of Agora S.A. obtained information of signing on October 26, 2016 a cooperation agreement between the subsidiary of Agora – Green Content Sp. z o.o. ("Green Content") and EmiTel Sp. z o.o. ("EmiTel")

The agreement was concluded for a fixed period from the December 1, 2016 to December 28, 2025, which is the duration of the license to transmit METRO television program granted to Green Content. The total estimated value of the agreement within the expected time of its validity amounts to approximately PLN 62.0 million.

The subject matter of the agreement is the provision by EmiTel for Green Content the service of placing the television program METRO on MUX-8 and ensuring uninterrupted digital signal transmission of MUX-8 in the DVB-T standard. The total liability for damages (contractual and in tort) of each of the parties, including contractual penalties, is limited to the amount of compensation that the company Green Content should pay EmiTel for 36 months of the agreement (does not apply to damage caused wilfully).

Green Content started broadcasting METRO on MUX-8 on December 2, 2016.

In the current report of February 17, 2017, the Management Board of Agora S.A. notified that on February 17, 2017, the Company received from the Member of the Management Board, Mr Robert Musial, statement of resignation from the position of the member of the Company's Management Board, effective February 28, 2017.

In the current report of March 1, 2017, the Management Board of Agora S.A. notified that pursuant to par. 28 section 3 of the Company's Statute, the Management Board of the Agora S.A. elected by way of co-option Ms. Agnieszka Sadowska, an additional member of Management Board. In the Management Board of Agora S.A., Ms. Sadowska shall supervise the Internet and the Print segments, Technology division, publication of Agora's magazines, BigData department and TV business. Pursuant to par. 28 section 3 of the Company's Statute the Management Board of Agora S.A. is obliged to place on the agenda of the closest Ordinary General Meeting of Company's Shareholders the item concerning confirmation of the election of Ms. Sadowska by way of co-option and to present relevant draft resolution.

Development directions of the Agora Group; medium-term priorities of the Agora Group

In the current report of January 15, 2016, the Management Board of Agora S.A. notified that as at the end of December 2015, the number of "Gazeta Wyborcza's" paid subscriptions totalled over 77 thousand, which meant much earlier achievement of the objective set by the Company in this respect, as part of medium-term development plans of the Agora Group.

In the current report of May 13, 2016, the Management Board of Agora S.A. notified of development directions of the Agora Group, indicating medium-term priorities of the Agora Group and key tasks for the next years by segment of the Agora Group.

In the current report of January 9, 2017, the Management Board of Agora S.A. notified that as at the end of December 2016, the number of "Gazeta Wyborcza's" paid subscriptions totalled almost 100 thousand, which means higher than planned execution of one of the strategic goals of the Company. Medium-term development plans of the Agora Group set the goal of 90 thousand paid subscriptions as at the end of 2016. The goal expressed in the number of paid digital subscriptions of "Gazeta Wyborcza" is connected with the transformation of the business model of Company's press activity.

The number of paid subscriptions of "Gazeta Wyborcza" increased by about 30% vs. the data recorded at the end of December 2015 (more than 77 thousand digital subscriptions).

Recommendation of the Management Board of Agora S.A. concerning payment of dividend

In the current report of May 12, 2016, the Management Board of Agora S.A. notified that on May 12, 2016, it passed the resolution on recommending the General Meeting of Shareholders paying dividend of PLN 0.75 per share.

Analysing the financial results and situation on markets, on which the Company runs its business activities, the Management Board decided to propose to shareholders payment of dividend by:

(i) allocating total net profit for the 2015 financial year in the amount of PLN 13,721,654.78 (in words: thirteen million seven hundred twenty one thousand six hundred fifty four zlotys and seventy eight groszy) for the dividend payment to the Company's shareholders;
(ii) appropriation of PLN 22,027,414.72 (in words: twenty two million twenty seven thousand four hundred fourteen zlotys and seventy two groszy) from the Company's supplementary capital for the dividend payment to the Company's shareholders.

Total amount recommended by the Management Board to be paid out in the form of dividend equals PLN 35,749,069.50 (in words: thirty five million seven hundred forty nine thousand sixty nine zlotys and fifty groszy) which means that the dividend amounts to PLN 0.75 (in words: seventy five groszy) per share.

The proposed dividend day was July 14, 2016 and the proposed distribution date – August 2, 2016. Those dates meet the requirements set by Dobre Praktyki Spolek Notowanych na GPW – the period between them do not exceed the period of 15 working days.

The above recommendation received a positive opinion of the Supervisory Board.

General Meeting of Shareholders of Agora S.A.

In the current report of May 24, 2016, the Management Board of Agora S.A. notified of conveying, for June 23, 2016, at 11:00 am., the Ordinary General Meeting of Shareholders of Agora S.A. ("General meeting").

In the current report of May 24, 2016, draft resolutions were published, subject to submission to the General Meeting of Shareholders.

In current reports of June 16, 2016, the Management Board of Agora S.A. announced candidates for members of the Supervisory Board of the Company appointed by entitled shareholders.

In the current report of June 23, 2016, the Management Board of Agora S.A. notified of the content of resolutions passed by the General Meeting of Shareholders, including resolutions pertaining to: (i) appointing the Supervisory Board of a common 3-year term of office; and (ii) payment of dividend to shareholders of the Company, in the amount and on terms recommended by the Management Board of the Company.

In the current report of June 23, 2016, the Management Board of Agora S.A. notified that at the General Meeting of Shareholders held on June 23, 2016, the following shareholders held more than 5% of votes at this general meeting:

- Agora-Holding Sp. z o.o.: 22,528,252 votes, i.e. 49.73% of votes at this Ordinary General Meeting of Shareholders and 34.77% of the total number of votes;

- Otwarty Fundusz Emerytalny PZU "Zlota Jesien": 7,000,000 votes, i.e. 15.45% of votes at this Ordinary General Meeting of Shareholders and 10.80% of the total number of votes;

- MDIF Media Holdings I, LLC: 5,355,645 votes, i.e. 11,82% of votes at this Ordinary General Meeting of Shareholders and 8.27% of the total number of votes;

- Nationale-Nederlanden Otwarty Fundusz Emerytalny: 4,000,000 votes, i.e. 8.83% of votes at this Ordinary General Meeting of Shareholders and 6.17% of the total number of votes;

- Aegon Otwarty Fundusz Emerytalny: 3,457,000 votes, i.e. 7.63% of votes at this Ordinary General Meeting of Shareholders and 5.34% of the total number of votes.

In the current report of June 23, 2016, the Management Board of Agora S.A. notified that the General Meeting of Shareholders held on June 23, 2016, appointed the Company's Supervisory Board comprising: Wanda Rapaczynski, Anna Maria Krynska-Godlewska, Andrzej Szlezak, Tomasz Sielicki, Dariusz Formela and Andrzej Dobosz. Additionally, the Management Board of Agora S.A. notified that the General Meeting of Shareholders appointed Andrzej Szlezak the Chairman of the Supervisory Board.

Layoff process

In the current report of October 4, 2016, the Management Board of Agora S.A. notified that on October 4, 2016: (i) passed the resolution initiating the consultation procedure on layoffs with the trade unions operating at the Company and the Company's works council; (ii) requested the trade unions operating at the Company and the Company's works council to join in the consultation on the aforementioned matter; and (iii) notified the responsible Labour Office of its intent to carry out the layoff process in the Company.

As part of the restructuring activities in progress, the Management Board of Agora S.A. took also the decision to cease the publication of the free daily newspaper *Metrocafe.pl* as of 14 October 2016. Reasons for restructuring activities taken include, inter alia, ongoing market recession in press advertising expenditure and negative prospects of further development of the market. Therefore, the Company's Management Board decide to focus on the development of activities of *Gazeta Wyborcza* daily, in particular its further digitisation and support of the development of digital subscription.

In the current report of October 11, 2016, the Management Board of Agora S.A. presented the following information:
(i) on October 11, 2016, the Company concluded a trilateral agreement ("Agreement") with trade unions operating at the Company (satisfying requirements of Article 3 section 1 of the Act of March 13, 2003 on special rules for termination of employment for reasons not attributable to employees) and with the Company's works council (constituting the agreement concluded in accordance with the Act of April 7, 2006 on informing and consulting employees);
(ii) on October 11, 2016, the Company's Management Board adopted the resolution on the implementation of the layoff process in line with principles set in the Agreement.

Based on the Agreement, the layoff process was carried out from October 20, 2016 to December 31, 2016, and covered up to 135 employees of the Company, i.e. ca 6.8% of all employees of the Company at that time (this number changed, as described below).
Employees subject to the layoff process were provided with a wider range of supportive measures than it is required by legal regulations applicable to the Company. The redundancy payment estimated in line with legal regulations was increased by an additional compensation equivalent to one monthly salary. Laid-off employees were also supported with additional protective measures including, inter alia, help in searching for a new job or reskilling.

In the current report of December 6, 2016, the Management Board of Agora S.A. notified of passing the resolution on initiating the consultation process on increasing the number of employees subject to the layoff process at Agora S.A.

In accordance with principles set in the Agreement, the employment reduction at the Company was to pertain to no more than 135 people and be completed by December 31, 2016. The intention of the Management Board of Agora S.A. was increasing the number of people subject to the layoff process from 135 to about 190 people employed by Agora S.A. (9.6% of people employed by the Company as at December 6, 2016). On December 6, 2016, the Management Board of Agora S.A. invited the trade unions operating at the Company and the Company's works council to join in the consultation on the aforementioned matter, and notified the responsible labour office of its intent to increase the number of employees subject to the layoff process at the Company.

In the current report of December 12, 2016, the Management Board of Agora S.A. notified of: (i) the Company concluding the annex to the Agreement ("Annex") on December 12, 2016; and (ii) the Company's Management Board passing, on December 12, 2016, the resolution on:

- accepting the Annex and carrying out the layoff process in line with principles set in the Agreement;
- expressing consent to the Company signing the letter of intent between with Organizacja Miedzyzakladowa NSZZ "Solidarnosc" Agora S.A. i Inforadio Sp. z o.o. regarding the intent to set the rules regarding voluntary redundancy in the "Gazeta Wyborcza" division in case of reasons justifying the necessity to reduce employment in the aforementioned division in 2017.

Based on the Annex signed, the number of employees subject to the layoff process was increased from about 135 to no more than 190. In accordance with requirements of the law, the Company provided suitable information, including the content of the Annex, to the Poviat Labour Office.

The total amount of the provision created for employment reduction by no more than 190 people was PLN 6.9 million and was charged to the operating result of the Company and the Group for 4Q2016.

Sale of real estates

In the current report of October 27, 2016, the Management Board of Agora S.A. notified that on October 27, 2016 the Company concluded a conditional agreement for sale of the right of perpetual usufruct to two properties with the total surface area of ca. 4.2 thousand square meters located in Lodz, together with the ownership of the buildings erected on one of them, including a historic office building with the surface area of 1 thousand square meters (hereinafter referred to jointly as "Real Estate"). The agreement was concluded under the condition that the President of the city of Lodz would not exercise the right of first refusal to the Real Estate, vested in the Municipality of the City of Lodz.

The decision to sell the Real Estate was due to the fact that the Company did not utilize effectively the entire surface of the Real Estate for its operations, and the optimal solution was to lease office space adapted to the current scale of operations of the Company in Lodz. Along with the conditional sale agreement, the parties concluded a conditional agreement for office space lease, under which Agora would lease from the buyer the office space located in the Real Estate for 5 years, on market terms.

The total sale price of the Real Estate was PLN 9.7 million net and the impact of this transaction on the operating result of the Company and the Agora Group for 4Q2016 was about PLN 6.0 million.

In the current report of December 2, 2016, the Management Board of Agora S.A. notified that on December 2, 2016, it obtained the information that the President of the City of Lodz would not exercise the right of first refusal to the Real Estate, vested in the Municipality of the City of Lodz.

In the current report of December 8, 2016, the Management Board of Agora S.A. notified that due to the condition for sale of the Real Estate being fulfilled, i.e. the President of the City of Lodz not exercising the right of first refusal, the agreement on transferring rights to Real Estates was concluded on December 8, 2016.

In the current report of December 16, 2016, the Management Board of Agora S.A. notified that on December 16, 2016 the Company concluded a preliminary agreement for the sale of perpetual usufruct rights to undeveloped plot of land with a total area of 6,270 square meters at 85/87 Czerniakowska St., in Warsaw ("Real Estate" and "Preliminary Agreement," respectively).

The preliminary agreement requires the Company to conclude the promised conditional agreement for sale of the Real Estate by the October 31, 2017, at the latest ("Conditional Agreement"). The Conditional Agreement shall demonstrate features of a sale agreement with binding effects, concluded under the condition that the President of the capital city of Warsaw would not exercise the right of first refusal to the Real Estate ("Condition"). In the case of fulfilment of the Condition, an agreement disposing of the Real Estate would be concluded by the Company.

The Preliminary Agreement granted to the parties a contractual right to withdraw in instances referred to in the Preliminary Agreement (including the right to withdraw by the buyer in the event of changes in the legal or factual state of the Real Estate).

The total sale price of the Real Estate is PLN 19.0 million net, and the positive impact of this transaction on the operating result (EBIT) of the Company and Agora Group in 2017 may amount to PLN 8.3 million.

Request pertaining to a forced redemption of shares in a subsidiary

On 29 March 2016, a minority shareholder ("Minority Shareholder") of Helios S.A., holding 320,400 shares in this company representing 2.77% of the share capital ("Shares"), submitted to Helios S.A., in the procedure under Article 418(1) of the Code of Commercial Companies (hereinafter: "CCC") the call pertaining to convening the general meeting of shareholders and including in the agenda of this meeting the resolution on a forced redemption of Shares ("Call").

As a result of: (i) the Call submitted; (ii) subsequent calls submitted pursuant to Article 418(1) of the CCC by the Minority Shareholder and other shareholders of Helios S.A., who acquired part of Shares from the Minority Shareholder; and (iii) resolutions passed by the General Meeting of Shareholders of Helios S.A. on May 10, 2016 and June 13, 2016, at Helios S.A. there are currently two redemption procedures pending (based on Article 418(1) of the CCC) and one buyout procedure pending (based on Article 418 of the CCC), aimed at two shareholders of Helios S.A., including Agora S.A., acquiring Shares held by the Minority Shareholder and other minority shareholders.

As part of the Share redemption process, by June 30, 2016, Agora S.A. transferred to Helios S.A. the amount of PLN 2,938 thousand as the payment of the redemption price calculated pursuant to Article 418(1) § 6 of the CCC. As at 31 December 2016, the Agora Group included in its balance sheet the liability due to the buyout of shares from minority shareholders of Helios S.A. in the total amount of PLN 3,185 thousand. This amount includes the amount of PLN 2,938 thousand transferred by Agora S.A. to Helios S.A., and the total amount transferred by the other shareholder of Helios S.A. within the framework of the implementation of the redemption process.

Shareholders, whose shares are subject to redemption in the redemption procedures, did not approve the share redemption price calculated in line with Article 418(1) § 6 of the CCC, and – based on Article 418(1) § 7 of the CCC – requested the registry court to appoint a statutory auditor for the purposes of the Court setting the price of shares being redeemed.

The final price of Shares subject to redemption and buyout shall be determined by the registry court competent for the registered office of Helios S.A., based on an opinion of an expert appointed by the registry court competent for the registered office of Helios S.A.

The forced buyout process initiated as of July 14, 2016, is carried out with respect to 10 shares. The holder of these shares failed to respond to the call published by the Company in Monitor Sadowy i Gospodarczy, calling minority shareholders holding the aforementioned shares to submit the document of shares in the Company within two weeks of the day of publishing this call, subject to the shares being cancelled after this period.

The procedure of determining the price of shares by a statutory auditor appointed by the Court is currently in progress.

Until the day of the publication of this report, the forced share redemption and buyout procedures have not been completed.

Information obtained pursuant to Article 160 section 1 of the Act on trading in financial instruments

In the current report of February 2, 2016, the Management Board of Agora S.A. notified that on February 1, 2016, the Company received a notification in line with Article 160 section 1 of the Act of July 29, 2005 on trading in financial instruments, from a person holding a managerial position in the organizational structure of the issuer (who is not a member of the Company's Management Board) and having access to inside information pertaining to the issuer.

In accordance with the notification, sale transactions pertaining to:
- 5,198 shares in Agora S.A. at PLN 11.02 per share;
- 300 shares in Agora S.A. at PLN 11.03 per share;
- 555 shares in Agora S.A. at PLN 11.04 per share;
- 200 shares in Agora S.A. at PLN 11.15 per share;
- 112 shares in Agora S.A. at PLN 11.13 per share;

(in total: 6,365 shares in Agora S.A.), based on the price limit order, took place during the trading session at the Warsaw Stock Exchange on January 28, 2016.

In the current report of July 1, 2016, the Management Board of Agora S.A. notified that on July 1, 2016, the Company received a notification in line with Article 160 section 1 of the Act on trading in financial instruments, from a member of the Supervisory Board of the Company, pertaining to the purchase of shares in the Company by a person closely related to this member of the Supervisory Board.

The person closely related to a member of the Supervisory Board of the issuer:
- on June 27, 2016, purchased 1,615 shares for the price ranging from PLN 12.22 to PLN 12.30 per share;
- on June 28, 2016, purchased 4,614 shares for the price ranging from PLN 12.25 to PLN 12.50 per share;
- on June 29, 2016, purchased 207 shares for the price ranging from PLN 12.41 to PLN 12.50 per share;
- on June 30, 2016, purchased 1,002 shares for the price of PLN 12.50 per share.

All the aforementioned transactions were ordinary transaction sessions at the Warsaw Stock Exchange. The person obliged to provide the information did not express his/her consent to publishing his/her personal details.

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

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

VI. REPORT AND DECLARATION RELATING TO AGORA S.A. COMPLIANCE WITH THE CORPORATE GOVERANCE RULES IN 2016

The following report and declaration relating to compliance with the corporate governance rules in 2016 were prepared on the basis of § 91 section 5 poin 4 of the Decreee of the Minister of Finance datek February 19, 2009 on current and periodical reporting by issuers of securities and conditions for the recognition as equivalent of the information required by the legal regulations of countries that are not Member States (uniform text (Journal of Laws of 2014, item 133)

1. SET OF PRINCIPLES OF CORPORATE GOVERNANCE RULES WITCH THE COMPANY WAS SUBJECT TO IN 2016

In 2016 Agora S.A was subject to the set of principles of corporate governance in the form of the "Best Practices of WSE Listed Companies in 2016" ("Best Practices 2016"), constituting an appendix to resolution No. 26/1413/2015 of the Council of WSE of October 13, 2015. The Company exercises the utmost due diligence in order to respect the rules set by Best Practice 2016.. The document is available on the official website of the Warsaw Stock Exchange dedicated to the issues of the corporate governance of listed companies, at http://corp-gov.gpw.pl.

2. LISTING OF THE CORPORATE GOVERNANCE RULES THAT WERE NOT OBSERVED BY THE ISSUER INCLUDING THE CIRCUMSTANCES AND REASONS FOR THEIR REJECTIONS AS WELL AS THE REMEDY FOR ITS POSSIBLE EFFECTS AND THE WAY THE COMPANY IS TO ELIMINATE RISK OF NOT APPLYING THE RULE OR MEASURES AND THE STEPS THE COMPANY IS TO TAKE IN ORDER TO REDUCE RISK OF NOT APPLYING THE RULE IN THE FUTURE.

In 2016, the Company complied with all Corporate Governance Rules. The rule regarding providing shareholders with the possibility to participate in the meeting of shareholders by electronic means of communication as far as providing shareholders with the possibility of real-time bilateral communication enabling them to take the floor during the meeting from a location other than the general meeting of shareholders was fulfilled by means of dedicated e-mail address.

3. RECOMMENDATIONS FOR BEST PRACTICE FOR LISTED COMPANIES

3.1 INFORMATION POLICY AND COMMUNICATION WITH THE INVESTORS

As far as the recommendation regarding the Company's pursue for a transparent and effective information policy and to provide all the stakeholders easy and non-discriminative access to the Company's information via diverse communication tools.

The Company runs mobile website where the all required corporate documents and information are published. Although Agora S.A. shares are not qualified for the WIG20 and mWIG40 index, the Company provides all the above information and documents also in English.

Additionally Agora has also been running the mobile investor relations and press office sections and since March, 2014 the Company has its Twitter account, what would enable current access to information.The Company puts a lot of effort to ensure adequate communication between the Company and the shareholders and participants of the financial markets by means of the direct and titular access to investor relations team and the representatives of the Management Board. The Company offers also a subscription to the newsletter on selected information regarding corporate events or press releases. Moreover, the Company provides additional information on different media segments to people who expressed their willingness to receive such information.

As far as the recommendation concerning the due care for the quality of reporting practice by means of communication expressed on the Company's corporate website with regard to untrue information on the Company, the Management Board of Agora S.A. shall make a decision to take their position in each case separately deciding whether to publish a statement on the corporate website or take other measures if they seem more appropriate.

The Company makes etery effort in order to prepare and publish periodical reports in the shortest possibile time other the reporting periods ends takinf into account complex corporate structure of the Company. The Management Board of Agora S.A. meets regularly with the representatives of capital markets and media after the publication of quarterly results. The meetings are available online in order to provide anyone interested access to the information on the Company. The viewers may also send questions to the Company's representatives during the meeting via email.

3.2. BEST PRACTICE FOR THE MANAGEMENT AND SUPERVISORY BOARDS OF LISTED COMPANIES

The Supervisory Board of the Company has no influence on the selection of the candidates for Management Board members of the Company. Candidates for the Management Board are nominated exclusively by shareholders holding preferred series A shares, and the General Meeting os Shareholders chooses the Management Board Members from the provided candidates (despite the co-option according to the Statutes). However, the Supervisory Board during the annual evaluation of the Management Board Members performance, discusses the professional plans with each of the Board Members in order to secure efficient operations of the Management Board.

The members of the Supervisory Board represent diversified fields of expertise and long professional experience allowing them to look at the Company and its Capital Group from the broader perspective. The Members of the Supervisory Board allocate enough time to fulfill their obligations as Board Members. In case of resignation or inability to perform their duties, the Company undertakes all necessary measures in order to complement or change the composition of the Supervisory Board, however, it should be remembered that the Supervisory Board Members are appointed by the General Meeting of Shareholders. According to the Best Practice 2016 at least two Supervisory Board Members fulfill the requirements of independent Board Members.

The members of the Supervisory Board receive all necessary information regarding the Company's and Group's operations. Moreover, if there is a need to provide any additional information or clarification to the Supervisory Board members the Company does it instantly. Additionally, The Company provides the Supervisory Board possibility to use professional, independt advisory services (taking into account the financial situation of the Company) , which in the opinion of the Supervisory Board may be indispensible to ecexute the supervision in the Company.

The Supervisory Board of Agora S.A. complies with all the requirements of the corporate governance rules. As part of its duties the Supervisory Board prepares the concise evaluation of the Company together with the evaluation of internal control system and risk management system. This evaluation is published on the corporate website together with all the documents relating to general meeting of shareholders.

Additionally, the Supervisory Board examines and gives its opinion on all issues being the subject of the general meeting of shareholders. The representatives of the Supervisory Board participate in the general meeting in the composition enabling them answering possible questions voiced by shareholders. In 2016, the Supervisory Board was represented by its President Andrzej Szlezak.

Supervisory Board prepares each year a report on its activities in a given fiscal year. In 2016 the Board shall also prepare the report on its activities in 2016, which shall comprise information on its composition and the composition of its committees, the fulfillment of independence criteria, number of meetings of the Board and its committees in 2016 and evaluation of its work. The Supervisory Board shall also present its evaluation of the Company's compliance with the corporate governance rulet and information policy as well as rationality of the Company's sponsoring policy.

In case of relation between a Supervisory Board member and the shareholder entitled to more than 5% of votes during the general meeting of shareholders this person informs about that fact the Management Board of the Company and other members of the Supervisory Board. Similar situation takes place in case of conflict of interests or possibility that such a conflict of interests may arise.

3.3. GENERAL MEETING OF SHAREHOLDERS AND BEST PRACTICE OF SHAREHOLDERS

Currently all shares issued by Agora are traded solely on the Warsaw Stock Exchange, therefore all shareholders of the Company acquire their rights at the same time in accordance with Polish law. All shareholders have the same rights as far as the transactions and contracts executed between the Company and its shareholders or related entities are concerned. In case the Company plans to introduce the changes in the by-laws of general meeting of shareholders it tries to inform about it in advance to make it possible for shareholders to execute their rights. The

Company exercises the effort in order to ensure that any changes to the By-laws of the General Meeting shall be in force from the next general meeting.

As far as the recommendation regarding general meeting of shareholders is concerned, the Company puts a lot of effort to make it possible for as many as possible Company's shareholders to participate in the meeting. The Company instantly informs about the changes in the agenda of the meeting, including the organizational details concerning the meeting. Also, Agora S.A., as a public company, allows the representatives of media to participate in its general meeting of shareholders.

The Company always plans the General Meeting of Shareholders at the earliest possibile date (taking into account operations of the whole Agora Group) after the publication of the annual report and according to the appropriate law regulations.

On June 23, 2016 the General Meeting of Shareholders of Agora S.A. took place in its headquaters in Warsaw and all the documents relating to that Meeting were published on the Company's website, including audio-video real-time broadcast. The General Meeting took place in accordance with Commercial Companies Code and the By-laws of General Meeting. The Members of the Management Board and Supervisory Board as well as the representatives of the Company's Auditor were present during the General Meeting of Shareholders and were ready to answer all the questions according to their competencies and law. In case of questions from shareholders and answers to those questions during the general meeting of shareholders they are available for everyone due to the fact that the Company offers real-time online audio-video broadcast and records the meetings of shareholders. Additionally, whenever necessary, the Company prepares the list of questions and answers relating to a given meeting of shareholders if they appear before and during meeting of shareholders. The answers are given by the Management Board and Supervisory Board members present during the meeting.

During the General Meeting of Shareholders there were no changes introduced in the by-laws of the general meeting and the Company's Statutes.

The general meeting of shareholders resolves on the adoption of the financial statements for 2016.

The General Meeting of Shareholders set the number of the Supervisory Board Members of a new term for 6 persons and appointed to the Board: Dariusz Formela, Tomasz Sielicki, Wanda Rapaczynski, Andrzej Szlezak, Anna Maria Krynska-Godlewska and Andrzej Dobosz.

In 2016 the general Meeting of Shareholders adopted a resolution on allocating the net profit of the Company for 2015 for divident payment.

For several years, the Company has provided real-life broadcast of the general meeting of shareholders in Polish and in English. During the General Meeting of Shareholders held in 2016, the Company provided the shareholders with the possibility of bilateral communication by electronic communication means where shareholders could have taken the floor during the Meeting from a location other than the General by means of the dedicated e-mail address.

The Company exercises all necessary effort in order to comply with all the detailed regulations of the corporate governance rules relating to the general meeting of shareholders set in the Best Practice 2016.

4. DESCRIPTION OF THE GENERAL MEETING OF SHAREHOLDERS AND ITS FUNDAMENTAL AUTHORIZATIONS AS WELL AS THE RIGHTS OF SHAREHOLDERS AND THEIR EXECUTION

The general meeting of shareholders of Agora S.A. acts in compliance with the Commercial Companies Code and the Statutes of Agora S.A. The Statutes of the Company stipulates adoption by the General Meeting of Shareholders regulations defining its functioning (§ 16 item 2 of the Statutes). Adopting, amending or rejecting the regulations requires three quarters of votes cast. Such regulations were adopted and can be found at the following URL address: http://www.agora.pl/agora/1,114307,1647307.html#TRNavSST The general meeting of shareholders is convened in compliance with the Commercial Companies Code.

Unless the provisions of the Commercial Companies Code and the Company's Statutes provide otherwise, the resolutions of the general meeting of shareholders are adopted by an absolute majority of votes cast. According to the § 15 item 2 of the Statutes, resolutions concerning merger of the Company with another entity, other forms of consolidation and division of the Company that are or will be permitted by law are adopted by the absolute majority of three quarters of votes cast. The same rule applies to settlements concerning the remuneration of the Supervisory Board members, including individual remuneration of those members who were elected to a continuous supervisory. The absolute majority of three quarters of votes cast in the presence of shareholders representing at least 50% of the Company's share capital, is required for resolutions concerning removal of matters from the agenda of the general meeting of shareholders. When the aforementioned motion for removal is submitted by the Management Board of the Company an absolute majority of votes cast shall be required to adopt such a resolution. Purchase and sale of property, perpetuity or share in property shall not require a resolution of the general meeting of shareholders.

In accordance with § 15 item 4 of the Company's Statutes, removal of any matters from the agenda of the general meeting of shareholders on request placed on the basis of Article 400 or 401 of the Commercial Companies Code by a shareholder, representing at least such percentage of the Company's share capital that is indicated in these rules, shall require consent of the shareholder who made such request. Adoption of resolution relating to shareholder's responsibility to the Company, no matter the reason, shall require an absolute majority of three quarters of votes cast in the presence of shareholders representing at least 50% of all Company's shares entitling to adoption of such resolution.

In accordance with § 17 item 1 of the Company's Statutes none of the shareholders may exercise more than 20% of the overall number of votes at the general meeting of shareholders. The above mentioned restriction is not effective when establishing obligations of purchasers of substantial stakes, stipulated in the Public Offer of Financial Instruments Act. The aforementioned restriction shall also not apply to:

- shareholders holding the preference A shares;
- a shareholder who, having no more than 20% of the overall number of votes at the general meeting of shareholders, announced a tender for subscription for the sale or exchange of all the shares of the Company in compliance with the Public Offer of Financial Instruments Act. The restriction does not apply if as a result of the transaction described above, the number of shares owned by him, including the previously held Company’s shares, authorizes him to exercise at least 75% of the overall number of votes at the general meeting of shareholders. When calculating a shareholder's share in the aforementioned overall number of votes at the general meeting of shareholders (the 20% share - mentioned in the sentence above) the restriction of the voting rights does not exist.

In accordance with § 17 item 5 of the Company's Statutes, percentage of votes at the General Meeting of Shareholders of foreign entities and entities controlled by them may not exceed 49%. The limit shall not refer to entities with their registered seats or residence in a member state of the European Economic Area.

Each share, whether preference or not, entitles its holders to one vote when passing a resolution regarding the withdrawal of the Company's shares from public trading.

According to § 7 item 1 of the Company's Statutes, apart from the registered series A shares, the share capital also comprises ordinary shares series BiD, bearer and registered. The registered shares of preference series A entitle their holders to five votes at the general meeting of shareholders, provided for restrictions described above.

According to § 11 item 1 of the Company's Statutes, sale or conversion of preference A shares into bearer shares require written consent of shareholders holding at least 50% of the preference A shares registered in the share register on the date of filing of an appropriate application. Within 14 days from the date of receipt of the request to sell or convert preference A shares, the Management Board is obliged to deliver a copy of that request to each holder of preference A shares, to the address disclosed in the share register.

Candidates to the Supervisory Board can be nominated by shareholders holding preference A shares. The same right is attributed to shareholders with formally documented entitlement to not less than 5% of the votes at the General Meeting of Shareholders preceding the nomination of candidates and who at the time of submitting the nomination hold not less than 5% of the share capital of the Company (§ 21 point 1 letter a of the Statutes). Should a Supervisory Board member's mandate expire due to his or her resignation the other Supervisory Board members may appoint a new member by means of co-optation, who shall perform his/her functions until the general meeting appoints a Supervisory Board member, however not longer than until the end of the term of its predecessor. Dismissal (removal) of the Supervisory Board member, prior to the end of his term of office, may be effected by a resolution of the general meeting of shareholders adopted by a simple majority of votes cast, provided that until the expiry of the preference status of the A series, 80% of votes attached to all preference A shares are cast in favour of such resolution.

Information on further rights and obligations of general meeting of shareholders and shareholders in relation to appointment and dismissal of the Management Board Members are included in consecutive parts of the present report.

Bearer shares cannot be converted into preference shares.

Rights of the Company's shareholders, including minority shareholders are performed in compliance with the provisions of the Commercial Companies Code.

Implementing transparency and effective information policy, as well as trying to ensure all shareholders equal access to information on the Company Agora has been providing real-life broadcast of its general meetings of shareholders (in English and Polish) via Internet.

Agora's general meeting of shareholders is always attended by the representatives of the Management Board, Supervisory Board and the Company's statutory auditor.

5. THE COMPOSITION AND RULES OF FUNCTIONING OF THE COMPANY'S GOVERNING BODIES AND OF THE SUPERVISORY BOARD' S COMMITTEES

5.1. The Management Board

The Management Board of the Company acts in compliance with the provisions of the Commercial Companies Code and the Statutes of the Company. According to the Statutes of the Company, the Management Board shall consist of three to six members. The exact number is determined by shareholders holding the majority of preference A shares and after the expiration of such preference status - by the Supervisory Board (§ 28 of the Company's Statutes).

The Management Board members are elected for five years (§ 29 section 1 of the Company's Statutes). Remuneration and other benefits of the Management Board are set by the Supervisory Board, after consulting them with the President of the Management Board. According to § 27 of the Company's Statutes the Management Board shall manage the Company's affairs and represent the Company in dealings with the third parties. The responsibilities of the Management Board include all matters related to conducting the Company's affairs, provided they were not reserved for the competence of other governing bodies. The resolutions of the Management Board are adopted by a simple majority of votes cast (§ 34 section 1 of the Company's Statutes). Each member of the Management Board shall be authorized to make binding statements with respect to Company's proprietary rights and obligations and to sign on behalf of the Company. The Management Board determined its rules of conduct in its special regulations.

According to § 35 of the Company's Statutes, the Members of the Management Board shall be bound by a non-competition clause. In particular they cannot engage in any competitive business or be a participant, a shareholder or member of governing bodies of such business. The above restriction does not pertain to the participation in supervisory and managing bodies of competing entities in which the Company, directly or indirectly, holds any shares. The restriction also does not apply to the acquisition by members of the Management Board of no more than 1% of the shares in competing public companies.

As of the day of publishing the report, the Company's Management Board is represented by:

- Bartosz Hojka - the President of the Management Board,
- Tomasz Jagiello - the Member of the Management Board,
- Grzegorz Kossakowski - the Member of the Management Board,
- Agnieszka Sadowska – the Member of the Management Board (from March 1, 2017)
- Robert Musial - the Member of the Management Board (resigned in February 17, 2016).

Bartosz Hojka

Agora's Management Board member since June 28, 2013. Since 2005, member of the Board and Managing Director of Agora Radio Group Ltd. ("GRA"), including Złote Przeboje radio, Rock radio and TOK FM radio, where GRA is the majority shareholder. He restructured Agora's radio operations which resulted in improvement of the segment's profitability. Under his leadership, TOK FM radio has become one of the most quality media in Poland.

At that time, GRA expanded its operations and developed, under the brand names Tuba.FM and Tuba.TV, innovative products dedicated to online, mobile devices and Smart TV users. Furthermore, GRA founded the Doradztwo Mediowe - the market leader in radio and cinema brokerage services, and has expanded into new areas, such as activities of SVG Studio.

He started his work in Agora in 1998. From the very beginning of his professional career he was connected with the electronic media, including working as an editor in Radio Katowice TOP and TVP regional center in Katowice.

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

Tomasz Jagiello

Agora’s Management Board member since June 28, 2013. Tomasz Jagiello is the founder and chairman of the management board of Helios S.A., the largest cinema operator in Poland as far as the number of cinemas is concerned. Co-founder of the company's success, from the beginning responsible for its development and strategy. He represented the company during the acquisition of five cinemas from the Kinoplex network in 2007 and during the acquisition of a majority stake in Helios by Agora S.A. in 2010. He was one of the initiators of establishing the company Next Film Sp. z o.o., so that Helios has expanded its activities into film distribution market.

Since October 2011, the Secretary of the Polish Film Institute, formerly longtime board member of the Association of Polish Cinemas.

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

Grzegorz Kossakowski

Agora’s Management Board member since January 8, 2009. Employed in the Company since November 2000, initially as the transaction manager in the New Business Development Division, then in the years 2009 - 2012 he served as CFO of the Company.

In the years 1996 - 2000, he worked for a consulting firm Arthur Andersen in the investment advisory department (Corporate Finance) where he led a number of consulting investment projects, including acquiring capital mainly for the companies from TMT sector.

Born in 1972, graduated from the University of Economics in Poznan ("Summa Cum Laude" diploma) and the Manchester Business School (MBA with honors). Participant of the post-graduate program for executives (Advanced Executive Program) at Northwestern University and the Kellogg School of Management.

Agnieszka Sadowska

Since March 1st, 2017 a Board Member of Agora SA. She supervises the Internet and the Print segments, Technology division, publication of Agora's magazines, BigData department and TV business

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

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

Since November, 2013, Ms. Sadowska has been successfully developing television activity in the Agora Group, including development of Stopklatka TV, a TV channel run in cooperation with Kino Polska TV SA. She is a member of the Management Board of Stopklatka SA and the co-creator of the company's success. The channel proved profitable after less than 3 year from its launch.

Agnieszka Sadowska was responsible for the Company's successful conduct through the licensing process and obtaining a license to broadcast terrestrial television channel METRO within MUX-8. Since 2016, she is the

President of the Management Board of Green Content Sp. z o.o. which received a license to broadcast METRO. The channel was launched on December 2nd, 2016 r., and since the beginning it has achieved the best results among all TV channels on MUX-8. Agnieszka Sadowska also participated in the process of acquisition of strategic investor for the development of METRO.

Agnieszka Sadowska graduated from the Faculty of Finance and Banking at the University of Economics in Wrocław. In 1999, she earned an MBA at the Warsaw University of Technology Business School. She completed numerous training courses in management and finance, including ACCA, obtaining the status of ACCA affiliate**.**

Robert Musial

Agora's Management Board member since June 28, 2013. Director of Agora's printing division since 2001, since July 2003 member of the Management Board of Agora Poligrafia Sp. z o.o. He oversaw the operation of Agora's three printing houses - most modern press printing houses in Poland printing in coldset and heatset technology.

He started work in Agora in 1994. He was s responsible for the utilization of machinery capacity and the expansion of the Company's printing business into new markets. In the years 2005 - 2008, he served as the President of the Polish Chamber of Printing.

Born in 1970, graduated from the Warsaw University of Technology - Faculty of Geodesy and Cartography - specialty printing and post-graduate management studies at the School of Economics in Warsaw.

5.2. The Supervisory Board

The Supervisory Board acts in compliance with the provisions of the Commercial Companies Code and the Statutes of the Company. In accordance with §18 section 1 of the Company's Statutes, the Supervisory Board shall be composed of not less than six and no more than ten members. The Chairman of the Supervisory board is chosen by the General Meeting of Shareholders. Members of the Supervisory Board may elect from among themselves a deputy of the chairman or persons performing other functions (§18 section 2 of the Company's Statutes).

The members of the Supervisory Board are elected for the common three - year - term of office. Due to that, the term of office of the previous Supervisory Board member expired on the day the general meeting of shareholders resolves on the adoption of the financial statements for 2015, i.e. June 23th ,2016. At the same day the general meeting of shereholders appointed the current Supervisory Board Members, that the term of the office shall expire on the day the general meeting of shereholders resolves on the adoption of the financial statements for 2018.

According to §20 section 4 of the Company's Statutes at least half of the appointed members of the Supervisory Board are independent members. Currently, the majority of the Supervisory Board members are independent. The Supervisory Board is responsible for the evaluation of the Management Board's report on the Company's activities, financial reports, Management Board's motions on profit distribution on loss coverage, setting, in agreement with the President of the Management Board, remuneration for the Management Board members, selection of the auditor and approving of the conditions concerning significant transactions with the affiliates. According to § 23 section 8 of the Statutes, the Supervisory Board Meetings are convened at least once in a quarter. The Chairman convenes the meeting on the request of the member of the Management Board expressed in the form of the resolution and on the request of each of the Supervisory Board members. The meetings of the Supervisory Board may be held by distance means of communication in a manner allowing communication among all members taking part in such meeting. The place of the meeting held in this form is determined by the place of the person who chairs the meeting.

According to § 23 section 5 of the Company's Statutes, the resolutions of the Supervisory Board shall be adopted by an absolute majority of votes cast in the presence of at least half of the appointed members of the Supervisory Board.

As of the day of publication of this report, the Company's Supervisory Board (current term of office) consists of:

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

- Dariusz Formela - the Member of the Supervisory Board,
- Anna Maria Kryńska-Godlewska - the Member of the Supervisory Board,
- Wanda Rapaczynski - the Member of the Supervisory Board,
- Tomasz Sielicki - the Member of the Supervisory Board.

As of the day of publication of this report, the Company's Supervisory Board (prevoius term of office) consisted of:

- Andrzej Szlezak - the Chairman,
- Dariusz Formela - the Member of the Supervisory Board,
- Paweł Mazur - the Member of the Supervisory Board,
- Wanda Rapaczynski - the Member of the Supervisory Board,
- Tomasz Sielicki - the Member of the Supervisory Board,
- Slawomir S. Sikora - the Member of the Supervisory Board.

Andrzej Szlezak

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

Andrzej Szlezak received his master's degrees in Law and English Philology at the at the Adam Mickiewicz University (AMU) in Poznan. In the years 1979-1981 he was a trainee judge at the Regional Court in Poznan. Since 1979, he was a research worker in the Institute of Civil Law AMU, where he received his doctorate and habilitation degree in the field of civil law. In 1994, he was appointed professor of AMU until his departure from the University in 1996. Dr hab. A. Szlezak was a scholarship holder of a number of foreign universities, including the universities of Oxford and Michigan. Currently, dr hab. A. Szlezak is a professor of the University of Social Sciences and Humanities (SWPS) in Warsaw. Andrzej Szlezak has extensive knowledge of the law, in particular company and commercial law which is extremely useful at the post of the Supervisory Board Member of Agora S.A.

Annual General Meeting of Shareholders appointed Andrzej Szlezak to the position of the Chairman of the Supervisory Board.

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

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

Andrzej Dobosz

Polish literary critic, journalist and non-professional actor. He studied at the Polish Language Department and Philosophy at Warsaw University. He used to be a member of Krzywe Kolo Club. And Polish Philosophical Society as well as Polish Writers' Union in 1964 - 1982, Polish PEN Club, Association Art Historians and Polish Philosophic Society.

Author of such publications as "Z roznych polek", "Pustelnik z Krakowskiego Przedmiescia", "Ogrody i smietniki", "General w bibliotece".

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

Dariusz Formela

Since 2012, the president of PKM DUDA responsible for development and implementation of the company's strategy. In the years 2009 - 2012, he was a member of the board of PKM DUDA and CEO of CM Makton. In the years 1998 - 2008, he worked for the ORLEN Capital Group, where he was also a member of the Management Board of PKN ORLEN and Mazeiki Nafta responsible, inter alia, for the oversight of the companies of the group and the integration of capital assets. He was also responsible for development and implementation of the restructuring plan in the ORLEN Capital Group. Dariusz Formela is a member of the Audit Committee of the company Avia Solutions Group SA.

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

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

Anna Maria Krynska-Godlewska

Since 2008, Anna Maria Krynska - Godlewska has been Chief Investment Officer and Management Board member of Media Development Investment Fund in New York, specializing in direct investments in media companies in Europe, North and South America, Africa and Asia. Anna is responsible for investment policy and supervision of portfolio companies. In the years 1998-2008 she worked as a Media Development Investment Fund consultant and analyst, and has served on numerous supervisory boards of portfolio companies in a range of countries.

Before joining Media Development Investment Fund in 1998, she worked in the Polish financial market - as an analyst in Fidea Management, a company managing NFI X Foksla where she was co-responsible for portfolio companies from chemical, transportation and food industries; and served as an analyst in Capital Investment Department in Ciech SA and in Bank Handlowy in Warsaw SA.

Anna Maria Krynska - Godlewska graduated from the Warsaw School of Economics, Faculty of Finance and Banking System, and the Institute Francais de Gestion, and has undertaken further professional training at various institutions, including Harvard Business School.

Anna Maria Kryńska-Godlewska is a member of the Audit Committee in Agora's Supervisory Board.

Wanda Rapaczynski

Associated with the company almost since its inception. In 1998-2007 and between June 28, 2013 and March 12, 2014 served as the CEO of the Management Board. Under her leadership, Agora grew into one of the largest and most well-known media companies in Central and Eastern Europe. After resignation from the function of the Company's CEO she remained associated with Agora, as an advisor to the Supervisory Board until her appointment to the supervisory body. Member of the Supervisory Board of Agora in 2009 – 2013.

She represented Agora in the European Publishers Council and the Polish Confederation of Private Employers, where she was a member of the main board and a member of the supervisory board of the Polish Private Media and Advertising Employers Confederation.

In 1984-1992, she was the head of new product development in Citibank NA in New York. Previously, for two years she was the director of a research project at the Faculty of Psychology at Yale University, and in 1977-1979 research worker at Educational Testing Service in Princeton, New Jersey. Her professional career began as a psychology lecturer at universities in New York and Connecticut. She is a member of the supervisory board of Adecco SA since 2008, a Swiss company operating internationally, specialized in recruiting activities, where she chairs the Corporate Governance Committee.

For years she was a member of the Council of the Central European University in Budapest, where she chaired its Audit Committee. She was also a member of the International Advisory Council at the Brookings Institution in Washington for many years. Since 2002 she is a member of Polish Group in the Trilateral Commission. The above activity is not of competitive nature to Agora's business.

She was born in 1947. In 1977 she received a Ph.D. in Psychology from City University of New York. A graduate of Yale University, School of Organization and Management, where in 1984 she received a Master of Private & Public Management.

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

Tomasz Sielicki

President of the Supervisory Board of Sygnity SA. Moreover, he is ,inter alia, a member of General Council of the Polish Confederation of Private Employers LEWIATAN, Trilateral Commission, a Council member of United Way Foundation, a member of Program Council of Leslaw Paga Academy of Capital Market Leaders as well as a board member of Public Affairs Institute and a board member of the Polish Olympics Committee.

He worked in the Sygnity SA (formerly ComputerLand SA) since the company's inception in 1991, and from 1992 to 2005, he served as the President of the Management Board, later for two years he served as the President of the Sygnity Group (formerly ComputerLand Group). He is widely considered to be the founder of the company's success. Since 2007, he is a member of the Supervisory Board of the company.

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

5.3. Committee and Commission acting within the Supervisory Board

There is one Committee and one Commission operating within the Supervisory Board: the Audit Committee and Human Resources and Remuneration Commission created in compliance with the Company's Statutes performing advisory role to Supervisory Board. The course and scope of action of were set in By-laws of both bodies accepted by means of Supervisory Board resolutions.

On the date of the report publication the members of the committees are:

(i) The Audit Committee:

- Tomasz Sielicki – the active Chairperson of the Audit Committee,

- Dariusz Formela,

- Anna Maria Kryńska-Godlewska.

The objective of the Audit Committee is to supervise the Management Board in terms of: monitoring of the Company's and the Group's financial reporting and financial revision, monitoring of internal control systems and internal audit as well as monitoring of risk management and independence of external auditor.

The Audit Committee, within the scope of its authority, may request Company to submit information on accounting, financials, internal audit and risk management necessary to perform duties of Audit Committee and review the Company's account books.

The meetings of the Audit Committee are convened at least four times a year.

The meetings of the Audit Committee are convened by its Chairperson on its own or by an Audit Committee member's motion. It can be also convened on the motion submitted by the Company's Management Board, internal and external auditor. These meetings can be also convened by the Chairman of Supervisory Board.

The Audit Committee presents to the Supervisory Board its conclusions, standpoints and recommendations according to the timeline enabling the Supervisory Board adoption of appropriate measures, as well as annual and semi – annual reports in a current financial year on its activities and the Company's evaluation in the scope related to its competencies.

On the basis of the Supervisory Board's resolution dated April 3, 2014 and in accordance with the stipulations of the Statutes, the company KPMG Audyt Spolka z ograniczona odpowiedzialnoscia spolka komandytowa with its registered seat in Warsaw at Inflancka 4A, registered under the number 3546 as an entity entitled to audit financial reports, was elected for the auditor of the Company that is to audit financial reports of the Company for the years 2014, 2015 and 2016.

(ii) The Human Resources and Remuneration Commission:

- Wanda Rapaczyński – the Chairperson of the Human Resources and Remuneration Commission,

- Andrzej Dobosz,

- Andrzej Szlezak.

In accordance with the By – laws of the Human Resources and Remuneration Commission the objectives of the Human Resources and Remuneration Commission are to review the principles of remuneration of the Management Board and provide the Supervisory Board with appropriate recommendations in that respect, drafting a proposal for the remuneration of the individual Management Board members and additional benefits, for the purpose of their consideration by the Supervisory Board.

The Commission should specify in such a recommendation all forms of remuneration, especially salary, motivation plans and severance pay. Additionally, the Human Resources and Remuneration Commission advises the Supervisory Board on: selection criteria and appointment procedures for the Management Board members in the cases stated in the Company's Statutes, procedures to secure adequate succession of the Management Board members in cases stated in the Company's Statutes.

The meetings of the Human Resources and Remuneration Commission are convened as often as it is required for its proper functioning, at least once a year.

The Commission meetings are convened by its Chairperson on its own or other Commission member's motion. The meeting can be also convened on the motion submits by the President of the Management Board or Supervisory Board member. These meetings can be also convened by the Chairman of Supervisory Board.

The Commission presents to Supervisory Board its conclusions, standpoints and recommendations according to the timeline enabling Supervisory Board adoption of appropriate measures, as well as annual reports on its activities and Company's evaluation in the scope related to its competencies.

6. THE RULES GOVERNING ELECTION AND DISMISSAL OF MANAGEMENT BOARD MEMBERS AND THEIR RIGHTS, INCLUDING THE RIGHT TO DECIDE ABOUT SHARE BUYBACK OR ISSUE PROGRAM

6.1. Election/ nomination

According to § 28 of the Statutes the Management Board is elected by the general meeting of shareholders, except for provisions regarding election by co – option.

With the exception of the situation when co – option of additional members of the Management Board takes place, the Management Board is composed of from three to six members with the exact number determined by the shareholders holding the majority of preferred series A shares, and following the expiration of such preferred status of all series A shares, by the Supervisory Board.

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

According to the Company's Statutes, the majority of members of the Management Board shall be Polish citizens residing in Poland.

According to the § 30 of the Company's Statutes candidates for the Management Board shall be nominated exclusively by shareholders holding preferred series A shares, and following the expiry of the preferred status of all such shares, by the Supervisory Board.

In the event that the persons authorized to determine the number of members of the Management Board and to nominate candidates for such members do not exercise one or both of the above rights, the number of members of the Management Board elected by the general shareholders meeting shall be determined by such shareholders meeting, while each shareholder during such shareholders meeting shall be able to nominate candidates for such members.

6.2. Dismissal

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

Members of the Management Board elected by co-option may be dismissed in the manner referred to above or by the resolution of the Management Board but the persons concerned can not vote in this case.

In the event that some members of the Management Board are dismissed or their mandate expires during the term of office for other reasons, supplementary elections shall be held only at such time as when the number of members of the Management Board performing their functions is less than three or when the composition of the Management Board does not comply with the requirement of the majority of members of the Management Board being Polish citizens residing in Poland.

If the number of members of the Management Board is even less than that required in the previous Section, the Management Board shall be obligated to immediately convene an extraordinary general meeting of shareholders in order to hold supplementary elections. Supplementary elections may take place also during the ordinary general meeting of shareholders if, in accordance with provisions of law, such meeting must be convened within a short period of time, while convening an extraordinary general meeting of shareholders would not be appropriate in such case.

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

According to § 33 section 1 of the Statutes members of the Management Board may elect the chairman or persons performing other functions among themselves.

6.3. The rights of the Management Board

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

The responsibilities of the Management Board include all matters related to conducting the Company's affairs, provided they were not delegated otherwise.

Only the general meeting of shareholders has the right to decide about share issue or share buyback.

7. SHAREHOLDERS WITH A SUBSTANTIAL HOLDING IN THE COMPANY

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

	No. of shares	*% of share capital*	No. of votes	*% of voting rights*
Agora-Holding Sp. z o.o. *(in accordance with the last notification obtained on September 24, 2015)*	5 401 852	11,33	22 528 252	34,77
Powszechne Towarzystwo Emerytalne PZU S.A. (Otwarty Fundusz Emerytalny PZU Zlota Jesien and Dobrowolny Fundusz Emerytalny PZU) *(in accordance with the last notification obtained on December 27, 2012) (1)*	7 594 611	15,93	7 594 611	11,72
including: **Otwarty Fundusz Emerytalny PZU Zlota Jesien** *(in accordance with the last notification obtained on December 27, 2012) (1)*	7 585 661	15,91	7 585 661	11,71

	No. of shares	*% of share capital*	No. of votes	*% of voting rights*
Media Development Investment Fund, Inc. (MDIF Media Holdings I, LLC) *(in accordance with the last notification obtained on June 6, 2016)*	5 350 000	11,22	5 350 000	8,26
Nationale - Nederlanden Powszechne Towarzystwo Emerytalne S.A. (Nationale – Nederlanden Otwarty Fundusz Emerytalny and Nationale – Nederlanden Dobrowolny Fundusz Emerytalny) *(in accordance with the last notification obtained on June 9, 2016)*	4 493 055	9,43	4 493 055	6,93
Aegon Powszechne Towarzystwo Emerytalne S.A. (Aegon Otwarty Fundusz Emerytalny) *(in accordance with the last notification obtained on December 7, 2015)*	3 283 154	6,89	3 283 154	5,07

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

8. HOLDERS OF ALL SECURITIES WHICH GRANT SPECIAL CONTROL RIGHTS IN RELATION TO THE ISSUER

Series A shares

Agora Holding Sp. z o.o. is the only holder of registered preferred series A shares. The series A shares carry preferences regarding the number of votes per one share and right to define a number of Management Board members and to propose candidates for the Management and Supervisory Board members, to dismiss the members of the Management and Supervisory Board, and to grant the consent to dispose the series A shares or convert them into bearer shares. Each series A share entitles its holder to 5 votes at the general meeting of shareholders.

The shareholder holding series A shares has the exclusive right to present candidacies for the Management Board. They also belong to the limited number of entities with the exclusive right to present candidates for the Supervisory Board, as well as are able to define the exact number of the Management Board Members.

Further preferences carried by series A shares include the right to dismiss the member of the Management or Supervisory Board prior to the end of his/her term of office. The dismissal can be made on the basis of the resolution adopted by the general meeting of the shareholders adopted by a simple majority of votes, provided that until the expiry of the preferred status of series A shares 80% of voting rights attached to all outstanding series A shares are cast in favour of such resolution.

The Company's Statutes contains provision that none of the shareholders may exercise more than 20% of the overall number of votes at general meeting of shareholders, provided that for the purposes of establishing obligations of purchasers of material blocks of shares as provided in the Law on Public Trading of Securities such restriction of the voting rights does not exist. The restriction of the voting rights referred to above does not apply to the shareholders holding series A shares.

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

9. LIMITATIONS REGARDING THE TRANSFER OF OWNERSHIP RIGHTS TO THE ISSUER'S SECURITIES

According to the Statutes of Agora S.A. the sale or conversion of preferred series A shares into bearer shares requires the written consent of shareholders holding at least 50% of the preferred series A shares registered in the share register on the date of filing the written request for such consent.

10. REGULATIONS CONCERNING RESTRICTION OF THE VOTING RIGHTS

According to Company's Statutes stipulations, none of the shareholders may exercise more than 20% of the overall number of votes at general meeting of shareholders. For the purposes of establishing obligations of purchasers of material blocks of shares as provided in the Law on Public Trading of Securities such restriction of the voting rights does not exist. The restriction of the voting rights referred to the sentence above shall not apply to:

a) shareholders holding the preferred series A shares;

b) a shareholder who, while having no more than 20% of the overall number of votes at the General Meeting of the Shareholders, announced a tender for subscription for the sale or exchange of all the shares of the Company and in result of such tender purchased shares which, including the previously held Company shares, authorize it to exercise at least 75% of the overall number of votes at general meeting of shareholders. For the purposes of calculating a shareholder's share in the overall number of votes at general meeting of shareholders referred to above it is assumed that the restriction of the voting rights provided in § 17 section 1 of the Company's Statutes does not exist.

Dla potrzeb powyższego ograniczenia wykonywania prawa głosu oraz wyjątku od tego ograniczenia przewidzianego w punkcie b) powyżej, wykonywanie prawa głosu przez podmiot zależny uważa się za wykonywanie prawa głosu przez podmiot dominujący w rozumieniu Ustawy o ofercie publicznej.

Percentage of votes at general meeting of shareholders of foreign entities and entities controlled by them may not exceed 49%. The limit shall not refer to entities with their registered seats or residence in a member state of the European Economic Area.

Each share, whether preference or not, entitles its holders to one vote when passing a resolution regarding the withdrawal of the Company's shares from public trading.

11. DESCRIPTION OF THE BASIC CHARACTERISTICS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS APPLIED BY THE COMPANY IN TERMS OF PREPARATION OF ITS SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

The management boards of the companies from the Agora Group are responsible for the internal control system and its effectiveness in the process of drawing up financial statements and current reports prepared in accordance with the Regulation of the Minister of Finance dated February 19, 2009 with subsequent amendments on current and periodic information published by issuers of securities and on the conditions under which such information may be recognized as being equivalent to information required by the regulations of law of a state which is not a member state.

The factual process of drawing up financial statements is supervised in subsidiaries adequately by the Financial Director of the parent company or the financial director/board member of the subsidiary. The process of drawing up annual and interim financial reports is coordinated by the Reporting Department functioning within the Finance and Administration Department, as well as financial departments of all companies from the Group. The Company, on a current basis, monitors amendments required by the law provisions and external regulations concerning the requirements of the reporting and also prepares in advance to their introduction.

Each month, after the financial books closure, the reports, with the information analyzing key financial data and operational ratios of business segments, are distributed among the Management Board members and the Group's directors. Once a month the meetings of the Management Board with the directors are convened in order to discuss the results of each segment and department of the Company and the Group.

The financial data that constitutes the basis of the financial statements and interim reports stem from the accounting - financial system which registers all transactions in compliance with the accounting standards of the Company and the Group (accepted by the Management Board) and based on International Financial Reporting Standards. Agora has prepared financial statements in compliance with International Financial Reporting Standards (previously International Accounting Standards) since 1992.

The unconsolidated and consolidated financial statements of the Company, as well as the Group are conveyed, for the purpose of verification, to the Financial Director and then to the Management Board for the final verification. The unconsolidated and consolidated financial statements before publication are also submitted to the members of the Audit Committee.

The Supervisory Board meetings are held at least once a quarter. During these meetings, depending on the questions posed by the Supervisory Board, the Management Board presents key financial data and operational ratios of the business segments.

Annual and semi-annual unconsolidated and consolidated financial statements are audited and reviewed by the Company's auditor. The results of the audit and review are presented to the management of financial division (including the Financial Director of the parent company) during the sum up meetings and are also published in statutory auditor's report.

Conclusions from the audit and review of unconsolidated and consolidated financial statements are submitted to the Audit Committee. During the closed-door meetings with the auditors the representatives of the Audit Committee analyze the results of the review (also without the presence of the Management Board).

Additionally the statutory auditor submits to the Audit Committee recommendation concerning improvements of the internal control system in the Company that were identified during the audit of the financial statements.

The Company has its own Internal Audit Department. Its main task is to identify weaknesses and risks within the internal controls. The Audit Committee during its meetings discusses the results of the work performed by the Internal Audit Department with the Head of the Internal Audit, also without the presence of the Management Board.

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

12. RULES OF INTRODUCING CHANGES INTO COMPANY'S STATUTES

The Company's Statutes does not contain stipulations different from the Commercial Companies Code stipulations regarding introducing changes into Company's Statutes.

13. RENUMERATION POLICY

As far as recommendation regarding remuneration policy is concerned the rules regarding remuneration of Agora's employees are based on internal regulations. This rule does not apply to the members of the Supervisory Board and Management Board.

The remuneration of the Management Board members, according to the adopted by the Group Remuneration Policy, is set by the by Supervisory Board on the basis of the recommendation prepared by the Human Resources and Remuneration Committee – an advisory body within Supervisory Board. Supervisory Board sets objectives and bonus criteria for individual Management Board members in a given year or for longer periods. Report on this policy is presented farter in this document.

The Remuneration Policy in the Company directlu supports execution of the mid-term development plans of the Agora Group. The remunerations system in the Company has two elements fixed remuneration and variable component depending on the motivation plan and discretionary bonus.

The Remuneration Policy differentiates the level of remuneration depending on the position, results and competencies. Due to the variable component the Remuneration Policy is flexible and is easily adopted to the needs of employer. The motivation plans are constructed with the objective to include the business objectives in the targets set for managers and employees which supports execution of those objectives.

The remuneration in the Agora Group for managers and employees is based on a fixed component and variable one (including annual bonus and discretionary bonuses) and other benefits. The fixed remuneration in the Company and its subsidiaries is related to the employee's potential, competencies and results in the execution of personal targets.

The target of the plan is to motivate employees to high performance rates via execution of individual targets and evaluation of attitude, and for managers it is a tool to motivate people. Each year each employee undergoes evaluation during which there is the discussion about his achievements in a given fiscal year, pointing to his well developed competencies and those needing further development. The annual evaluation comprises the achievements in a given fiscal year and is the basis for the calculation of the annual bonus.

Agora provides employees with other benefits, including co-financing of medical care, cafeteria system or business car.The employees can also use employees' loans for example for the purchase of flat, and are beneficiaries of Agora's Social Benefit Syste,.

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

According to the Company's Statutes the conditions of the contracts and the salary of the Management Board members is the competence of the Supervisory Board, but the salary of other board members is consulted with the president of Management Board.
The remuneration of the Management Board members is based on three elements – fixed remuneration (base salary), variable component (motivation plan and discretionary bonus) and non-wage benefits whose scope is determined by the Supervisory Board.

Remuneration paid to Management Board members in 2016 r.(in thou. PLN)

Management Board member	base salary	variable component, including Three Year Motivation Plan	other non-wage benefits
Bartosz Hojka	804	1,807	1
Grzegorz Kossakowski	600	1,547	1
Robert Musial	594	1,487	4
Tomasz Jagiello	240	1,487	-

The remuneration paid by Agora S.A. to Management Board members in 2016 amounted to PLN 8,573 thousand (in 2015: PLN 2,885 thousand). This amount includes also one-off bonus payments, inter alia, the one resulting from realization of Three-Year-Long Incentive Plan described below.

Tomasz Jagiello, Company's Management Board member, received also remuneration as the President of the Management Board of the subsidiary company Helios S.A. in the amount of PLN 356 thousand (in 2015: PLN 352 thousand). Other Management Board memebrs of Agora S.A. or Supervisory Board members of Agora S.A. did not receive any remuneration from subisdiary, co-controlled or associated companies.
Three out of four Management Board members (Robert Musial, Grzegorz Kossakowski and Bartosz Hojka) used Company's cars. Mr. Jagiello used car purchased by Helios S.A.
In 2016, Supervisory Board increased the base salary of the Management Board members in total by PLN 0.4 million.

In 2016 the remuneration for board memebers of the subsidiary companies in the Agora Group amounted to PLN 5,912 thousand (in 2015: PLN 4,877 thousand).

The Management Board members have access to medical care packages on the same conditions as other employees of the Company.

Remuneration paid to Supervisory Board members in 2016 (in PLN thousand)

Member of the Supervisory Board	Base salary
Andrzej Szlezak (President of the Supervisory Board)	108

Wanda Rapaczynski	72
Anna Kryńska Godlewska (since June 2016)	37
Dariusz Formela	72
Tomasz Sielicki	72
Andrzej Dobosz (since June 2016)	37
Paweł Mazur (till June 2016)	35
Sławomir S. Sikora (till June 2016 r)	35

The remuneration paid by Agora S.A. to Supervisory Board members in 2016 amounted to PLN 468 thousand (in 2015: PLN 468 thousand).

CONDITIONS EMPLOYMENT CONTRACTS OF MANAGEMENT BOARD'S MEMBERS

In accordance with binding employment contracts concluded with members of the Management Board of Agora S.A., during the period of 30 months starting the day: (i) on which the right of the shareholders holding series A shares to nominate candidates to the Management Board is removed from the Company's Statute; (ii) on which one entity or a group of entities acting in concert exceeds the 50% threshold of the total number of votes at the General Meeting of Shareholders of Agora S.A.; (iii) on which the Supervisory Board of the Company is appointed by voting by separate groups, should any of these contracts be terminated by the Company (Article 385 § 3-9 of the Code of Commercial Companies), the Management Board member will receive a compensation payment in the total amount being a sum of the following components: (i) the amount equivalent to 12 times the monthly basic remuneration due to the member of the Management Board of Agora S.A. for the month preceding the month in which the member of the Management Board of Agora S.A. receives the termination notice; (ii) the amount equivalent to the annual bonus for the financial year preceding the year of termination of the employment contract. The redundancy payment mentioned above shall not be due when the employment contract is terminated for reasons indicated in Article 52 § 1 of the Labour Code.

Three-Year-Long Incentive Plan for the period of 2013-2015

Starting from the third quarter 2013, Management Board members of the Company participated in an incentive program for the period of 2013-2015 ("Three-Year-Long Incentive Plan").

The rules, goals, adjustments and conditions for Three-Year-Long Incentive Plan fulfillment for the Management Board members were specified in the Supervisory Board resolutions.

Till the end of 2014 the Three -Year-Long Incentive Plan was based on two components: the stage of realisation of the financial result ("the EBITDA target") and the percent of Company's share price increase ("the Target of Share Price Increase").

In 2014, due to the fulfillment of the condition concerning the achievement of certain EBITDA level of the Agora Group (being the sum of operating profit/loss and amortization and depreciation), the Three -Year-Long Incentive Plan was modified so that, starting from the first quarter of 2015, the potential reward resulting from the Three -Year-Long Incentive Plan was based only on the percent of Company's share price increase. As a result, the liability relating to the EBITDA target component of the Plan accumulated so far has been reversed and credited to the Income Statement in the fourth quarter of 2014.

The value of potential reward resulting from the component based on the percent of Company's share price increase was charged to the Income Statement in proportion to the full vesting period of the Three-Year-Long

Incentive Plan, that is from the third quarter of 2013 till the second quarter of 2016.

In accordance with its assumptions, Three -Year-Long Incentive Plan for the period of 2013-2015 was settled in cash in the second quarter of 2016. The realization of the plan resulted in the total payment of PLN 1,628 thousand.

Incentive Plan for years 2016-2017

Starting from the second quarter 2016, Management Board members of the Company participate in a new incentive program, on the basis of which, they will be eligible to receive an annual bonus based on two components described below:

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

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

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

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

As at 31 December 2016, the fair value of potential reward from the fulfillment of the EBITDA target has been calculated on the basis of the best estimate of the expected fulfillment value of the EBITDA target for 2016 and was charged to the Income Statement.

The fair value of the potential reward concerning the realization of the Target of Share Price Increase, was estimated on the basis of the Binomial Option Price Model (Cox, Ross, Rubinstein model), which takes into account – inter alia – actual share price of the Company (as at the balance sheet date of the current financial statements) and volatility of the share price of Company during the last 12 months preceding the balance sheet date. As at 31 December 2016, the value was charged to the Income Statement in proportion to the vesting period of the Incentive Plan.

The basic parameters of the Binomial Option Price Model used for calculation of the fair value of the potential reward from the realization of the Target of Share Price Increase and the estimated cost of the Incentive Plan charged to the Income statement of the Agora Group for the period, are described below:

the share price of Agora S.A. as at the current balance sheet date	PLN	12.59
volatility of the share price of Agora S.A. during the last twelve months	%	27.12
the Average Share Price IVQ	PLN	12.03
risk-free rate	%	0.74-1.74 (at the maturity dates)

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

	2016
Income statement –increase/(decrease) staff cost	1,457
Income statement - deferred income tax	(277)
Liabilities - accruals - as at the end of the period	1,457
Deferred tax asset - as at the end of the period	277

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

	2016
Bartosz Hojka	521
Grzegorz Kossakowski	312
Tomasz Jagiello	312
Robert Musial	312
TOTAL	**1,457**

14. DIVERSITY POLICY

As far as recommendation for balanced proportion of men and women in the governing bodies of the companies is concerned, the Management Board of Agora S.A. wishes to draw attention to the fact that candidates for the Supervisory Board members may be presented only by shareholders holding preferred series A shares and shareholders who documented their entitlement to not less than 5% of the votes at the last Shareholders Meeting before the candidates were nominated and who at the time of making the nomination hold not less than 5% of the share capital of the Company, provided that in order to ensure a proper nomination, it is necessary for the shareholder making such nomination to prove his right to at least 5% of the votes at the Shareholders Meeting where such nomination shall be voted on (§21 sec.1 letter a of the Statutes). According to § 30 of the Statutes of Agora S.A. candidates for the Management Board shall be nominated exclusively by shareholders holding preferred series A shares, and following the expiry of the preferred status of all such shares, by the Supervisory Board. In the event that the persons authorised to determine the number of members of the Management Board and to nominate candidates for such members do not exercise one or both of the above rights, the number of members of the Management Board elected by the General Shareholders Meeting shall be determined by such Shareholders Meeting, while each shareholder during such Shareholders Meeting shall be able to nominate candidates for such members.

Moreover, the Management Board of Agora S.A. wishes to stress that according to the diversity policy adopted in 2015 the main criteria for selection of proper candidates for all managerial positions, remaining in the competencies of the Management Board, include knowledge, experience and abilities necessary to perform given function. The Management Board believes that applying these criteria to all employees in the Company and in the Group, ensures efficient operation and overcoming new business challenges.

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

Agora S.A. as an employer uses the rules of equality and prevention of any form of discrimantion beacuse it believes that it brings advantages and supports development and innovation in the Company. One of the objectives of the Policy is to underline the openness of the organization to diveristy which increases performance, builds trust and prevents discrimination. The policy aims also at using full potential employees, their competencies, abilities and know how in the atmosphere of respekt, support and team work.

Agora creates an appropriate atmosphere at work, which makes employees feel respected and appreciated, and gives them the sense that they are able to develop and fully realise their professional potential.The Company creates the culture of mutual dialogue, openness, tolerance and team work.

In 2016 Agora S.A. implemented a diversity Policy, which applied to all employees. Its objective is to persistent effort to create a work place free of Any kind of discrimination, and employing the best experts who contribute to the Company's success. Agora S.A. is an employer who cares about development of its employees by means of internal and external trainings. The diversity policy is base on overcoming barriers such as age, sex, health status - the professional potential of Agora's employees is based on their competences. The Company believes that this policy helps in execution of the Company's development plan and allows it to provide services ar the highest level.

Supervisory Board

The nomination procedure of Supervisory Board members is described in the Company's Statutes and it is in accrodance with other law regulations. The Company has limited influence on the composition of the Supervisory Board.
Despite that, current composition of the Supervisory Board reflects well idea underlining the diversity policy.

Management Board

The procedure of nomination of Management Board members is described in the Company's Statutes. The right to nominate the candidates for the Management Board members is exclusive for holders of privileged A shares. In the Management Board's opinion the candidates nominated by holders of A shares showed high qualifications, experience, know how and readiness for to take the function of the Board member.

The members of the Management Board have complementary experience and qualifications – they graduated from: Uniwersytet Śląski, Uniwersytet Lodzki, Uniwersytet in Edynburg, Akademia Ekonomiczna in Poznan (currently Uniwersytet Ekonomiczny in Poznan), Manchester Business School, Northwestern University, Kellogg School of Management, Politechnika Warszawska and Szkoła Głownej Handlowa in Warszawa.
It should be noted that the decisive factor in selection of the Company's Board Members and its key managers is provision of versatility and diversity, especially in the professional experience, age, education and sex. The most important factors are Professional experience, knowledge and proper preparation for the responsibility and function.

Participation of women and men in the Management and Supervisory Boards of Agora S.A.

	Men		Women	
As of the end of	2016	2015	2016	2015
Management Board	4	4	0	0

Supervisory Board	4	5	2	1

On March1, 2017 Agnieszka Sadowska was appointed as a Board Member of Agora S.A., therefore there is a woman in the Management Board

Administration organs

Administrative organs include employees with managerial positions. The diversity policy aims at creation of work place free of discrimination because of sex, age, social status, health status, education, view on politics or religion. The Comptencies and experience are the basis of organzational culture. This is visible in the diversity of teams in the Agora Group. One of the most important factors is similar number of men and women employed in the Agora Group (as at 31.12.2016 women constituted 50.3% employees in the Group, and men 49.7% of all employees). The structure of sex is an evidence for success in diversifying teams and execution of the objective.

Division of managerial functions between men and women in the Agora Group (as at 31.12.2016).

	% in Agora Group	
	Women	**Men**
Agora Group	46,4%	53,6%

On march 8, 2017 the Company as the first media group in Poland signed the Diversity Card joining the European initiative promoting diversity in the workplace.

15. INFORMATION ON OBLIGATIONS RELATING TO RETIREMENT PAYMENTS TO PREVIOUS BOARD MEMBERS WITH DETERMINATION OF TOTAL SUM FOR EACH OF THE ORGANS OF THE COMPANY

The company does not have any retirement obligations for previous Management or Supervisory Board members.

16. SOCIAL AND SPONSORING ACTIVITIES POLICY

In 2016 The Management Board of Agora S.A. adopted „Social and Sponsoring Activities Policy in the Agora Group".

Among many Corporate Social Responsibility, initiatives which the Company implemented in 2016 one should enumerate i.a.: support for Wielka Orkiestra Swiatecznej Pomocy, organization of the Ryszard Kapuscinski award, the campaign prepared by Gazeta.pl entitled "Laczy nas Polska", #BOHATEROWIE – campaign prepared by Gazeta.pl together wth Polski Komitet Paraolimpijski, „DługoWIECZNI" – campaign prepared by "Gazeta Wyborcza" charity actions related to Fabryka sw. Mikolaja, the series of meetings „Wyborcza na żywo", promotion of Greenpeace action „Adoptuj pszczole" the website prepared by Gazeta.pl and PAH - Pomagamy.pl/Syria, as well as cooperation of „Gazeta Wyborcza" with Centrum Edukacji Obywatelskiej in the project „Szkola z klasą 2.0". In the edition held in 2016/2017 203 schools, 1 364 participants, including 194 directors of the schools, 199 coordinators and 971 teachers and other school employees took part.

In the conference celebrating 15 birthday of the program „Szkola z klasa"80 people participated. Ogolnopolski Festiwal Otwartej Edukacji (5-6 June 2016 r.) attacted many participants. During the first day 117 pupils, 70 teachers and 37 experts joined; Due to the Agora's support for Wielka Orkiesta Swiątecznej Pomocy, media from the Agora Group collected PLN 150 thousand for WOSP.

Among corporate social resposibility activities undertaken by the media from the Agora Group there are those related to the promotion and popularization of culture. Examples od such activities are literary awards. (Nagroda Nike, Nagroda im. Ryszarda Kapuscinskiego), warsaw cultural awards (Wdechy) and festivals and events (Co Jest Grane Festival, Europejskie Targi Muzyczne Co Jest Grane 24 Olsztyn Green Festival). Literary award Nike has been granted for 20 years and it is founded by *Gazeta Wyborcza* and Fundacja Agory. Nagroda im. Ryszarda Kapuscinskiego has been organized since 2010 by *Gazetę Wyborczą* i Warsaw. The award is granted for the best reportage book and for the best translation. Additional actions related to that award take place in schoolsand they promote the literary heritage ogf Ryszard Kapuscinski among pupils. Weekly *Co jest Grane* published with *Gazeta Wyborcza* has been roganizing for 13 years Warsaw cultural awards *Wdechy.* The winners in the category Man, Place and Event of the year are chosen by the weekly and readers Agora also organizes music festivals – Co *jest Grane Festival* and Europejskie Targi Muzyczne Co Jest Grane 24. We also organize Olsztyn Green Festival.

The projects described above were executed in accordance with Social and sponsoring activities policy at Agora Group – they concentrated on education, shaping civic attitudes and care for human rights, promoting culture and common access to culture, promoting health and a healthy lifestyle, care for the natural environment and care for others through charity and aid campaigns.

In the Company's opinion execution of this policy supports the Company's and its shareholders' interest.

VII. MANAGEMENT BOARD'S REPRESENTATIONS

1. REPRESENTATION CONCERNING ACCOUNTING POLICIES

Management Board of Agora confirms that, to the best knowledge, the annual consolidated financial statements together with comparative figures, have been prepared according to all applicable accounting standards and give a true and fair view of the state of affairs and the financial results of the Issuer's Capital Group for the period.

The Management Discussion and Analysis of Group's business activities shows true view of the state of affairs of the Issuer's Capital Group, including evaluation of risks and dangers.

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

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

Warsaw, 31 March 2017

Bartosz Hojka - President of the Management Board	*Signed on the Polish original*
Grzegorz Kossakowski - Member of the Management Board	*Signed on the Polish original*
Tomasz Jagiello - Member of the Management Board	*Signed on the Polish original*
Agnieszka Sadowska - Member of the Management Board	*Signed on the Polish original*