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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.

We have audited the accompanying consolidated financial statements of Agora S.A. Group, whose parent entity is seated in Warsaw, ul. Czerska 8/10 ("the Group"), which comprise the consolidated balance sheet as at 31 December 2011, the consolidated income statement and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow 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 and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by European Union and with other applicable regulations and preparation of the Report on the Group's activities. 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 2009, No. 152, item 1223 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 and the Report on the Group's activities are in compliance with the requirements set forth in the Accounting Act.

Auditor's Responsibility

Our responsibility, based on our audit, is to express an opinion on these consolidated financial statements. We conducted our audit in accordance with section 7 of the Accounting Act, national standards on auditing issued by the Polish National Council of Certified Auditors and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 and fair presentation of the consolidated financial statements 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, 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 have been prepared and present fairly, in all material respects, the financial position of the Group as at 31 December 2011 and 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 are in compliance with the respective regulations that apply to the consolidated financial statements, applicable to the Group.

Other Matters

As required under the Accounting Act, we also report that the Report on the Group's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act and by 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 information required by the law of a non-Member State (Official Journal from 2009, No 33, item 259 with amendments) and the information is consistent with the consolidated financial statements.

On behalf of KPMG Audyt Spółka z ograniczoną
odpowiedzialnością sp.k. registration number 3546
ul. Chłodna 51, 00-867 Warsaw

Signed on the Polish original

....
Certified Auditor No. 90046
Limited Liability Partner
with power of attorney
Marcin Domagała

13 April 2012
Warsaw

Dear shareholders,

Please find attached the 2011 Annual Report of the Agora Group. This period was characterized by a slight growth of advertising market, further structural changes taking place in media, progressing fragmentation of media offers as well as an intense battle for advertising budgets which contributed to the discount pressure on the market.

None the less, even in such difficult circumstances the Agora Group generated higher revenues, inter alia, due to the consolidation of the cinema business in the Group's results since September 2010 and persistent development of the Group's other businesses. Additionally, due to the purchase of majority stake in the third largest cinema operator in Poland, the Group increased its presence in the entertainment segment of the market and accelerated the process of diversification of the revenue sources diminishing its reliance on advertising revenues.

Year 2011 was a difficult one for the whole press market as well as for Agora's publishing activities. Therefore, we are glad that quality of the content and successful editorial strategies offered by ***Gazeta Wyborcza*** allowed the newspaper to preserve the title of the most popular opinion making newspaper in Poland. We constantly increase the access to the content offered by *Gazeta Wyborcza* by means of dedicated applications on smart phones and tablets. Thanks to interesting sales and marketing initiatives *Gazeta Wyborcza* preserved the highest share in dailies advertising expenditure. ***Metro*** – our free newspaper improved its operating results and increased its share in dailies advertising expenditure and preserved the title of the third most daily read newspaper in Poland. The global trend of copy sales decrease and erosion of advertising budgets did not spare Agora's **Magazine segment** which due to an impairment loss on selected titles noted a decrease in operating results. Due to the well assorted sales offer and good quality content our titles were popular among readers and advertisers. Additionally, all the content created for our paper titles enriches the Group's web services.

Despite lower revenues in 2011 our **Special Projects** operations improved its operating result (EBIT) The success of this business is dependent upon the selection of the type and number of projects in a given period and their popularity among recipients.

Our **radio stations** slightly strengthened their market position, mainly due to the results achieved in the first three quarters of 2011. Our advertising radio offer proved attractive and contributed to the growth of the segment's revenue. We continued development of Internet radio platform and mobile applications to increase reach of our radio brands and create new sources of income.

AMS strengthened its share in outdoor advertising expenditure and grew its revenue. Increased revenue and cost control policy contributed to the improved operating results of the segment. Outdoor advertising is a significant component of our operations and we believe that with the growth of the advertising market it will help to strengthen financial and market position of the Agora Group.

Internet becomes more and more important medium in the portfolio of the Agora Group. The services comprising **Gazeta.pl group** are among three most popular portals in Poland. Due to the growth of revenue and cost control policy we managed to improve the operating results of the Internet operations. We are dedicated to the development of our Internet offer and in 2011 we enriched it with the projects created organically (f.ex. Kinoplex) and acquired outside the Company (f.ex. Futbolow.pl and GoldenLine.pl).

Year 2011 was the first full year of consolidation the cinema business in the Agora Group. During this time, the segment grew its revenues and improved operating results contributing to the growth of revenues in the Agora Group. The **Cinema segment** is currently one of the largest businesses in the Agora Group and it allows the Group to diversify its revenue sources and decrease its reliance on advertising revenue. Due to that, we intend to further develop our cinema business by opening new cinemas.

According to our estimates the advertising market in Poland in 2012 shall grow by 0 – 3%. Media segments should participate in this growth in a different degree. We think that press shall be the only medium in which we will not observe the growth of advertising expenditure in 2012. The main reason for that are changes in the media consumption patterns, which seem to permanently change the structure of media market. Whereas, press is still a substantial component of the Agora Group activities achieving high profitability.

We are aware of all challenges emerging from both, market and civilization changes. Our objective is to match the Group's activities to changing conditions not forgetting about the Group's growth which is our priority.

We would like to thank all our shareholders for their interest,

Piotr Niemczycki

AGORA GROUP

Consolidated financial statements
as at 31 December 2011 and for the year ended thereon

April 13, 2012

CONTENTS

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

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2011

	Note	31 grudnia 2011	31 grudnia 2010
Assets			
Non-current assests:			
Intangible assets	3	419,236	427,337
Property, plant and equipment	4	760,157	763,047
Long-term financial assets	5	251	201
Investments in equity accounted investees	6	11,881	235
Receivables and prepayments		7,934	9,640
Deferred tax assets	14	3,840	2,954
		1,203,299	**1,203,414**
Current assets:			
Inventories	7	29,209	22,552
Accounts receivable and prepayments	8	246,411	239,351
Income tax receivable		1,424	2,973
Short-term securities and other financial assets	9	197,872	154,828
Cash and cash equivalents	10	125,505	182,358
		600,421	**602,062**
Total assets		**1,803,720**	**1,805,476**

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 2011 (CONTINUED)

	Note	31 grudnia 2011	31 grudnia 2010
Equity and liabilities			
Equity attributable to equity holders of the parent:			
Share capital	11	50,937	50,937
Share premium		147,192	147,192
Translation reserve		(114)	(130)
Retained earnings and other reserves	12	1,048,049	1,023,053
		1,246,064	1,221,052
Non-controlling interest		17,253	15,500
Total equity		**1,263,317**	**1,236,552**
Non-current liabilities:			
Deferred tax liabilities	14	45,270	49,376
Long-term borrowings	13	142,459	188,833
Other financial liabilities	15	27,691	30,050
Retirement severance provision	16	1,914	1,865
Deferred revenues and accruals	18	4,007	3,373
		221,341	**273,497**
Current liabilities:			
Retirement severance provision	16	195	138
Short-term liabilities	19	182,729	164,366
Income tax liabilities		3,222	874
Short-term borrowings	13	70,527	66,369
Provisions	17	6,786	10,143
Deferred revenues and accruals	18	55,603	53,537
		319,062	**295,427**
Total equity and liabilities		**1,803,720**	**1,805,476**

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 2011

	Note	2011	2010
Sales	20	1,234,553	1,116,742
Cost of sales	21	(790,794)	(655,824)
Gross profit		443,759	460,918
Selling expenses	21	(254,612)	(252,427)
Administrative expenses	21	(119,216)	(112,320)
Other operating income	22	18,902	25,334
Other operating expenses	23	(36,949)	(36,617)
Operating profit		**51,884**	**84,888**
Finance income	27	19,686	14,114
Finance cost	28	(16,566)	(10,147)
Share of results of equity accounted investees		11	(980)
Profit before income taxes		**55,015**	**87,875**
Income tax expense	29	(11,226)	(16,006)
Net profit for the period		**43,789**	**71,869**
Attributable to:			
Equity holders of the parent		42,171	71,894
Non-controlling interest		1,618	(25)
		43,789	71,869
Basic/diluted earnings per share (in PLN)	31	**0.83**	**1.41**

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 2011

	2011	2010
Profit for the period	**43,789**	**71,869**
Translation reserve	16	352
Other comprehensive income for the period	**16**	**352**
Total comprehensive income for the period	**43,805**	**72,221**
Attributable to:		
Equity holders of the parent	42,187	72,246
Non-controlling interest	1,618	(25)
	43,805	**72,221**

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 2011

	Attributable to equity holders of the parent							
	Share capital	Treasury shares	Share premium	Translation reserve	Retained earnings and other reserves	**Total**	**Non-controlling interest**	**Total equity**
Twelve months ended 31 December 2011								
As at 31 December 2010	**50,937**	**-**	**147,192**	**(130)**	**1,023,053**	**1,221,052**	**15,500**	**1,236,552**
Total comprehensive income for the period								
Net profit for the period	-	-	-	-	42,171	42,171	1,618	43,789
Other comprehensive income	-	-	-	16	-	16	-	16
Total comprehensive income for the period	**-**	**-**	**-**	**16**	**42,171**	**42,187**	**1,618**	**43,805**
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Equity-settled share-based payments	-	-	-	-	9,706	9,706	-	9,706
Dividends declared	-	-	-	-	(25,469)	(25,469)	-	(25,469)
Dividends of subsidiaries	-	-	-	-	-	-	(404)	(404)
Total contributions by and distribtutions to owners	**-**	**-**	**-**	**-**	**(15,763)**	**(15,763)**	**(404)**	**(16,167)**
Changes in ownership interests in subsidiaries								
Acquisition of non-controlling interests	-	-	-	-	(286)	(286)	286	-
Acquistion of a subsidiary (note 32)	-	-	-	-	-	-	252	252
Recognition of put option granted to non-controlling interests (note 32)	-	-	-	-	(1,126)	(1,126)	-	(1,126)
Additional contribution of non-controlling shareholder	-	-	-	-	-	-	1	1
Total changes in ownership interests in subsidiaries	**-**	**-**	**-**	**-**	**(1,412)**	**(1,412)**	**539**	**(873)**
Total transactions with owners	-	-	-	-	(17,175)	(17,175)	135	(17,040)
As at 31 December 2011	**50,937**	**-**	**147,192**	**(114)**	**1,048,049**	**1,246,064**	**17,253**	**1,263,317**

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 2011 CONTINUED

	Share capital	Treasury shares	Share premium	Translation reserve	Retained earnings and other reserves	**Total**	**Non-controlling interest**	**Total equity**
Twelve months ended 31 December 2010								
As at 31 December 2009	**50,937**	**-**	**147,192**	**(482)**	**998,634**	**1,196,281**	**(206)**	**1,196,075**
Total comprehensive income for the period								
Net profit/(loss) for the period	-	-	-	-	71,894	71,894	(25)	71,869
Other comprehensive income	-	-	-	352	-	352	-	352
Total comprehensive income for the period	**-**	**-**	**-**	**352**	**71,894**	**72,246**	**(25)**	**72,221**
Transactions with owners, recorded directly in equity								
Contributions by and distributions to owners								
Equity-settled share-based payments	-	-	-	-	10,371	10,371	-	10,371
Dividends declared	-	-	-	-	(25,469)	(25,469)	-	(25,469)
Dividends of subsidiaries	-	-	-	-	-	-	(666)	(666)
Total contributions by and distribtutions to owners	**-**	**-**	**-**	**-**	**(15,098)**	**(15,098)**	**(666)**	**(15,764)**
Changes in ownership interests in subsidiaries								
Acquisition of non-controlling interests	-	-	-	-	(2,708)	(2,708)	2,708	-
Acquisition of subsidiary	-	-	-	-	-	-	13,689	13,689
Recognition of put option granted to non-controlling interests	-	-	-	-	(29,669)	(29,669)	-	(29,669)
Total changes in ownership interests in subsidiaries	**-**	**-**	**-**	**-**	**(32,377)**	**(32,377)**	**16,397**	**(15,980)**
Total transactions with owners	-	-	-	-	(47,475)	(47,475)	15,731	(31,744)
As at 31 December 2010	**50,937**	**-**	**147,192**	**(130)**	**1,023,053**	**1,221,052**	**15,500**	**1,236,552**

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 2011

	Note	2011	2010
Cash flows from operating activities			
Profit before income taxes		**55,015**	**87,875**
Adjustments for:			
Share of results of equity accounted investees		(11)	980
Depreciation of property, plant and equipment		76,565	68,121
Amortisation of intangible assets		16,222	14,344
Foreign exchange loss		316	5
Interest, net		14,164	6,667
(Profit) /loss on investing activities		6,479	2,456
Change in provisions		(3,251)	(3,334)
Change in inventories		(6,657)	(5,021)
Change in receivables and prepayments		(12,451)	(8,256)
Change in payables		8,676	6,918
Change in deferred revenues and accruals		2,774	4,089
Other adjustments (1)		6,932	13,056
Cash generated from operations		164,773	187,900
Income taxes paid		(12,532)	(16,346)
Net cash from operating activities		**152,241**	**171,554**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and intangibles		3,894	3,132
Loan repayment received		200	-
Interest received		3,027	2,210
Disposal of short-term securities		142,562	61,790
Purchase of property plant and equipment and intangibles		(73,307)	(51,596)
Acquisition of subsidiary (net of cash acquired) associates and jointly controlled entities	32	(12,615)	(97,640)
Acquisition of short-term securities		(179,110)	(56,000)
Loans granted		(200)	-
Net cash used in investing activities		**(115,549)**	**(138,104)**

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

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

	Note	2011	2010
Cash flows from financing activities			
Proceeds from borrowings		9,600	125,903
Dividends paid to equity holders of the parent		(25,469)	(25,469)
Dividends paid to non-controlling shareholders		(404)	(666)
Repayment of borrowings		(52,757)	(62,860)
Payment of finance lease liabilities		(10,392)	(3,029)
Interest paid		(13,496)	(6,718)
Other		(627)	(2,478)
Net cash used in financing activities		**(93,545)**	**24,683**
Net increase (decrease) in cash and cash equivalents		**(56,853)**	**58,133**
Cash and cash equivalents			
At start of period		182,358	124,225
At end of period		125,505	182,358

(1) "other adjustments" include mainly share-based payment costs in the amount of PLN 9,706 *thousand in 2011 (2010: PLN* 10,371 *thousand) and in 2011 the put option valuation in the amount of PLN 3,260 thousand.*

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 2011 AND FOR THE YEAR ENDED THEREON

1. GENERAL INFORMATION

(a) Core business activity

Agora S.A. ("the Company", "parent company") principally produces newspapers (including *Gazeta Wyborcza)*, magazines and other periodicals and run an Internet business.

Additionally, the Company controls 5 radio companies. Agora's radio group consists of 20 *Golden Oldies* (*Zlote Przeboje)* radio stations, seven local radio stations (*Radio Roxy FM)* and a superregional news radio *TOK FM* broadcasting in nine cities. Agora's radio group includes also one local station which plays in AC format (Adult Contemporary). Agora S.A. is also active in the outdoor segment through its subsidiary, AMS S.A. ("AMS") and in the cinema segment through its subsidiary Helios S.A. and develops its Internet activities through Trader.com (Polska) Sp. z o.o., AdTaily Sp. z o.o. and Sport4People Sp. z o.o.

As at 31 December 2011, the Capital Group Agora S.A. ("the Agora Group", "the Group") comprises Agora S.A., 13 fully consolidated subsidiaries and three investees accounted for the equity method, including one joint-venture company - Business Ad Network Sp. z o.o. (50% controlled by Agora S.A., 50% by Money.pl Sp. z o.o.) and two assocites GoldenLine Sp. z o.o. and A2 Multimedia Sp. z o.o. The Group operates in all major cities in Poland.

The Group operates also in the Ukraine through LLC Agora Ukraine.

(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:

Piotr Niemczycki	President	for the whole year
Zbigniew Bak	Deputy President	for the whole year
Tomasz Jozefacki (1)	Member	for the whole year
Grzegorz Kossakowski	Member	for the whole year

(1) the Management Board Member till January 31, 2012.

On January 4, 2012, pursuant to § 28 section 3 of the Company's statute, the Management Board of the Company elected by way of co-option additional members of the Management Board, Marek Jackiewicz and Stanisław Turnau.

(f) Supervisory Board

The Supervisory Board of the Company comprised the following members:

Andrzej Szlezak	Chairman	for the whole year
Slawomir S. Sikora	Member	for the whole year
Tomasz Sielicki	Member	for the whole year
Marcin Hejka	Member	for the whole year
Wanda Rapaczynski	Member	for the whole year

(g)Information about the financial statements

The consolidated financial statements were authorised for issue by the Management Board on 13 April 2012.

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.

As at the day of publication of these consolidated financial statements, taking into account the adaptation process of IFRS by the European Union, there are no differences between IFRS and IFRS adopted by the European Union with respect to the financial reporting of the Group.

(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 (excluding LLC Agora Ukraine, which functional currency is hryvnia - UAH). All amounts (unless otherwise indicated) are recalculated and rounded to nearest thousand. The 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 subsidiaries would continue their business activities in the foreseeable future. There are no threats that would prevent the companies 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 2010, except for the changes connected with IFRSs described below.

For the Group's financial statements for the year started with January 1, 2011, new standards, amendments and interpretations to existing standards, which were endorsed by the European Union, are effecitve:

1*)* Amendments to IFRS 1 *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*,
2) Revised IAS 24 *Related Party Disclosures*,
3) Amendments to IAS 32 *Presentation - Classification of Rights Issues,*
4) Amendments to IFRIC 14 *Prepayments of a Minimum Funding,*
5) IFRIC *19 Extinguishing Financial Liabilities with Equity Instruments,*
6) *Improvements to IFRS 2010*.

The revised standards or new interpretations have not had any significant impact on the previously presented consolidated financial statements.

(c) Basis of consolidation

(i) Subsidiaries

Subsidiaries are those entities controlled by Agora S.A. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The purchase method of accounting is used 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 that control commences until the date that control ceases. Changes in a parent`s ownership interest in a subsidiary that do not result in a loss of control are accounter for as equity transactions.

(ii)Associates

An associate is that entity in which the Group has significant influence, but not control. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. The investments in associates are accounted using the equity method. When the Group's share of losses exceeds the carrying amount of the associate, 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.

(iii) Joint-ventures

Joint-venture is an entity which is joinlty controlled by the dominant party or major investees and other shareholders or cooperators on the basis of the statute, company's act or the agreement signed for the period longer than one year. The investments in joint ventures are accounted using the equity method. An interest in a jointly controlled entity is initially recorded at cost and adjusted thereafter for the post-acquistion change in the venturer's share of net assets of the jointly controlled entity. The profit or loss of the venturer includes the venturer's share of the profit or loss of the jointly controlled entity.

(iv)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.

(v) 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) equl 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 x).

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 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	3 - 10 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 basis over the estimated useful life of each asset.
Estimated useful lives of other intangible (except for the acquired magazine titles) assets are between 3 and 10 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.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and demand deposits.

(g) Derivative financial instruments

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 host contract and whether the agreement that embodies the embedded derivative instrument is 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.

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.

(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 (see accounting policy w). Accrued interest is included in net profit or loss for the period in which it arises. When the loans become impaired the Group recognises impairment losses for all interest accrued on those loans.

(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 (excluding LLC Agora Ukraine – which functional currency is hryvnia). 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.

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. Other reserves include also the equivalent of costs of share-based payments recognised in accordance with IFRS 2 and the recognition of the put option given to the non-controlling shareholders.

(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, using the balance sheet liability method, 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.

(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 from the disabled fund

The Group's subsidiary (AMS S.A.) receives grants from the state to fund acquisition of fixed assets, which are recognised in the balance sheet initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching thereto (related to employment of disabled persons). The grants are recognised in the income statement as other operating revenues 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 the shorter of the lease term and its useful life. In other cases the depreciation policy is consistent with that for depreciable assets that are owned.

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

In Agora Group the share incentive plans fueled by Agora S.A.'s shares are run. These plans fall within the scope of IFRS 2 "Share-based Payment" which came into force from 1 January 2005.

Eligible employees are entitled to purchase investment certificates in closed end mutual fund. The fair value of certificates is determined by applying valuation model, which takes 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 is included in staff cost with corresponding increase in equity. The fair value of certificates is established as at the grant date and posted to the income statement from the month following the month in which certificates are purchased. The costs are recognized over the vesting period.

Within the Agora Group the 3-Year-Long Plan is also introduced, described in note 26C. One of the components of the plan is accounted for in accordance with IFRS2. It is a cash-settled plan with rules based on - inter alia - share price quotations and appreciation. In this plan, Eligible employees of the Agora Group (including the Management Board) are entitled to a reward based on the realization of the Target of Share Price Rise. 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 Agora S.A. during the last 12 months preceding the balance sheet date.
The value is charged to the staff costs in the Income Statement in proportion to the full period of the 3-Year-Long Incentive Plan and accounted into the accruals. The changes in the value are presented in salaries and renumeration.

(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.) operates in a Special Economic Zone. Income from activities in SEZ is exempt from taxation up to the amount defined by SEZ regulations. The tax exemption is 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).

(ae) 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) Amendments to IFRS 7 *Financial Instruments: Disclosures* - Transfers of Financial Assets (effective for annual periods beginning on or after July 1, 2011 or later).

The Amendments require disclosure of information that enables users of financial statements:
- to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities; and
- to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognised financial assets.

The Amendments define "continuing involvement" for the purposes of applying the disclosure requirements.

The Group does not expect the amendments to IFRS 7 to have material impact on the financial statements, because of the nature of the Group's operations and the types of financial assets that it holds.

Standards and interpretations awaiting on endorsement by the European Union:

1) Amendments to IFRS 1 *Severe Hyperinflation and Removal of Fixed Dates for First – time Adopters* (effective for annual periods beginning on or after July 1, 2011 or later).

The Amendments add an exemption to IFRS 1 that an entity can apply at the date of transition to IFRSs after being subject to severe hyperinflation. This exemption allows an entity to measure assets and liabilities held before the functional currency normalization date at fair value and use that fair value as the deemed cost of those assets and liabilities in the opening IFRS statement of financial position.

The amendment is not expected to have any material impact on the Group's Financial Statements.

2) Amendments to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income* (effective for annual periods beginning on or after July 1, 2012 or later).

The amendments:
- require that an entity presents separately the items of Other Comprehensive Income (OCI) that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. If items of OCI are presented before related tax effects then the aggregated tax amount should be allocated between these sections.

- change the title of the *Statement of Comprehensive Income* to *Statement of Profit or Loss and Other Comprehensive Income*, however, other titles are also allowed to be used.

The amendment is not expected tohave any material impact on the Group's Financial Statements.

3) Amendments to IFRS 7 *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities* (effective for annual periods beginning on or after July 1, 2013 or later).

The Amendments contain new disclosure requirements for financial assets and liabilities that are:

-offset in the statement of financial position; or

- subject to master netting arrangements or similar agreements.

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

4) Amendments to IAS 32 *Financial Instruments: Presentation- Offsetting Financial Assets and Financial Liabilities* (effective for annual periods beginning on or after January 1, 2014 or later)

The Amendments do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application. The Amendments clarify that an entity currently has a legally enforceable right to set-off if that right is:
- not contingent on a future event; and
- enforceable both in the normal course of business
- and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

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

5) Additions to IFRS 9 *Financial Instruments (2010)* (effective for annual periods beginning on or after January 1, 2015 or later).

This Standard replaces the guidance in IAS 39, *Financial Instruments: Recognition and Measurement*, about classification and measurement of financial assets. The Standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivable.
Financial assets will be classified into one of two categories on initial recognition:
-financial assets measured at amortized cost; or
- financial assets measured at fair value.

A financial asset is measured at amortized cost if the following two conditions are met:
- the assets is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and,
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Gains and losses on remeasurement of financial assets measured at fair value are recognised in profit or loss, except that for an investment in an equity instrument which is not held for trading, IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income (OCI). The election is available on an individual share-by-share basis. No amount recognised in OCI is ever reclassified to profit or loss at a later date.

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

6) Additions to IFRS 9 *Financial Instruments (2010)* (effective for annual periods beginning on or after January 1, 2015 or later).

The 2010 additions to IFRS 9 replace the guidance in IAS 39 *Financial Instruments: Recognition and Measurement*, about classification and measurement of financial liabilities and the derecognition of financial assets and financial liabilities.

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.

The Standard requires that the amount of change in fair value attributable to changes in the credit risk of a financial liability designated at initial recognition as fair value through profit or loss, be presented in other comprehensive income (OCI), with only the remaining amount of the total gain or loss included in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss.

Amounts presented in OCI are not subsequently reclassified to profit or loss but may be transferred within equity.

Derivative financial liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are required to be measured at fair value under IFRS 9.

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

7) Amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* (effective for annual periods beginning on or after January 1, 2015 or later).

These Amendments change the disclosure and restatement requirements relating to the initial application of IFRS 9 *Financial Instruments* (2009) and IFRS 9 (2010).

The amended IFRS 7 requires to disclose more details about the effect of the initial application of IFRS 9 when an entity does not restate comparative information in accordance with the amended requirements of IFRS 9.

If an entity adopts IFRS 9 on or after 1 January 2013, then it will no longer be required to restate comparative information for periods prior to the date of initial application.

If an entity early adopts IFRS 9 in 2012, then it has a choice either to restate comparative information or to provide the enhanced disclosures as required by the amended IFRS 7.

If an entity early adopts IFRS 9 prior to 2012, then neither restatement of comparative information nor provision of the enhanced disclosures under the amended IFRS 7 are required.

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

8) IFRS 10 *Consolidated Financial Statements*" and IAS 27 (2011) *Separate Financial Statements* (effective for annual periods beginning on or after January 1, 2013 or later).

IFRS 10 provides a new single model to be applied in the control analysis for all investees, including entities that currently are Special Purpose Entities (SPEs) in the scope of SIC-12. IFRS 10 introduces new requirements to assess control that are different from the existing requirements in IAS 27 (2008). Under the new single control model, an investor controls an investee when (1) it is exposed or has rights to variable returns from its involvements with the investee, (2) has the ability to affect those returns through its power over that investee and (3) there is a link between power and returns.

The new standard also includes the disclosure requirements and the requirements relating to the preparation of consolidated financial statements. These requirements are carried forward from IAS 27 (2008).

The Group does not expect the new standard to have any impact on the financial statements, since the assessment of control over its current investees under the new standard is not expected to change previous conclusions regarding the Group's control over its investees.

9) IFRS 11 *Joint Arrangements Statements* (effective for annual periods beginning on or after January 1, 2013 or later).

IFRS 11, *Joint Arrangements*, supersedes and replaces IAS 31, *Interest in Joint Ventures*. IFRS 11 does not introduce substantive changes to the overall definition of an arrangement subject to joint control, although the definition of control, and therefore indirectly of joint control, has changed due to IFRS 10.

Under the new Standard, joint arrangements are divided into two types, each having its own accounting model defined as follows:
-a joint operation is one whereby the jointly controlling parties, known as the joint operators, have rights to the assets, and obligations for the liabilities, relating to the arrangement;
- a joint venture is one whereby the jointly controlling parties, known as joint venturers, have rights to the net assets of the arrangement.

IFRS 11 effectively carves out, from IAS 31, those cases in which although there is a separate vehicle for the joint arrangement, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations, under IAS 31, and are now called joint operations. The remainder of IAS 31 jointly controlled entities, now called joint ventures, must be accounted for using the equity method. Proportionate consolidation is no longer possible.

The Group does not expect the new standard to have any material impact on the financial statements, since the assessment of the joint arrangements under the new standard is not expected to result in a change in the accounting treatment of existing joint arrangements.

10) IFRS 12 *Disclosure of Interests in Other Entities* (effective for annual periods beginning on or after January 1, 2013 or later).

IFRS 12 requires additional disclosures relating to significant judgements and assumptions made in determining the nature of interests in an entity or arrangement, interests in subsidiaries, joint arrangements and associates and unconsolidated structured entities.

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

11) IFRS 13 *Fair Value Measurement Entities* (effective for annual periods beginning on or after January 1, 2013 or later).

IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains 'how' to measure fair value when it is required or permitted by other IFRSs. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

The standard contains an extensive disclosure framework that provides additional disclosures to existing requirements to provide information that enables financial statement users to assess the methods and inputs used to develop fair value measurements and, for recurring fair value measurements that use significant unobservable inputs, the effect of the measurements on profit or loss or other comprehensive income.

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

12) IAS 27 (2011) *Separate Financial Statements* (effective for annual periods beginning on or after January 1, 2013 or later).

IAS 27 (2011) carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for separate financial statements with some minor clarifications. As well, the existing requirements of IAS 28 (2008) and IAS 31 for separate financial statements have been incorporated into IAS 27 (2011). The Standard no longer addresses the principle of control and requirements relating to the preparation of consolidated financial statements, which have been carried over into IFRS 10 *Consolidated Financial Statements*.

The Group does not expect IAS 27 (2011) to have material impact on the financial statements, since it does not results in a change in the entity's accounting policy.

13) IAS 28 (2011) *Investments in Associates and Joint Venutres* (effective for annual periods beginning on or after January 1, 2013 or later).

There are limited amendments made to IAS 28 :

- *Associates and joint ventures held for sale.* IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale. For any retained portion of the investment that has not been classified as held for sale, the equity method is applied until disposal of the portion held for sale. After disposal, any retained interest is accounted for using the equity method if the retained interest continues to be an associate or a joint venture.

- *Changes in interests held in associates and joint ventures*. Previously, IAS 28 (2008) and IAS 31 specified that the cessation of significant influence or joint control triggered remeasurement of any retained stake in all cases, even if significant influence was succeeded by joint control. IAS 28 (2011) now requires that in such scenarios the retained interest in the investment is not remeasured.

The Group does not expect the amended standard has had material impact on the financial statements.

14) Amendments to IAS 12 *Income taxes - Deferred Tax: Recovery of Underlying Assets Venutres* (effective for annual periods beginning on or after January 1, 2012 or later).

The 2010 amendment introduces an exception to the current measurement principles based on the manner of recovery in paragraph 52 of IAS 12 for investment property measured using the fair value model in accordance with IAS 40 by introducing a rebuttable presumption that the carrying value of underlying assets would be recovered entirely by sale. Management's intention would not be relevant unless the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. This is the only instance in which the presumption can be rebutted.
The amendments are not relevant to the Group's financial statements, since the Group does not have any investment properties measured using the fair value model in IAS 40.

15) IAS 19 (2011) *Employee Benefits* (effective for annual periods beginning on or after January 1, 2013 or later).

The amendment requires actuarial gains and losses to be recognised immediately in other comprehensive income. The amendment removes the corridor method previously applicable to recognising actuarial gains and losses, and eliminates the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under the requirements of IAS 19. The amendment also requires the expected return on plan assets recognised in profit or loss to be calculated based on the rate used to discount the defined benefit obligation.

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

16) IFRIC Interpretation 20: *Stripping Costs in the Production Phase of a Surface Mine* (effective for annual periods beginning on or after January 1, 2013 or later).

The Interpretation sets out requirements relating to the recognition of production stripping costs, initial and subsequent measurement of stripping activity assets.

The Group does not expect the Interpretation to have any impact on the financial statements since it does not have any stripping activities.

17) Amendments to IFRS 1 *First-time adopters - Government Loans* (effective for annual periods beginning on or after January 1, 2013 or later).

The amendments add a new exception to retrospective application of IFRS. A first-time adopter of IFRS now applies the measurement requirements of financial instruments standards (IAS 39 or IFRS 9) to a government loan with a below-market rate of interest prospectively from the date of transition to IFRS. Alternatively, a first-time adopter may elect to apply the measurement requirements retrospectively to a government loan, if the information needed was obtained when it first accounted for that loan. This election is available on a loan-by-loan basis.

The amendments are not relevant to the Group's financial statements.

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

3. INTANGIBLE ASSETS

	Magazine titles	Goodwill	Licences and patents	Other	Total
Cost as at 1 January 2011	**86,525**	**373,274**	**93,827**	**17,166**	**570,792**
Additions	-	1,095	14,877	3,529	19,501
Acquisitions	-	-	10,349	3,429	13,778
Transfer from assets under construction	-	-	4,444	50	4,494
Acquisitions through business combinations (1)	-	1,095	-	50	1,145
Reclassifications	-	-	63	-	63
Other	-	-	21	-	21
Disposals	-	-	(2,235)	(1,734)	(3,969)
Sale	-	-	(10)	(10)	(20)
Liquidation	-	-	(2,225)	(1,661)	(3,886)
Reclassifications	-	-	-	(63)	(63)
Cost as at 31 December 2011	**86,525**	**374,369**	**106,469**	**18,961**	**586,324**

(1) Detailed information in note 32.

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

3.INTANGIBLE ASSETS – CONT.

	Magazine titles	Goodwill	Licences and patents	Other	Total
Amortisation and impairment losses as at 1 January 2011	**15,838**	**62,784**	**55,040**	**9,793**	**143,455**
Amortisation charge for the period	-	-	13,593	2,629	16,222
Impairment losses (note 40)	11,230	-	-	-	11,230
Acquisitions through business combinations	-	-	-	25	25
Sale	-	-	-	(2)	(2)
Liquidation	-	-	(2,225)	(1,632)	(3,857)
Reclassifications	-	-	51	(51)	-
Other	-	-	15	-	15
Amortisation and impairment losses as at 31 December 2011	**27,068**	**62,784**	**66,474**	**10,762**	**167,088**
Carrying amounts					
As at 1 January 2011	70,687	310,490	38,787	7,373	427,337
As at 31 December 2011	59,457	311,585	39,995	8,199	419,236

(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 2010	**86,910**	**334,178**	**86,809**	**16,549**	**524,446**
Additions	-	39,096	7,909	706	47,711
Acquisitions	-	-	4,060	644	4,704
Transfer from assets under construction	-	-	2,743	-	2,743
Acquisitions through business combinations	-	39,096	1,060	11	40,167
Reclassifications	-	-	(51)	51	-
Other	-	-	97	-	97
Disposals	(385)	-	(891)	(89)	(1,365)
Sale	-	-	(30)	-	(30)
Liquidation	(385)	-	(861)	(89)	(1,335)
Cost as at 31 December 2010	**86,525**	**373,274**	**93,827**	**17,166**	**570,792**

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

3. INTANGIBLE ASSETS – CONT.

	Magazine titles	Goodwill	Licences and patents	Other	Total
Amortisation and impairment losses as at 1 January 2010	**16,223**	**62,784**	**43,213**	**8,060**	**130,280**
Amortisation charge for the period	-	-	12,672	1,672	14,344
Impairment losses	-	-	33	-	33
Liquidation	(385)	-	(804)	(54)	(1,243)
Reclassifications	-	-	(51)	49	(2)
Other	-	-	(23)	66	43
Amortisation and impairment losses as at 31 December 2010	**15,838**	**62,784**	**55,040**	**9,793**	**143,455**
Carrying amounts					
As at 1 January 2010	70,687	271,394	43,596	8,489	394,166
As at 31 December 2010	70,687	310,490	38,787	7,373	427,337

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.

The rights to some magazine titles purchased in the book value of PLN 59,414 thousand (2010: PLN 70,644 thousand) are pledged as security for loan facility of Agora S.A., which is fully described in note 13. Other intangibles in the book value of PLN 258 thousand (2010: PLN 116 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 2011	**17,314**	**33,083**	**499,999**	**765,850**	**8,041**	**197,713**	**30,005**	**1,552,005**
Additions	-	-	5,898	43,963	1,705	11,205	57,403	120,174
Acquisitions	-	-	1,247	36,184	1,705	3,765	42,922	85,823
Transfer from assets under construction	-	-	4,651	7,638	-	7,440	-	19,729
Acquisitions through business combinations	-	-	-	5	-	-	-	5
Reclassifications	-	-	-	81	-	-	-	81
Other	-	-	-	55	-	-	14,481	14,536
Disposals	-	-	(5,205)	(20,376)	(1,128)	(9,420)	(35,869)	(71,998)
Sale	-	-	-	(2,722)	(1,064)	(111)	(3,465)	(7,362)
Liquidation	-	-	(5,205)	(14,433)	(64)	(9,228)	(207)	(29,137)
Reclassifications	-	-	-	-	-	(81)	-	(81)
Transfer from assets under construction	-	-	-	-	-	-	(23,860)	(23,860)
Other	-	-	-	(3,221)	-	-	(8,337)	(11,558)
Cost as at 31 December 2011	**17,314**	**33,083**	**500,692**	**789,437**	**8,618**	**199,498**	**51,539**	**1,600,181**

(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 2011	**-**	**9,885**	**151,535**	**530,589**	**6,409**	**89,093**	**1,447**	**788,958**
Depreciation charge for the period	-	290	21,048	37,456	732	17,039	-	76,565
Impairment losses	-	-	2,835	152	-	55	299	3,341
Acquisitions through business combinations	-	-	-	5	-	-	-	5
Reversal of impairment losses	-	-	(46)	-	-	-	(97)	(143)
Sale	-	-	-	(2,600)	(991)	(73)	-	(3,664)
Liquidation	-	-	(4,476)	(14,472)	(64)	(6,066)	-	(25,078)
Reclassifications	-	-	-	35	-	(36)	-	(1)
Other	-	-	(2)	38	5	-	-	41
Depreciation and impairment losses as at 31 December 2011	**-**	**10,175**	**170,894**	**551,203**	**6,091**	**100,012**	**1,649**	**840,024**
Carrying amounts								
As at 1 January 2011	17,314	23,198	348,464	235,261	1,632	108,620	28,558	763,047
As at 31 December 2011	17,314	22,908	329,798	238,234	2,527	99,486	49,890	760,157

(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 2010	**8,605**	**28,015**	**389,645**	**721,265**	**7,480**	**181,466**	**29,507**	**1,365,983**
Additions	8,789	5,068	112,617	70,230	907	28,388	36,282	262,281
Acquisitions	-	-	868	22,022	356	1,517	21,800	46,563
Transfer from assets under construction	-	-	5,537	4,174	-	4,938	-	14,649
Acquisitions through business combinations	8,789	5,068	106,212	43,458	535	21,928	359	186,349
Reclassifications	-	-	-	13	2	5	-	20
Other	-	-	-	563	14	-	14,123	14,700
Disposals	(80)	-	(2,263)	(25,645)	(346)	(12,141)	(35,784)	(76,259)
Sale	(80)	-	-	(533)	(300)	(212)	(3,015)	(4,140)
Liquidation	-	-	(2,263)	(23,252)	(46)	(11,924)	(7,943)	(45,428)
Reclassifications	-	-	-	-	-	(5)	-	(5)
Transfer from assets under construction	-	-	-	-	-	-	(17,392)	(17,392)
Other	-	-	-	(1,860)	-	-	(7,434)	(9,294)
Cost as at 31 December 2010	**17,314**	**33,083**	**499,999**	**765,850**	**8,041**	**197,713**	**30,005**	**1,552,005**

(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 2010	**-**	**9,636**	**136,920**	**518,024**	**6,175**	**80,963**	**1,182**	**752,900**
Depreciation charge for the period	-	249	16,553	36,204	573	14,523	-	68,102
Impairment losses	-	-	46	33	-	-	265	344
Sale	-	-	-	(472)	(258)	(156)	-	(886)
Liquidation	-	-	(1,984)	(23,186)	(69)	(6,237)	-	(31,476)
Reclassifications	-	-	-	(14)	(12)	-	-	(26)
Depreciation and impairment losses as at 31 December 2010	**-**	**9,885**	**151,535**	**530,589**	**6,409**	**89,093**	**1,447**	**788,958**
Carrying amounts								
As at 1 January 2010	8,605	18,379	252,725	203,241	1,305	100,503	28,325	613,083
As at 31 December 2010	17,314	23,198	348,464	235,261	1,632	108,620	28,558	763,047

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.

The balance sheet value as at December 31, 2011 of property, plant and equipment used on the basis of finance lease agreements amounted to PLN 51,200 thousand (2010: PLN 45,123 thousand). The information on the conditions and terms of finance lease agreements are shown in note 13 to the consolidated financial statements.

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

4. PROPERTY, PLANT AND EQUIPMENT – CONT.

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 13):

No.	Assets	Net book value at 31 December 2011
1	Perpetual usufruct	19,169
2	Land	8,604
3	Buildings	281,250
4	Plant, machinery and equipment	117,547
5	Vehicles	784
6	Other fixed assets	15,045
	Total	442,399

Contractual capital and investment commitments are disclosed in note 35.

5. INVESTMENTS

Investments include primarily shares, loans granted and additional paid-in capital of the unconsolidated companies.

	2011	2010
Balance as at beginning of the period	**201**	**241**
Shares	201	190
Additional paid-in capital	-	51
Additions	**50**	**31**
Shares	50	11
- increase of share capital	50	-
- reclassifications	-	11
Additional paid-in capital	-	20
- payments of paid-in capital	-	20
Disposals	**-**	**(71)**
Additional paid-in capital	-	(71)
- fair value adjustments	-	(71)
Balance as at end of the period	**251**	**201**
Shares	251	201

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

6. INVESTMENTS IN ASSOCIATES AND JOINT-VENTURES

	2011	2010
Investments in equity accounted investees	11,881	235
Total investments in equity accounted investees	**11,881**	**235**

Balance as at beginning of the period	**235**	**631**
Additions	11,646	923
Acquisitions of joint-ventures accounted for the equity method	11,635	306
Share in net results	11	-
Additional paid-in capital	-	617
Disposals	-	(1,319)
Share in net losses	-	(980)
Impairment losses	-	(339)
Balance as at end of the period	**11,881**	**235**

7. INVENTORIES

	31 December 2011	31 December 2010
Raw materials and consumables	27,140	20,037
Goods for resale	2,069	2,515
	29,209	**22,552**
Impairment losses recognised	21,709	24,127
Total inventories, gross	**50,918**	**46,679**

The cost of inventories recognised as an expense amounted to PLN 207,996 thousand (2010: PLN 172,662 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 the net amount of PLN 4,017 thousand (2010: PLN 8,086 thousand).

8. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	31 December 2011	31 December 2010
Trade receivables (net of impairment losses)	194,307	183,039
Taxes, social security and similar	12,938	11,758
Prepayments and accrued income	7,695	6,821
Other	31,471	37,733
	246,411	**239,351**
Impairment losses recognised	21,780	22,914
Total accounts receivable and prepayments, gross	**268,191**	**262,265**

Other receivables include mainly loans granted to employees from the Group's social fund of PLN 24,825 thousand (31 December 2010: PLN 23,871 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%.

Accounts receivable include receivables from related parties – details are presented in note 39.

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

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

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 - gross

	31 December 2011	31 December 2010
Current receivables	114,371	104,432
Overdue receivables within 1 month	51,115	51,057
Overdue receivables between 1 and 3 months	19,757	18,240
Overdue receivables between 3 and 6 months	5,359	5,001
Overdue receivables between 6 months and 1 year	5,354	4,643
Overdue receivables more than 1 year	18,256	22,394
	214,212	**205,767**

Impairment losses on accounts receivable and prepayments

	2011	2010
Balance as at beginning of the period	**22,914**	**24,596**
Additions	13,739	17,158
Reversals	(7,920)	(13,167)
Used impairment losses	(6,953)	(5,673)
Balance as at end of the period	**21,780**	**22,914**

9. SHORT-TERM SECURITIES AND OTHER FINANCIAL ASSETS

	31 December 2011	31 December 2010
Treasury bonds	11,012	-
Certificates in investment funds	186,860	154,828
	197,872	**154,828**

10. CASH AND CASH EQUIVALENTS

	31 December 2011	31 December 2010
Cash at bank and in hand	43,540	38,102
Short-term bank deposits	80,703	144,153
Other	1,262	103
	125,505	**182,358**

Included in cash and cash equivalents is cash in the amount of PLN 5,958 thousand representing cash held on behalf of the Group’s social fund (31 December 2010: PLN 5,444 thousand).

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

11. SHARE CAPITAL

Registered share capital as at December 31, 2011

Series	Type of shares	Type of preference	Amount of shares	Par value	Origin of capital
A	preference	voting	4,281,600	4,282	conversion
B & D	ordinary	none	46,655,786	46,655	conversion
			50,937,386	**50,937**	

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 equity 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).

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.

12. RETAINED EARNINGS AND OTHER RESERVES

Dividends

Retained earnings may be distributed subject to certain minimum capital maintenance restrictions, 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 through annual dividend and – if the situation warrants – share repurchases (with cancellation) in connection with the Company's perspectives and market conditions.

For the financial year of 2010, Agora S.A. made a net profit of PLN 63,973 thousand, which was distributed in accordance with the resolution taken by the General Meeting of Shareholders (on June 22, 2011) in the form of dividend (PLN 25, 469 thousand) and the rest was assigned to reserve capital. The dividend amounted to PLN 0.50 per share. Shareholders of record on 15 July 2011 were eligible to participate in the dividend payment. The dividend payment was made on August 3, 2011.

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

13. INTEREST BEARING LOANS AND BORROWINGS AND SHORT-TERM BORROWINGS

In lines long-term and short-term bank loans and loans from 2010 are presented also finance lease liabilities of Helios S.A.

	31 December 2011	31 December 2010
Long term bank loans	115,588	159,140
Long term loans	1,347	1,280
Finance lease liabilities	25,524	28,413
Total long term borrowings	**142,459**	**188,833**
Short term bank loans	60,016	58,412
Short term loans	77	74
Finance lease liabilities	10,434	7,855
Other	-	28
Total short term borrowings	**70,527**	**66,369**

Loans and bank loans

Debt repayment schedule:

	31 December 2011	31 December 2010
More than 1 and less than 3 years	88,700	136,502
Between 3 and 5 years	17,875	10,971
More than 5 years	10,360	12,947
Total	**116,935**	**160,420**

Finance lease liabilities

	31 December 2011	31 December 2010
Future minimum lease payments	41,361	42,836
Future finance charges	(5,403)	(6,568)
Present value of finance lease liabilities, total	**35,958**	**36,268**

Present value of finance lease liabilities by payment period

	31 December 2011	31 December 2010
Within 1 year	10,435	7,855
Between 1 and 5 years	24,555	28,333
More than 5 years	968	80
Present value of finance lease liabilities, total	**35,958**	**36,268**

Future minimum lease payments by payment period

	31 December 2011	31 December 2010
Within 1 year	12,764	10,420
Between 1 and 5 years	27,574	32,336
More than 5 years	1,023	80
Future minimum lease payments, total	**41,361**	**42,836**

(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 2011	31 December 2010				
Long term credits and loans							
Bank Pekao S.A. (1)	297,817	77,869	114,421	WIBOR 1 M or 3 M + bank margin	credit line A: quarterly 13 instalments from March 31, 2009 to March 31, 2012; credit line B: quarterly 12 installments from June 30, 2012 to March 31, 2015; credit line C - ready to use: quarterly 13 instalments from March 31, 2013 to March 31, 2016.	guarantee of Agora Poligrafia Sp. z o.o., mortgages, pledges on fixed assets and insurance policies, pledges on Company's bank accounts, pledges on trademarks or future trademarks relating to Agora's magazines, transfer of copyrights and transfer of rights from selected agreements relating to magazines; a financial and registered pledge on 60% of AMS shares with a nominal value of PLN 2 per share as a collateral	credit line granted to Agora S.A. (divided into parts: A and B and a credit line ready to use - part C)
HSBC Bank POLSKA S.A.	3,000	-	829	1M WIBOR + bank margin	monthly installments until 7 September 2012	pledge on receivables, guarantee deposit on bank account	investment credit granted to Helios S.A.
KREDYT BANK S.A.	9,040	1,554	3,249	1M WIBOR + bank margin	monthly installments until 30 November 2013	mortgage on property in Radom and Sosnowiec, registered pledge on cinema equipment in Wroclaw, pledge on insurance policy	investment credit granted to Helios S.A.
KREDYT BANK S.A.	11,500	1,999	4,180	1M WIBOR + bank margin	monthly installments until 30 November 2013	mortgage on property in Radom and Sosnowiec, registered pledge on cinema equipment in Bialystok	investment credit granted to Helios S.A.
KREDYT BANK S.A.	2,000	579	927	1M WIBOR + bank margin	monthly installments until 31 August 2014	mortgage on property in Radom and Sosnowiec, pledge on insurance policy	investment credit granted to Helios S.A.
KREDYT BANK S.A.	16,407	9,064	12,237	1M WIBOR + bank margin	monthly installments until 31 August 2015	mortgage on property in Radom and Sosnowiec, registered pledge on cinema equipment in Radom and Sosnowiec, blank promissory note	investment credit granted to 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 2011	31 December 2010				
Raiffeisen Bank Polska S.A.	30,000	14,592	16,416	1M WIBOR + bank margin	monthly installments until 31 December 2020	mortgage on property in Opole, pledge on cinema equipment in Opole, Gdansk and Kielce, pledge on insurance policy, pledge on current account, blank promissory note with promissory note declaration	investment credit granted to Helios S.A.
Raiffeisen Bank Polska S.A.	1,500	828	931	1M WIBOR + bank margin	monthly installments until 31 December 2020	mortgage on property in Opole, pledge on cinema equipment in Opole, Gdansk and Kielce, pledge on insurance policy, pledge on current account, blank promissory note with promissory note declaration	bank overdraft granted to Helios S.A.
Raiffeisen Bank Polska S.A.	10,000	5,290	5,950	1M WIBOR + bank margin	monthly installments until 31 December 2020	mortgage on property in Opole, pledge on cinema equipment in Opole, Gdansk and Kielce, pledge on insurance policy, pledge on current account, blank promissory note with promissory note declaration	investment credit granted to Helios S.A.
Raiffeisen Bank Polska S.A.	5,000	3,813	-	1M WIBOR + bank margin	monthly installments till September 20, 2016	pledge on current account and other bank accounts managed by the Bank; registered pledge on insurance policy from the contract on the basis of the agreement between the Bank and the Creditor	investment credit granted to Helios S.A.
Tomasz Jagiello	400	323	306	1M WIBOR+1.5%	31 December 2013	none	loan granted to Helios S.A.
Tomasz Jagiello	222	243	229	1M WIBOR+1.5%	31 December 2013	none	loan granted to Helios S.A.
Marek Palpuchowski	600	678	646	1M WIBOR+1.5%	31 December 2013	none	loan granted to Helios S.A.
Marek Palpuchowski	70	103	99	1M WIBOR+1.5%	31 December 2013	none	loan granted to Helios S.A.
Long term finance lease liabilities							
BZ WBK LEASING S.A.	30,810	9,498	14,160	1M WIBOR + lessor`s margin	Final repayment in installments till 2015	blank promissory note, leased equipment (3D projectors, cinema and bar equipment)	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 2011	31 December 2010				
BRE leasing Sp. z o.o.	4,605	1,470	1,900	1M WIBOR + lessor`s margin	Final repayment in installments till 2015	blank promissory note, leased equipment (cars and cinema equipment)	lease agreement signed by Helios S.A.
Europejski Fundusz Leasingowy S.A.	16,083	7,227	10,015	1M WIBOR + lessor`s margin	Final repayment in installments till 2015	blank promissory note, leased equipment (cinema and bar equipment)	lease agreement signed by Helios S.A.
SG Equipment Leasing Polska Sp. z o.o.	3,586	1,437	2,128	1M WIBOR + lessor`s margin	Final repayment in installments till 2014	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.	5,669	3,583	210	1M WIBOR + lessor`s margin	Final repayment in installments till 2018	leased equipment - 3D projectors	lease agreement signed by Helios S.A.
Kredyt Lease	3,920	2,309	-	1M WIBOR + lessor`s margin	Final repayment in installments till 2015	blank promissory note, projection equipment	lease agreement signed by Helios S.A.
Short term credits and loans							
Bank Pekao S.A. (1)	297,817	47,954	42,386	WIBOR 1 M or 3 M + bank margin	credit line A: quarterly 13 instalments from March 31, 2009 to March 31, 2012; credit line B: quarterly 12 installments from June 30, 2012 to March 31, 2015; credit line C - ready to use: quarterly 13 instalments from March 31, 2013 to March 31, 2016.	guarantee of Agora Poligrafia Sp. z o.o., mortgages, pledges on fixed assets and insurance policies, pledges on Company's bank accounts, pledges on trademarks or future trademarks relating to Agora's magazines, transfer of copyrights and transfer of rights from selected agreements relating to magazines; a financial and registered pledge on 60% of AMS shares with a nominal value of PLN 2 per share as a collateral	credit line granted to Agora S.A. (divided into parts: A and B and a credit line ready to use - part C)
HSBC Bank POLSKA S.A.	3,000	836	1,200	1M WIBOR + bank margin	monthly installments until 7 September 2012	pledge on receivables, guarantee deposit on bank account	investment credit granted to 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 2011	31 December 2010				
KREDYT BANK S.A.	9,040	1,695	1,695	1M WIBOR + bank margin	monthly installments until 30 November 2013	mortgage on property in Radom and Sosnowiec, registered pledge on cinema equipment in Wroclaw, pledge on insurance policy	investment credit granted to Helios S.A.
KREDYT BANK S.A.	11,500	2,181	2,181	1M WIBOR + bank margin	monthly installments until 30 November 2013	mortgage on property in Radom and Sosnowiec, registered pledge on cinema equipment in Bialystok	investment credit granted to Helios S.A.
KREDYT BANK S.A.	2,000	348	348	1M WIBOR + bank margin	monthly installments until 31 August 2014	mortgage on property in Radom and Sosnowiec, pledge on insurance policy	investment credit granted to Helios S.A.
KREDYT BANK S.A.	16,407	3,398	3,336	1M WIBOR + bank margin	monthly installments until 31 August 2015	mortgage on property in Radom and Sosnowiec, registered pledge on cinema equipment in Radom and Sosnowiec, blank promissory note	investment credit granted to Helios S.A.
KREDYT BANK S.A.	6,400	-	4,674	WIBOR O/N+ bank margin	payment on 24 November 2012	mortgage on property in Bialystok, registered pledge on equipment in 13 cinemas, pledge on insurance policy, blank promissory note	bank ovedraft granted to Helios S.A.
VOLKSWAGEN BANK POLSKA S.A.	48	-	5	variable interest according to agreement	paid up in 2011	ownership rights to a car	car credit granted to Helios S.A.
Raiffeisen Bank Polska S.A.	30,000	1,824	1,824	1M WIBOR + bank margin	monthly installments until 31 December 2020	mortgage on property in Opole, pledge on cinema equipment in Opole, Gdansk and Kielce, pledge on insurance policy, pledge on current account, blank promissory note with promissory note declaration	investment credit granted to 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 2011	31 December 2010				
Raiffeisen Bank Polska S.A.	1,500	103	103	1M WIBOR + bank margin	monthly installments until 31 December 2020	mortgage on property in Opole, pledge on cinema equipment in Opole, Gdansk and Kielce, pledge on insurance policy, pledge on current account, blank promissory note with promissory note declaration	bank overdraft granted to Helios S.A.
Raiffeisen Bank Polska S.A.	10,000	660	660	1M WIBOR + bank margin	monthly installments until 31 December 2020	mortgage on property in Opole, pledge on cinema equipment in Opole, Gdansk and Kielce, pledge on insurance policy, pledge on current account, blank promissory note with promissory note declaration	investment credit granted to Helios S.A.
Raiffeisen Bank Polska S.A.	5,000	1,017	-	1M WIBOR + bank margin	monthly instalments till September 20, 2016	pledge on current account and other bank accounts managed by the Bank; registered pledge on insurance policy from the contract on the basis of the agreement between the Bank and the Creditor	investment credit granted to Helios S.A.
KREDYT BANK S.A.	3,600	-	-	WIBOR + bank margin 2%	credit line to be used till May 11, 2012	blank promissory note; mortgage on cinema property in Radom (2), Lodz, Gniezno, Kalisz, Katowice, Konin, Olsztyn, Piotrkow, Rzeszow, Sosnowiec, Szczecin, Wroclaw and office equipment in Lodz; mortgage on property in Bialystok together pledge on insurance policy	credit line for short-term bank loans
Katarzyna Borkowska	80	77	74	1M WIBOR+1,5%	29 February 2012	none	loan granted to Helios S.A.
Short term finance lease liabilities							
BZ WBK LEASING S.A.	30,810	4,661	3,826	1M WIBOR + lessor`s margin	Final repayment in installment till 2015	blank promissory note, leased equipment (3D projectors, cinema and bar equipment)	lease agreement signed by Helios S.A.
BRE leasing Sp. z o.o.	4,605	764	665	1M WIBOR + lessor`s margin	Final repayment in installlments till 2015	blank promissory note, leased equipment (cars and cinema equipment)	lease agreement signed by Helios S.A.
Europejski Fundusz Leasingowy S.A.	16,083	2,785	2,690	1M WIBOR + lessor`s margin	Final repayment in installments till 2015	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

Creditor	Amount of agreement	Outstanding		Interest	Repayment schedule according to agreement	Collaterals	Other
		31 December 2011	31 December 2010				
SG Equipment Leasing Polska Sp. z o.o.	3,586	697	639	1M WIBOR + lessor`s margin	Final repayment in installments till 2014	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.	5,669	865	35	1M WIBOR + lessor`s margin	Final repayment in installments till 2018	leased equipment - 3D projectors	lease agreement signed by Helios S.A.
Kredyt Lease	3,920	662	-	1M WIBOR + lessor`s margin	Final repayment in installments till 2015	blank promissory note, projection equipment	lease agreement signed by Helios S.A.

(1) the amount of credit line has changed according to the Annex no. 12; the Company can use also credit line C – that is the amount up to PLN 150,000 thousand till May 31, 2012; till the date of publication of this financial statements the credit line C was not used by the Company.

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

14. DEFERRED INCOME TAXES

Recognised deferred tax assets and liabilities

	31 December 2011	31 December 2010
Deductible temporary differences	206,519	165,579
Taxable temporary differences	365,977	409,905

Deferred income taxes are calculated using a rate of 19% (2010: 19%).

Deferred tax assets

	2011	2010
Balance as at beginning of the period	**31,460**	**32,901**
Accruals	12,233	10,280
Financial assets and liabilities	73	-
F/X differences	-	-
Interests liabilities	942	187
Deferred revenues	9,475	8,113
Provisions	29	290
Impairment losses for property, plant and equipment and intangible assets	-	225
Impairment losses for inventories	4,584	4,219
Impairment losses for accounts receivable	1,612	1,786
Tax losses	1,765	3,987
Special Economic Zone	190	3,511
Finance leases	-	-
Other	557	303
Recognised in the income statement due to origination and reversal of temporary differences and tax loss	**2,878**	**(3,148)**
Accruals	(657)	1,087
Financial assets and liabilities	(44)	(32)
F/X differences	79	-
Interests liabilities	1,261	700
Deferred revenues	3,525	1,362
Provisions	(29)	(379)
Impairment losses for property, plant and equipment and intangible assets	-	(225)
Impairment losses for financial assets	352	-
Impairment losses for inventories	(459)	365
Impairment losses for accounts receivable	(161)	(232)
Tax losses	(1,436)	(2,222)
Special Economic Zone	(190)	(3,321)
Finance leases	969	-
Other	(332)	(251)
Related to acquisition of subsidaries	**-**	**1,707**

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

	2011	2010
Accruals	-	866
Financial assets and liabilities	-	105
Interests liabilities	-	55
Provisions	-	118
Impairment losses for accounts receivable	-	58
Other	-	505
Balance as at end of the period	**34,338**	**31,460**
Accruals	11,576	12,233
Financial assets and liabilities	29	73
F/X differences	79	-
Interests liabilities	2,203	942
Deferred revenues	13,000	9,475
Provisions	-	29
Impairment losses for financial assets	352	-
Impairment losses for inventories	4,125	4,584
Impairment losses for accounts receivable	1,451	1,612
Tax losses	329	1,765
Special Economic Zone	-	190
Finance leases	969	-
Other	225	557

Deferred tax liabilities

	2011	2010
Balance as at beginning of the period	**77,882**	**71,070**
Accelerated depreciation and amortisation	72,663	68,521
Financial assets and liabilities	1,574	219
F/x differences	9	5
Interest receivables	673	635
Finance leases	2,547	-
Other	416	1,690
Recognised in the income statement due to origination and reversal of temporary differences	**(2,114)**	**(1,878)**
Accelerated depreciation and amortisation	(4,286)	(3,170)
Financial assets and liabilities	(21)	1,355
F/x differences	(1)	4
Interest receivables	1,376	20
Finance leases	834	1,187
Other	(16)	(1,274)
Related to acquisition of subsidaries	**-**	**8,690**
Accelerated depreciation and amortisation	-	7,312
Interests liabilities	-	18
Finance leases	-	1,360
Balance as at end of the period	**75,768**	**77,882**
Accelerated depreciation and amortisation	68,377	72,663
Financial assets and liabilities	1,553	1,574

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

	2011	2010
F/x differences	8	9
Interest receivables	2,049	673
Finance leases	3,381	2,547
Other	400	416

Deferred tax assets and liabilities	Before offsetting	Offsetting	31 December 2011 Carrying amount
Assets	34,338	(30,498)	3,840
Liabilities	75,768	(30,498)	45,270

Deferred tax assets and liabilities	Before offsetting	Offsetting	31 December 2010 Carrying amount
Assets	31,460	(28,506)	2,954
Liabilities	77,882	(28,506)	49,376

Unrecognised tax assets

Due to uncertainty about availability of future tax profits (some radio companies) or uncertainty as to realisation for tax purposes the Group did not recognise certain deferred tax assets concerning some temporary differences and tax losses.

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

	31 December 2011	31 December 2010	Expiry date
Unused tax losses	6,529	12,608	up to 2015
Impairment allowances for receivables	-	3	unlimited
Other deductible temporary differences	-	271	unlimited

Other deductible temporary differences refer mainly to accrued interests from received loans, impairment losses for other assets and costs incurred which will be tax allowed when paid.

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

15. OTHER FINANCIAL LIABILITIES

	2011	2010
Put option liability	27,535	29,669
Liability related to valuation of SWAP contracts	156	381
Other financial liabilities	**27,691**	**30,050**

Put option liability concerns an estimated value of put option given to non-controlling shareholders of Helios S.A. and of Sport4People Sp. z o.o. (additional information on put option and the business combination on Helios S.A. and on Sport4People Sp. z o.o. are presented in note 32 to the consolidated financial statements).

A liability related to valuation of SWAP contracts is connected with the revaluation to a fair value of interest rate SWAP contracts signed by a one of subsidiaries and is accounted for in accordance with the bank valuation as at December 31, 2011 and as at December 31, 2010, respectively.

16. RETIREMENT SEVERANCE PROVISION

According to the Polish employment regulations, employees have the right to retirement severances payments. The amount provided as at 31 December 2011 amounted to PLN 2,109 thousand (31 December 2010: PLN 2,003 thousand).

17. PROVISIONS

	2011	2010
Balance as at beginning of the period	**10,143**	**13,065**
Provision for restructuring	-	477
Provision for restructuring of advertising panels	60	31
Provision for penalties, interests and similar	6,389	7,524
Provision for onerous contracts	496	1,383
Provision for the cost of compensation and severances for the former Management Board Members	-	219
Provision for legal claims	1,625	1,532
Provision connected with the sentence passed by the Constitutional Tribunal	662	666
Other	911	1,233
Additional provisions	**887**	**2,888**
Provision for restructuring of advertising panels	-	29
Provision for penalties, interests and similar	-	1,489
Provision for the cost of compensation and severances for the former Management Board Members	521	-
Provision for legal claims	365	493
Other	1	117
Related to acquisition of subsidaries (legal claims)	-	760
Provisions used during the period	**(31)**	**(3,319)**
Provision for restructuring	-	(51)
Provision for restructuring of advertising panels	(31)	-
Provision for penalties, interests and similar	-	(1,198)
Provision for onerous contracts	-	(887)

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

	2011	2010
Provision for the cost of compensation and severances for the former Management Board Members	-	(219)
Provision for legal claims	-	(610)
Provision connected with the sentence passed by the Constitutional Tribunal	-	(4)
Other	-	(350)
Unused provisions reversed	**(4,213)**	**(2,491)**
Provision for restructuring	-	(426)
Provision for penalties, interests and similar	(2,791)	(1,426)
Provision for onerous contracts	(496)	-
Provision for legal claims	(150)	(550)
Provision connected with the sentence passed by the Constitutional Tribunal	(662)	-
Other	(114)	(89)
Balance as at end of the period	**6,786**	**10,143**
Provision for restructuring of advertising panels	29	60
Provision for penalties, interests and similar	3,598	6,389
Provision for onerous contracts	-	496
Provision for the cost of compensation and severances for the former Management Board Members	521	-
Provision for legal claims	1,840	1,625
Provision connected with the sentence passed by the Constitutional Tribunal	-	662
Other	798	911
	-	
Non-current part	**-**	**-**
Current part	**6,786**	**10,143**
Provision for restructuring of advertising panels	29	60
Provision for penalties, interests and similar	3,598	6,389
Provision for onerous contracts	-	496
Provision for the cost of compensation and severances for the former Management Board Members	521	-
Provision for legal claims	1,840	1,625
Provision connected with the sentence passed by the Constitutional Tribunal	-	662
Other	798	911

(i) Provision for restructuring of advertising panels

Provision for restructuring of advertising panels was set up for dismantling costs of selected panels in AMS.

(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, provision for interests on overdue liabilities and VAT.

(iii) Provision for cost related to agreements bearing some burdens

The provision is connected with the rent agreement of office space by a one of subsidiaries.

(iv) Provision for the cost of compensation and severances for the former Management Board Members

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In December 2011, the Company set up a provision for costs of compensation and severances for a former Management Board Member Tomasz Jozefacki.

(v) Provision for legal claims

The Group is a defendant in court cases. As at 31 December 2011 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.

(vi) Provision connected with the sentence passed by the Constitutional Tribunal

The provision was set up for possible costs of leveling salaries of employees from the period July 2005 - July 2008 and stems from the sentence passed by the Constitutional Tribunal concerning the interpretation of calculation rules for sick benefits. In 2011, the provision was reversed due to finishing the 3-year period, in which the employees could put forward a motion on settlement of sickness benefits.

18. NON-CURRENT AND CURRENT DEFERRED REVENUES AND ACCRUALS

	31 December 2011	31 December 2010
Non-current		
Accruals	**3,022**	**2,046**
- accrual for costs	242	317
- accrual for 3-Year-Long Incentive Plan (note 26)	2,780	1,729
Deferred revenues	**985**	**1,327**
- other	985	1,327
	4,007	**3,373**
Current		
Accruals	**49,804**	**48,586**
- holiday leave pay provision	9,266	10,540
- employee incentive plan	4,551	3,485
- payroll accrual	3,751	3,998
- accrual for ZAIKS costs	7,306	4,232
- accrual for costs	24,930	26,331
Deferred revenues	**5,799**	**4,951**
- grants for financing property, plant and equipment	153	-
- prepayments for advertising services and subscribtion	3,324	2,306
- court costs to be recovered	851	983
- other	1,471	1,662
	55,603	**53,537**

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

19. ACCOUNTS PAYABLE

	31 December 2011	31 December 2010
Trade payables	108,621	102,854
Other taxes and social security	23,124	23,200
Other	19,482	7,092
Special Fund	31,502	31,220
	182,729	**164,366**

Trade payables are non-interest bearing and are normally settled within 14 - 21 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 39.

20. 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 entity that management monitors in making decisions about operating matters. Operating segments are components of an entity, 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, and has six reportable operating segments as follows:

1) the *Newspapers* segment includes the Group's following activities: Special Projects (including book collections) and publishing of *Gazeta Wyborcza* as well as *Metro (*including operating activities of the Agora's Printing Department, Agora Poligrafia Sp. z o.o., which focus mainly on printing of these two newspapers),

2) the *Internet* segment includes the following Group's activities: the Internet and multi-media products and services, (the Agora's Internet department, Trader.com (Polska) Sp. z o.o., LLC Agora Ukraine, AdTaily Sp. z o.o. and from November 30, 2011 Sport4People Sp. z o.o.),

3) the *Magazines* segment comprises the Group's activities on publishing the magazines within Agora's Magazine Department and Agora Press Ltd. (only till the end of July 2010),

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

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 *Cinema* segment includes the Group's activities within the cinema management of Helios S.A. (till August 31, 2011 consolidated financial statements of two companies: Helios S.A. and Kinoplex Sp. z o.o.) comprising multiplexes as well as traditional cinemas. The Group decided to recognise a new operating segment because of its specific business characteristics to start from August 31, 2010 that is from the date of transaction closure as for share acquisition of Helios S.A. (more on business combination in note 32).

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 mainly the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. 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: other revenues and costs of Agora's support divisions and the Management Board, Agora TC 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.

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. They include mainly impairment losses on property, plant and equipment and intangible assets, trade receivables and the cost of liquidation of non-financial tangible assets.

Amount of investment in associates and joint ventures accounted for by the equity method include the amounts of loans granted in the reported period, paid-in capital, acquired and contributed shares by Agora S.A. The financials presented for years ended 31 December 2011 and 31 December 2010 relate to A2 Multimedia Sp. z o.o. Business Ad Network Sp. z o.o. (from 28 April 2010) and also to GoldenLine Sp. z o.o. (from 29 December 2011).

Capital expenditure consists of additions based on the invoices booked in the reported period (purchases of intangible and fixed assets).

The Agora Group does not present geographical reporting segments, because the business activities in the Ukraine do not have material impact on the financial statements of the Group as a whole.

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

(a) Operating segment information, continued

	Twelve months ended 31 December 2011							
	Newspapers	Internet	Magazines	Outdoor	Radio	Cinema	Reconciling positions	Total
Revenues from external customers	588,328	110,696	75,111	170,839	82,099	201,041	6,439	1,234,553
Intersegment revenues (2)	6,147	3,254	173	4,198	3,979	2,907	(20,658)	-
Total revenues	**594,475**	**113,950**	**75,284**	**175,037**	**86,078**	**203,948**	**(14,219)**	**1,234,553**
Total operating cost (1), (2), (3)	**(500,689)**	**(107,650)**	**(73,429)**	**(160,004)**	**(82,622)**	**(188,503)**	**(69,772)**	**(1,182,669)**
Operating profit (loss) (1)	**93,786**	**6,300**	**1,855**	**15,033**	**3,456**	**15,445**	**(83,991)**	**51,884**
Net finance income and cost							3,120	3,120
Share of results of equity accounted investees		11						11
Income tax							(11,226)	(11,226)
Net profit								**43,789**

(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 and the Management Board and Agora TC Sp. z o.o. (PLN 92,867 thousand), intercompany eliminations and other matching adjustments which reconcile the data presented in the management reports to the consolidated financials of the Agora Group.

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

(a) Operating segment information, continued

	Twelve months ended 31 December 2011							
	Newspapers	**Internet**	**Magazines**	**Outdoor**	**Radio**	**Cinema (3)**	**Reconciling positions**	**Total**
Operating depreciation and amortisation	(29,005)	(5,939)	(135)	(18,276)	(2,556)	(17,967)	(15,672)	(89,550)
Amortisation recognised on consolidation (1)	-	(2,835)	-	-	(118)	(538)	254	(3,237)
Impairment losses	(6,696)	(1,768)	(11,618)	(4,406)	(1,583)	(3,163)	(351)	(29,585)
Reversals of impairment losses	3,814	396	200	2,471	926	102	40	7,949
Equity-settled share-based payments	(4,340)	(644)	(418)	(803)	(544)	-	(2,957)	(9,706)
Capital expenditure (2)	23,681	6,265	219	13,791	3,001	21,381	28,614	96,952

	As at 31 December 2011							
	Newspapers	**Internet**	**Magazines**	**Outdoor**	**Radio**	**Cinema (3)**	**Reconciling positions**	**Total**
Property, plant and equipment and intangible assets (4)	290,856	74,016	62,153	262,497	65,072	233,920	190,879	1,179,393
Investments in associates and joint ventures accounted for by the equity method	-	11,881	-	-	-	-	-	11,881

(1) is not presented in operating result of the Group's segments;
(2) based on invoices booked in the period;
(3) capital expenditure include also lease property, plant and equipment in the amount of PLN 9,753 thousand;
(4) *reconciling positions* include mainly Company's headquarter (PLN 136,531 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.

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

(a) Operating segment information, continued

	Twelve months ended 31 December 2010							
	Newspapers	**Internet**	**Magazines**	**Outdoor**	**Radio**	**Cinema (4)**	**Reconciling positions**	**Total**
Revenues from external customers	638,894	100,078	83,423	156,340	73,659	55,899	8,449	1,116,742
Intersegment revenues (2)	5,089	1,726	174	7,736	3,950	115	(18,790)	-
Total revenues	**643,983**	**101,804**	**83,597**	**164,076**	**77,609**	**56,014**	**(10,341)**	**1,116,742**
Total operating cost (1), (2), (3)	**(496,612)**	**(97,062)**	**(67,676)**	**(158,904)**	**(73,903)**	**(55,399)**	**(82,298)**	**(1,031,854)**
Operating profit (loss) (1)	**147,371**	**4,742**	**15,921**	**5,172**	**3,706**	**615**	**(92,639)**	**84,888**
Net finance income and cost							3,967	3,967
Share of results of equity accounted investees		(980)						(980)
Income tax							(16,006)	(16,006)
Net profit								**71,869**

(1) segments do not include amortisation recognised on consolidation, which is presented in matching 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 and the Management Board and Agora TC Sp. z o.o. (PLN 102,183 thousand), intercompany eliminations and other matching adjustments which reconcile the data presented in the management reports to the consolidated financials of the Agora Group;
(4) data presented to start from August 31, 2010 (being incorporated into the Agora Group); for income statement include only September-December 2010.

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

(a) Operating segment information, continued

	Twelve months ended 31 December 2010							
	Newspapers	**Internet**	**Magazines**	**Outdoor**	**Radio**	**Cinema (4)**	**Reconciling positions**	**Total**
Operating depreciation and amortisation	(25,685)	(6,689)	(253)	(21,300)	(2,725)	(5,370)	(17,228)	(79,250)
Amortisation recognised on consolidation (1)	-	(2,654)	-	-	(636)	(179)	254	(3,215)
Impairment losses	(6,307)	(3,506)	(391)	(5,993)	(3,029)	(94)	(7,867)	(27,187)
Reversals of impairment losses	4,959	2,571	236	3,248	2,047	126	591	13,778
Equity-settled share-based payments	(5,054)	(539)	(459)	(927)	(507)	-	(2,885)	(10,371)
Capital expenditure (2)	9,727	3,284	42	8,915	1,924	13,901	17,021	54,814

	As at 31 December 2010							
	Newspapers	**Internet**	**Magazines**	**Outdoor**	**Radio**	**Ciemna (4)**	**Reconciling positions**	**Total**
Property, plant and equipment and intangible assets (3)	296,199	75,527	73,300	271,018	64,757	206,774	202,809	1,190,384
Investments in associates and joint ventures accounted for by the equity method	-	235	-	-	-	-	-	235

(1) is not presented in operating result of the Group's segments;
(2) based on invoices booked in the period.
(3) *reconciling positions* include mainly Company's headquarter (PLN 143,347 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;
(4) data presented to start from August 31, 2010 (being incorporated into the Agora Group); for income statement include only September-December 2010 capital expenditure include also lease property, plant and equipment in the amount of PLN 10,662 thousand.

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

(b) Sales information

	2011	2010
Sales of advertising services	705,586	715,658
Sales of newspapers and magazine	192,799	208,961
Sales of goods for resale	67,783	52,952
Ticket sales	146,336	40,095
Other sales	122,049	99,076
	1,234,553	**1,116,742**

Barter sales of PLN 53,657 thousand are included in sales of advertising services (2010: PLN 46,464 thousand).

21. EXPENSES BY NATURE

	2011	2010
Depreciation of property, plant and equipment (note 4)	76,565	68,121
Amortisation of intangibles (note 3)	16,222	14,344
Raw materials, energy and consumables	251,163	203,857
Advertising and promotion costs	115,095	130,912
Property operating lease rentals	40,822	20,438
Outdoor location lease rentals	59,823	59,452
Taxes and similar charges	5,540	7,405
Other external services rendered	277,655	223,075
Staff costs (note 24)	322,319	293,567
Total expenses by nature	**1,165,204**	**1,021,171**
Cost of production for in-house use	(582)	(600)
Total operating expenses	1,164,622	1,020,571
Selling expenses	**(254,612)**	**(252,427)**
Administrative expenses	(119,216)	(112,320)
Cost of sales	790,794	655,824

22. OTHER OPERATING INCOME

	2011	2010
Gain on disposal of non-financial non-current assets	243	79
Grants received	2,133	2,739
Reversal of impairment losses for receivables	7,920	13,167
Reversal of other provisions	4,213	1,161
Donations received	123	154
Liabilities written off	1,886	2,677
Other	2,384	5,357
	18,902	**25,334**

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

23. OTHER OPERATING EXPENSES

	2011	2010
Impairment losses recognised for receivables	13,739	17,158
Impairment losses recognised for non-financial non-current assets	14,571	112
Donations	891	1,863
Provisions recognised	887	1,253
Restructuring costs	-	29
Liquidation of fixed assets including dismantling panels	1,195	9,916
Other	5,666	6,286
	36,949	**36,617**

Impairment losses for receivables relate to receivables classified as doubtful.

24. STAFF COSTS

	2011	2010
Wages and salaries	264,503	239,018
Social security costs	48,110	44,178
Share-based payments	9,706	10,371
	322,319	**293,567**
Average number of persons employed	**3,494**	**3,450**

The headcount figure include employees of Agora S.A. and of the companies consolidated using the full consolidation method (see note 38).

25. MANAGEMENT BOARD AND SUPERVISORY BOARD REMUNERATION

Renumeration of Management Board and Supervisiory Board members of Agora S.A.:

	2011	2010
Management Board		
Piotr Niemczycki	701	600
Zbigniew Bak (1)	810	526
Tomasz Jozefacki (2)	616	480
Grzegorz Kossakowski	616	480
	2,743	**2,086**
Supervisory Board		
Wanda Rapaczynski	72	72
Andrzej Szlezak	108	108
Tomasz Sielicki	72	72
Slawomir S. Sikora	72	72
Marcin Hejka	72	72
	396	**396**

(1) In 2010, Zbigniew Bak was on a 3-month-long upaid leave;
(2) The Member of the Management Board till January 31, 2012.

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

Management Board and Supervisiory Board members did not receive any renumeration from subsidiaries, associate companies and joint-ventures.

26. INCENTIVE PLANS BASED ON FINANCIAL INSTRUMENTS

During periods covered by these financial statements, the following incentive plans were carried out in the Group:

A. Incentive Plan based on equity-settled share-based payments,

B. Employee Stock Purchase Plan and Stock Incentive Plan for the management (carried out until the end of 2004),

C. Incentive Plan based on realization on operating result goal and share price increase (from 2010).

A. Incentive plan based on equity-settled share-based payments (carried out from 2005)

Eligible employees of the Agora Group participate in an incentive plan based on investment certificates in a closed end mutual fund designated to service the plan and managed by Towarzystwo Funduszy Inwestycyjnych Skarbiec SA. The number of certificates granted depends on meeting performance criteria, not on market conditions.

Detailed information on Incentive Plans for 2009 and 2010 were presented in the consolidated financial statements for the year of 2009 and 2010 respectively.

In 2011 a new Incentive Plan based on equity-settled share-based payment**s** (investment certificates) has been launched.

The summary of new Incentive Plan 2011:

	Incentive Plan 2011 (certificates M)
Grant date:	14 December 2011
Month in which certificates are purchased by eligible employees	September 2011
Total number of certificates purchased by employees of the Group	339,605
Vesting date and vesting period	25 June 2012, 9 months (October 2011 – June 2012) 1.0 Agora's share falls on each certificate M
Vesting conditions	described in incentive plan regulations, specifically the employment in Group companies as at the vesting date
Purchase price of each certificate	PLN 1
Type of the plan	equity settled
During the vesting period Agora Holding Sp. z o.o. has an irrevocable, unconditional right to buy back certificates for the purchase price.	

The fair value of certificates is determined by applying valuation model, which takes into consideration such variables as: market value of Agora's shares, which are disposed on behalf of the investment fund, specific characteristics and running costs of the fund, type of transferred shares and rights and limitations associated with the certificates. Consequently, the discount factor was established at the level of 23.6% (detailed description of the valuation model is disclosed below).

The fair value of certificates is established as at the grant date and posted to the income statement from the month following the month in which certificates are purchased by the eligible employees. The costs are recognized over the vesting period.

Historical ratio of forfeited certificates (FR ratio, described below) adjusts the number of certificates granted included in the calculation of incentive plan cost (due to non-compliance with conditions attached to the scheme - obligation to work in the Group, in particular).

The fair value of investment certificates and the total cost of the Group as at the grant date were determined using the following formula:

FMV = (B-S@grant date) x (1-CD),
Cost = FMV x IC x (1-FR)

where:

1. FMV - fair market value of certificate as at the grant date,
2. B-S@grant date - the value of certificates as at the grant date, calculated using Black - Scholes model (B-S), with following assumptions:
    a. the value of certificates as at the grant date was determined as 6 month European call option for Agora's shares as at that date,
    b. parameters of B-S model:

		Incentive Plan 2011 (certificates M)
Market value of base instrument (Agora' share)	PLN	11.9
Volatility of 6 month option	%	25.7
Exercise price of the option	PLN	1.0
Risk-free rate	%	4.6
6 month option value	PLN	10.9

3. CD - discount for closed mutual fund, representing:
    a. valuation of closed funds assets,
    b. rights of owners of PCMF certificates,
    c. PCMF's running costs.
4. IC - total number of certificates in PCMF purchased by the employees,
5. FR - factor which adjusts the number of certificates by the historic percentage of forfeited shares by the employees which did not fulfill vesting conditions in past schemes,
6. The valuation calculation:

		Incentive Plan 2011 (certificates M)
B-S@grant date	PLN	10.9
CD	%	23.6
Market value of certificates as at grant date	PLN	8.3
FR	%	2.7
IC	in number of certificates	339,605
Total cost	PLN thousand	2,750

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

The impact of share-based payments on the financial statements of the Agora Group:

	2011	2010
Income statement – staff cost	9,706	10,371
Equity	9,706	10,371

The impact on the financial statements of the Group described above, results in 2010 from the recognition of the plan carried out in 2009-2010; in 2011 – from the recognition of the plans carried out in 2010-2011.

The table below shows the number of certificates purchased by the employees of the Group in incentive schemes (in number of certificates, including certificates purchased by the Management Board of Agora S.A.):

	2011	2010
At the beginning of the period	680,355	591,835
Granted	339,605	684,777
Forfeited	(9,804)	(17,282)
Vested	(677,055)	(578,975)
At the end of the period	**333,101**	**680,355**

Investment certificates acquired by the Management Board of Agora S.A. (number of certificates):

	As at 31 December 2011	Vested in 2011	Forfeited in 2011	Granted in 2011	As at 31 December 2010
Incentive plan 2011 (M & K series)					
Piotr Niemczycki	8,569	(16,560)	-	8,569	16,560
Zbigniew Bak	9,997	(19,320)	-	9,997	19,320
Tomasz Jozefacki (1)	6,855	(15,548)	-	6,855	15,548
Grzegorz Kossakowski	6,855	(15,748)	-	6,855	15,748
	32,276	**(67,176)**	**-**	**32,276**	**67,176**

(1)Tomasz Jozefacki held his post as Management Board member until January 31, 2012.

Vesting date and vesting period for purchased certificates:

Certificates	Vesting date	Vesting period	Time interval	No. of certificates
I	25 June 2010	9 months	October 2009 – June 2010	34,443
K	25 June 2011	9 months	October 2010 – June 2011	67,176
M	25 June 2012	9 months	October 2011 – June 2012	32,276

In 2011, non-cash expense of the investment certificates acquired by the Management Board, recognised according to IFRS 2, amounted to PLN 963 thousand (in 2010: PLN 792 thousand).

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

B. Employee Stock Purchase Plan and Stock Incentive Plan for the management (carried out until the end of 2004)

In these plans, Agora Holding Sp. z o.o. sold Agora's shares to eligible employees for fixed price of PLN 1 for each share with the following restrictions: they were registered, not admitted for public trade and could not be sold for a period of up to 10 years.

During the vesting period Agora Holding Sp. z o.o. has had an irrevocable right to buy back shares for PLN 1 in case of non-compliance with share incentive plan regulations by employees.

The number of shares granted depended on meeting performance criteria (non-market criteria) by eligible managers.

The shares outstanding are as follows (including shares granted to Members of the Management Board of Agora S.A.):

	2011	2010
At the beginning of the period	-	152,881
Granted	-	-
Forfeited	-	-
Vested	-	(152,881)
At the end of the period	**-**	**-**

The shares granted have vesting and selling restrictions (with selling obligation) for the period from 5 to 10 years.

The shares not vested yet as at December 31, 2004 were granted before November 7, 2002; consequently they are outside the scope of IFRS 2 (they are not valued and recognised in the books). As a result they do not affect the results and equity of the Group.

All shares have full dividend and voting rights.

Shares purchased by the Management Board and Supervisory Board Members (til the end of 2004)

Till the end of 2004, Agora's shares purchased by the current Management Board members and a one of current superviosry Board member acquired in accordance with the employee incentive plans as well as following the change of the legal form of the Company for PLN 1 from Agora Holding Sp. z o. o. The number of shares held by them present the table below:

	31 December 2011	31 December 2010
Wanda Rapaczynski	924,616	924,616
Piotr Niemczycki	1,548,373	1,548,373
Zbigniew Bak	68,006	68,006
Tomasz Jozefacki (1)	1,000	-
Grzegorz Kossakowski	44,451	44,451

(1) Tomasz Jozefacki was the Member of the Management Board till January 31, 2012.

Marek Jackiewicz and Stanislaw Turnau have been Members of the Management Board since January 4, 2012.

C – Incentive plan based on realization on operating result goal and share price increase (from 2010)

Eligible employees of the Company (the Management Board and top managers) participate in incentive program based on two components ("3-Year-Long Incentive Plan") described below:

(i) the stage of realisation of the target based on the operating EBITDA of the Agora Group ("the EBITDA target"). The target is based on the accumulated operating EBITDA (excluding some adjustements, for example related to business combinations) to be reached in the years 2010-2012. The amount of potencial reward 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 period of 2010-2012. If the stage of achieving the target will be up to 70%, the EBITDA target is not satisfied and the reward will not be granted in this component of the 3-Year-Long Incentive Plan,

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

(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 3-Year-Long Incentive Plan will depend on the share price increase in the future, accounted as the difference between the average of the quoted closing Company's share prices in the period of January 1, 2010 till March 31, 2010, that is equal to PLN 23.09 ("the Basic Share Price") and the average of the quoted closing Company's share prices in the period of January 1, 2013 till March 31, 2013 ("the Reference Share Price"), but not more than PLN 35.00, adjusted by: (i) the accumulated dividend per one share, to which the shareholders will be eligible in the period of April 1, 2010 till March 31, 2013 and (ii) the adjustments resulting from the share-buy back program in the period of April 1, 2010 till March 31, 2013 ("the Share Price for Reward Calculation"). If the Share Price for Reward Calculation will be lower than PLN 25.41, the Target of Share Price Increase is not satisfied and the reward will not be granted in this component of the 3-Year-Long Incentive Plan.

The reward for 3-Year-Long Incentive Plan depends also on the fulfillment of other conditions, which are non-market conditions (for example: continuation of the employment within the Agora Group, holding the same post).

The rules, goals, adjustments and conditions for 3-Year-Long Incentive Plan fulfillment for the Management Board members are described in the Supervisory Board resolution and for top managers in the Management Board resolution.

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 and is charged to the Income Statement over the whole period of the Incentive Plan, in proportion of the actual accumulated EBITDA operating level of the Group (excluding any adjustments) reached from January 1, 2010 till the balance sheet of the current financial statements in the estimated value of the operating EBITDA target.

The fair value of the provision for the cost of potencial 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.
The value is charged to the Income Statement in proportion to the full period of the 3-Year-Long Incentive Plan, that is from December 1, 2010 (the grant date) till June 30, 2013 (the vesting date). 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 cost to the Income statement of the Agora Group for the period, are described below:

the share price of Agora S.A. as at the present balance sheet date	PLN	11.10
volatility of the share price of Agora S.A. during the last 12 months	%	37.20
the Basic Share Price	PLN	23.09
Risk-free rate	%	3.94-4.68 (at the maturity date)

To estimate the fair values above, the probability ratio of the fullfilment by eligible employees of the non-market conditions mentioned above is equal to 85.0%.

Total impact of the 3-Year-Long Incentive Plan on the current financial statements of the Agora Group:

	2011	2010
Income statement – staff cost	1,051	1,729
Income statement - deferred income tax	(200)	(329)
Non-current borrowings - accruals - as at the end of the period	2,780	1,729
Deferred tax asset - as at the end of the period	528	329

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

The cost of 3-year-long Incentive Program concerning the Management Board of Agora S.A.:

	2011	2010
Piotr Niemczycki	142	227
Zbigniew Bak	171	257
Tomasz Jozefacki (1)	112	190
Grzegorz Kossakowski	112	190
Total	537	864

(1) Tomasz Jozefacki held his post as Management Board member until January 31, 2012.

27. FINANCE INCOME

	2011	2010
Interests on loans and similar items	11	338
Other interest and income from short-term financial assets	15,122	12,846
Gain on sale of long-term financial assets	122	-
Impairment losses for financial assets	340	-
Valuation of SWAP contracts	225	170
F/x gains	-	376
Valuation of put option	3,260	-
Other	606	384
	19,686	**14,114**

28. FINANCE COST

	2011	2010
Interest on loans payable, lease liabilities and similar items	15,207	8,953
Other interest	493	644
F/x losses	820	-
Other	46	550
	16,566	**10,147**

29. INCOME TAXES

Income tax recognised in the consolidated income statement

	2011	2010
Current tax expense		
Current year	(16,356)	(15,087)
Adjustments for prior periods	137	351
	(16,219)	**(14,736)**
Deferred tax expense		
Origination and reversal of temporary differences	6,076	197
Utilization of tax loss	(1,697)	(1,467)
The amount of benefit from a previously unrecognised tax loss and tax credit	262	-
The amount of benefit from a temporary difference of a prior period	352	-
	4,993	(1,270)
Total tax expense recognised in the income statement	**(11,226)**	**(16,006)**

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

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:

	2011	2010
Profit before tax	**55,015**	**87,875**
Tax calculated at a rate of 19% (2010 : 19%)	**(10,453)**	**(16,696)**
Tax effect of:		
Interests in results of associates and joint ventures	(2)	(186)
Reversal of impairment losses for receivables	1,129	2,125
Reversal of impairment losses for other assets	5	380
Other non-taxable revenues	1,315	1,437
Share-based payments costs	(1,844)	(1,971)
Impairment losses for receivables	(1,774)	(1,806)
Impairment losses for other assets	-	(288)
Other non-deductible expenses	(1,590)	(8,044)
Temporary differences on which deferred tax was not recognised	432	8,489
Utilisation of tax losses on which deferred tax was not recognised	825	-
Tax losses on which deferred tax was not recognised	(221)	(844)
Recognition of deferred tax on tax losses from previous periods	262	-
Recognition of deferred tax on temporary differences from previous period	370	297
Other	320	1,101
Tax calculated at an effective rate of 20.4% (2010: 18.2%)	**(11,226)**	**(16,006)**

30. TAX EXEMPTION IN SPECIAL ECONOMIC ZONE

The Group's subsidiary (Agora Poligrafia Sp. z o.o.) operates 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. As at 31 December 2011 the cumulative taxes not paid amounted to PLN 31,284 thousand (31 December 2010: PLN 29,900 thousand). In accordance with the prudence principle the Group recognises the deferred tax asset on this exemption in the amount expected to be utilized in future.

31. EARNINGS PER SHARE

In calculating earnings per share the following variables were used:

a) as numerators – net profits attributable to equity holders of the parent for the respective years,

b) as denominators - the average number of shares issued for the current year which is 50,937,386 for 2011 (2010: 50,937,386).

Weighted average number of ordinary shares:

	2011	2010
Issued ordinary shares at the beginning of the period	50,937,386	50,937,386
Weighted average number of ordinary shares at the end of the period	**50,937,386**	**50,937,386**

There are no dilutive factors.

32. BUSINESS COMBINATIONS

- **Acquisition of the Capital Group Helios S.A.**

On August 31, 2010 Agora S.A. acquired 84.44% of shares (entitling to 84.44% of votes at the general meeting of shareholders) of the company Helios S.A. with its registered seat in Lodz ("Helios"). As a result of this transaction it became indirecty the shareholder in a subsidiary of Helios – Kinoplex Sp. z o.o. (100% share in share capital) with its seat in Lodz. Both companies constituted the Capital Group of Helios S.A. ('Helios group'). The remaining 15.56% of shares of Helios at the moment of share purchase have belonged to four natural persons, two of them being Management Board members of Helios. In November 2010, the company issued additional 2% shares for key managers. Due to this issue, Agora's share in capital share of Helios has decreased from 84.44% to 82.78%. Agora has also signed with the above mentioned key managers, who have had 14.08% share in share capital(after issuing 2% of the shares) agreements to grant conditional option rights for their shares (call option for the Company to buy shares held by them and put option as for a liability to acquire these shares by the Company).

<u>Business combination accounting</u>

The Helios Group is fully consolidated starting from August 31, 2010.

Accounting for acquisition of Helios has been made according to the best knowledge of the Company at the date of the publication of this report and has not been changed since the date of the publication of the report for the third quarter of 2010. Under IFRS 3, the Company had a 12 month measurement period since the acquisition date for determining the final difference between the consideration transferred and the fair value of the identifiable assets acquired and liabilities assumed. Completion of the identification and valuation process has not resulted in adjustments to recognised assets and liabilities as well as recognizing additional assets and liabilities, not recognised till now, which could have affected the amount of goodwill recognised.

<u>Recognition of the put option in the consolidated financial statements</u>

Put options granted to the non-controlling shareholders meet the definition of an other financial liability under *IAS 32 Financial Instruments: Presentation* and were recognised in the consolidated financial statements of Agora Group.

The estimated redemption amount of the put options classified as a financial liability is recognised in the consolidated balance sheet of the Agora Group and at initial recognition decreased retained earnings (line item in the consolidated balance sheet of the Agora Group: Retained earnings and other reserves). As at December 31, 2011, its value is estimated to PLN 26,409 thousand (31 December 2010: PLN 29,669 thousand) - line item in the consolidated balance sheet of the Agora Group: other financial liabilities.

On August 31, 2011 the District Court for the city of Lodz, XX Commercial Division, registered the merger by transfer of all assets and liabilities of Kinoplex Sp. z o.o. to Helios S.A. (the incorporating company). The merger was executed in accordance with the article 516 §6 of the Commercial Companies Code (simplified merger by take over), i.e. due to the fact that the acquired company was a one man company and its sole shareholder was Helios S.A., the merger took place without a resolution of a general meeting of shareholders of the incorporating company by means of transfer of all the assets and liabilities of Kinoplex Sp. z o.o. to Helios S.A. The merger was effected without increasing the share capital of Helios S.A.

- **On February 24, 2011** the District Court for the city of Cracow, XI Commercial Division, registered the increase of the share capital of AdTaily by 48 new shares with nominal value of PLN 50 per share (in total PLN 2.4 thousand). The Company covered the new shares with PLN 252 thousand contribution. The agio was recognized in other reserves. The AdTaily's share capital amounted to PLN 33,350 and consisted of 667 shares with nominal value PLN 50 per share. As a result of the above transaction Agora S.A. had 487 shares constituting 73.01% of the share capital and had right to 73.01% votes at shareholders' meeting.

- **On September 29, 2011** the District Court for the city of Krakow, XI Commercial Division, registered the increase of the share capital of AdTaily by 28 new shares with nominal value of PLN 50 per share (in total PLN 1.4 thousand), the new shares were coverd by 4 natural persons with PLN 1.4 thousand contribution. After the increase, AdTaily's share capital amounted to PLN 34,750 and now consisted of 695 shares with nominal value PLN 50 per share. As a result of the above transaction, Agora S.A. held 487 shares constituting 70.07% of the share capital and had right to 70.07% votes at a general meeting of shareholders.

- **On November 24, 2011** the shareholders of A2 Multimedia Sp. z o.o. adopted a resolution to increase the share capital of A2 Multimedia by 7,200 new shares with nominal value of PLN 500 per share (in total PLN 3,600 thousand). Agora S.A. covered 3,600 new shares with PLN 1,800 thousand contribution. Moreover, on December 29, 2011 Agora S.A. disposed of 3,900 shares of A2 Multimedia Sp. z o.o. As a result of the above transactions, after the registration by the the District Court for the capital city of Warsaw, XII KRS Commercial Division on January 25, 2012, Agora S.A. had 3,700 shares constituting 24.34% of the share capital and has right to 24.34% votes at shareholders' meeting.

- **Acquisition of Sport4People Sp. z o.o.**

On November 25, 2011 as a result of the purchase of shares from the company's owners and acquisition of new shares through an increase of the share capital Agora S.A. became an owner of 93 shares of the company Sport4People Sp. z o.o. ("Sport4People") constituting 51.67% of the share capital and has right to 51.67% votes at the shareholders' meeting. Agora has also signed with the owners an investment agreement to grant conditional option rights for their remaining shares (call option for the Company to buy shares held by them and put option as for a liability to acquire these shares by the Company).

Business combination accounting

Accounting for acquisition of Sport4People has been made according to IFRS 3. The Group decided to measure the non-controlling interest in the acquired company at the non-controlling interest`s proportionate share of the acquiree`s identifiable net assets. The Company is fully consolidated starting from November 30, 2011.

From the date of acquisition till December 31, 2011, Sport4People has contributed a loss of PLN 3 thousand and revenues of PLN 33 thousand to the net profit and revenues of the Agora Group, respectively. If the acquisition had occured at the beginning of the year, the revenue of the Agora Group for the period ended 31 December 2011 would have been PLN 1,235.0 million and the net profit would have been PLN 43.9 million.

The acquisition-related costs of PLN 11 thousand have been expensed and included in administrative expenses in the profit and loss statement of the Agora Group.

The fair value of assets and liabilities as of the acquisition date is as follows:

in PLN thousands	Book value as at acquistion date	Fair value as at acquisition date
Assets		
Non-current assets:		
Intangible assets	26	26
Current assets:		
Accounts receivable and prepayments	102	102
Cash and cash equivalents	434	434
Total assets	562	562
Liabilities		
Current liabilities		
Accounts payable	(22)	(22)
Other current liabilities	(18)	(18)
Total liabilities	(40)	(40)
Identificable net assets at fair value		521
Non-controlling interests		(252)
Goodwill as at acquisition date		1,095

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

Purchase price	1,364

Goodwill

Goodwill is attributable inter alia to the skills, experience and knowledge of the workforce. None of the goodwill recognised is expected to be deductible for income tax purposes.

Recognition of the put option in the consolidated financial statements

Put options granted to the non-controlling shareholders meet the definition of an other financial liability under *IAS 32 Financial Instruments: Presentation* and were recognised in the consolidated financial statements of Agora Group. Non-controlling shareholders holding put options have retained their rights to the economic benefits associated with the underlying shares.

The estimated redemption amount of the put options classified as a financial liability as at December 31, 2011, recognised in the consolidated balance sheet of the Agora Group amounted to PLN 1,126 thousand and decreased Retained earnings and other reserves. Subsequent changes in the value of the liability will be recognised through the income statement. The value of the Agora`s liability related to put options is calculated on the basis of the estimated, dicounted option exercise price, which depends on the estimated future value of the Sport4People equity, which is calculated on the basis of a constant EV/net profit multiplier specified in the investment agreement and estimated future values of net profit. The range of future values of this liability is difficult to estimate, because it depends on net profit growth in future.

- **On December 15, 2011,** the shareholders of AdTaily Sp. z o.o. adopted a resolution to increase the share capital of AdTaily by 145 new shares with nominal value of PLN 50 per share (in total PLN 7.25 thousand). Agora covered the new shares with PLN 761.25 thousand contribution. The agio was recognized in other reserves. The AdTaily's share capital amounts to PLN 42 thousand and now consists of 840 shares with nominal value PLN 50 per share. As a result of the above transaction Agora S.A. has 632 shares constituting 75.24% of the share capital and has right to 75.24% votes at shareholders' meeting. The increase of the share capital has not been registered till the date of publication of this financial statements.

- **On December 29, 2011**, the Company signed an agreement to purchase shares in GoldenLine Sp. z o.o. and shareholders agreement of GoldenLine Sp. z o.o. with its registered seat in Warsaw ("the company", "GoldenLine"). As a result of signing the aforementioned agreements, Agora acquired 72 shares constituting 36% of the company's share capital and entitling Agora to 72 votes giving the right to 36% of the total number of votes at the meeting of shareholders of the company ("the Shares"). The total purchase price for the Shares amounts to PLN 11,520 thousand. The Company is accounted for using the equity method under IAS 28.

Under IAS 28 requirements, the Company made a valuation of fair value of assets of GoldenLine Sp. z o.o. As a result, two intangible assets were identified, which met the condition of identifiability under IFRS 3 and IAS 38, not presented up till now in the balance sheet of this company, that is: a GoldenLine domain and the value of IT software & technology. Because the purchase consideration (calculated for 100% shares) exceeds fair value of acquired identifiable assets, the goodwill was recognized in the amount of PLN 14,955 thousand (PLN 5,384 thousand accounted for 36% share in GoldenLine). Under IAS 28, identified intangible assets are not presented in the consolidated financial statements of the Agora Group separately and they are part of the value of the investment in the equity accounted investee.

On the basis of the modified articles of association and shareholders agreement executed between Agora S.A. and existed shareholders ("Shareholders"), Agora received a number of rights typical for a non-controlling shareholder.

On the basis of the shareholders agreement, Shareholders may take advantage of their right to sell their shares to Agora and Agora may use its right to purchase the shares owned by the Shareholders, but those rights do not constitute irrevocable obligations of the other party as each party can free itself from those obligations by voting at a general meeting of shareholders for alternative ways of giving liquidity to the shares owned by Shareholders.

33. FINANCIAL RISK MANAGEMENT

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

- credit risk,
- liquidity risk,
- market risk,
- operational 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 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 percent of the balance, which includes the amount owed by the Group's most significant customers relates to customers that have a good payment record.

Investments

The Company limits its exposure to credit risk by investing only in liquid securities.

Guarantees

The information on guarantees and promissory notes are descibed in note 36.

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 ast December 31, 2011, the Group maintains line of credit in Bank Pekao S.A presented in note 13 and payment deadlines concerning trade payables are described in note 19.

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 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 1,198 thousand as at balance sheet date (31 December 2010: PLN 1,248 thousand), mainly in EURO and USD.

Accounts receivable in foreign currency amounted to PLN 1,891 thousand as at balance sheet date (31 December 2010: PLN 3,885 thousand), principally in USD and EURO.

Accounts payable requiring settlement in foreign currency amounted to PLN 7,581 thousand as at balance sheet date (31 December 2010: PLN 5,908 thousand), payable principally in EURO and USD.

The Group does not hedge against exchange rate risk on a long term basis (because of the high cost of long term hedging). From time to time, the Group may still enter into short term forward currency contracts with maturity up to three months.

Agora S.A. has not been or was in 2011 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, other loans and finance lease aggrements with interest at a floating rate based on WIBOR 1M or 3M.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of possible financial losses and possible damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions,
- requirements for the reconciliation and monitoring of transactions,
- compliance with regulatory and other legal requirements,
- documentation of controls and procedures,
- up-to-date analysis of the causes of operational results and setting remedial actions if a operational loss appeared or the probability of happening significant operational risk,
- training and professional development,
- ethical and business standards,
- risk mitigation, including insurance where this is effective.

Compliance with Group's standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

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.

Sensitivity analysis

a) Interest rate risk

The Group has many financial instruments (including bank deposits and credits, loans). Their fair values and the fair value of future cash flows connected with them may fluctuate due to changes in interest rates. As at December 2011, assuming a +/- 1pp change in interest rates, the fair value of financial instruments that will fluctuate, is estimated to be equal to PLN 709 thousand (as at December 31, 2010: PLN 590 thousand).

b) Foreign currency risk

The Group has many financial instruments (including bank deposit, receivables and payables). Their fair values and the fair value of future cash flows connected with them may fluctuate due to changes in interest rates. As at December 2011, assuming the appreciation/depreciation of Polish zloty by 10%, the fair value of financial instruments that will fluctuate, is estimated to be equal to PLN 747 thousand (as at December 31, 2010: PLN 87 thousand).

34. FINANCIAL INSTRUMENTS

As at 31 December 2011:

1) General information

	Short-term financial assets	Bank deposits	Loans/bank loans received
a) Classification	Certificates in investment funds – financial asset at fair value through profit or loss	Loans granted	Financial liability
b) Nature of the instrument	Short-term low risk investments	Short-term low risk investments	Bank loans Loan
c) Carrying value of the instrument	Certificates in investment funds and treasury bonds - PLN 186,860 thousand	PLN 80,703 thousand	Bank loans - PLN 175,604 thousand Loans received - PLN 1,424 thousand
d) Value of the instrument in foreign currency, if applicable	n/a	n/a	n/a
e) Purpose of the instrument	Investing of cash surpluses	Investing of cash surpluses	Bank loan – investment needs Bank overdraft Loans – operating needs
f) Amount on which future payments are based	Total value of investments	Total value of deposits	Face value
g) Amount and timing of future cash receipts or payments	Interest depending on maturity	Interest depending on maturity	Bank loans - Interests paid monthly Loans – interest paid with the principal amount
h) Date of repricing, maturity, expiry or execution	Liquid	Liquid – overnight or within 3 months	Payment terms for all loans are described in note 13
i) Early settlement option	Any time	Any time	Possible
j) Execution price or range of prices	Market value	Face value plus interests	Face value plus interests
k) Option to convert or exchange instrument to other asset or liability	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	Bank loans – WIBOR + bank margin Timing of payments - monthly Loans – WIBOR + margin Timing of payments – according to agreements
m) Collateral held or pledged	None	None	Collaterals are described in note 13.
n) Above information for the instrument in exchange for	n/a	n/a	n/a

	Short-term financial assets	Bank deposits	Loans/bank loans received
o) 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
p) Type of risk associated with the instrument	Interest rate, credit risk of financial institution	Interest rate, credit risk of financial institution	Interest rate
q) The amount of liabilities from the instruments	None	None	None
r) Fair value of the instrument	Close to carrying value	Close to carrying value	Close to carrying value
s) Method of fair value determination	Market quotations	Discounted cash flow	Discounted cash flow

Interest rate risk

t) Description of the risk	Low due to floating rate	Low due to floating rate	Low due to floating rate
u) Contractual repricing or maturity date	See point h)	See point h)	See point h)
w) Effective interest rate	Close to nominal	Close to nominal	Close to nominal

Credit risk

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

As at 31 December 2010:

	Short-term financial assets	Bank deposits	Loans received
a) Classification	Certificates in investment funds – financial asset at fair value through profit or loss	Loans granted	Financial liability
b) Nature of the instrument	Short-term low risk investments	Short-term low risk investments	Bank loan Loan
c) Carrying value of the instrument	Certificates in investment funds - PLN 154,828 thousand	PLN 144,153 thousand	Bank loan - PLN 217,552 thousand Loans received - PLN 1,354 thousand
d) Value of the instrument in foreign currency, if applicable	n/a	n/a	n/a
e) Purpose of the instrument	Investing of cash surpluses	Investing of cash surpluses	Bank loan – investment needs Bank overdraft Loans – operating needs
f) Amount on which future payments are based	Total value of investments	Total value of deposits	Face value
g) Amount and timing of future cash receipts or payments	Interest depending on maturity	Interest depending on maturity	Bank loans - Interests paid monthly Loans – interest paid with the principal amount
h) Date of repricing, maturity, expiry or execution	Liquid	Liquid – overnight or within 3 months	Payment terms for all loans are described in note 13
i) Early settlement option	Any time	Any time	Possible
j) Execution price or range of prices	Market value	Face value plus interests	Face value plus interests
k) Option to convert or exchange instrument to other asset or liability	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 Timing of payments–maturity, on the basis of the Group's decision	WIBID minus margin Timing of payments–maturity	Bank overdraft – WIBOR + margin Timing of payments - monthly Loans – WIBOR + margin Timing of payments – according to agreements
m) Collateral held or pledged	None	None	Bank loans – collateral described in note 13.
n) Above information for the instrument in exchange for	n/a	n/a	n/a

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

	Short-term financial assets	Bank deposits	Loans received
o) 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
p) Type of risk associated with the instrument	Interest rate, credit risk of financial institution	Interest rate, credit risk of financial institution	Interest rate
q) The amount of liabilities from the instruments	None	None	None
r) Fair value of the instrument	Close to carrying value	Close to carrying value	Close to carrying value
s) Method of fair value determination	Market quotations	Discounted cash flow	Discounted cash flow

Interest rate risk

t) Description of the risk	Low due to floating rate	Low due to floating rate	Low due to floating rate
u) Contractual repricing or maturity date	See point h)	See point h)	See point h)
w) Effective interest rate	Close to nominal	Close to nominal	Close to nominal

Credit risk

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

The information about trade receivables is included in note 8 and about trade payables in note 19.

2) Detailed information on financial instruments

	2011	2010
Interest income on financial assets		
Bank deposits	6,139	4,775
Short-term financial assets (treasury bonds and investment certificates)	8,962	6,030
Loans granted	11	-
Other	20	338
Interest expense on financial liabilities		
Loans	(12,425)	(8,310)
Finance lease liabilities	(2,783)	(643)
Other	(492)	(644)

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

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 2011	Level 1	Level 2	Level 3
Treasury bonds	11,012	11,012	-	-
Certificates in investment funds	186,860	-	186,860	-
Financial assets measured at fair value	**197,872**	**11,012**	**186,860**	**-**
Liability related to valuation of SWAP contracts	156	-	156	-
Put option liability	27,535	-	-	27,535
Financial liabilities measured at fair value	**27,691**	**-**	**156**	**27,535**

	31 December 2010	Level 1	Level 2	Level 3
Treasury bonds	-	-	-	-
Certificates in investment funds	154,828	-	154,828	-
Financial assets measured at fair value	**154,828**	**-**	**154,828**	**-**
Liability related to valuation of SWAP contracts	381	-	381	-
Put option liability	29,669	-	-	29,669
Financial liabilities measured at fair value	**30,050**	**-**	**381**	**29,669**

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 2011	31 December 2010
Opening balance	**29,669**	**-**
Additions (note 32)	1,126	29,669
Changes resulting from revaluation recognised in profit or loss	(3,260)	-
Closing balance	**27,535**	**29,669**

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 during the period specified in put option conditions and discount rate.

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

35. CAPITAL AND INVESTMENT COMMITMENTS

Contractual capital and investment commitments (mainly fixed and intangible assets) existing at the balance sheet date amounted to PLN 20,529 thousand (31 December 2010: PLN 26,360 thousand).

As at balance sheet date, future capital and investment expenditures budgeted by the Group for the following 12 months amounted to PLN 140,630 thousand (31 December 2010: PLN 96,161 thousand).

36. CONTINGENCIES, GUARANTEES AND OTHER COLLATERALS

As of 31 December 2011, 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	Amount 31 Dec 2011	31 Dec 2010	Provisions booked
Guarantees provided by Agora S.A.					
Bank Pekao S.A.	Agora's employees	20 Apr 2012 - 30 Oct 2014	623	911	-
Grupa Allegro S.A.	BAN Sp. z o.o.	31 Mar 2012	1,015	-	-
Bills of exchange issued by AMS S.A.					
Gmina Wroclaw	AMS S.A.	31 Dec 2012	156	156	-
Gmina Miasto Szczecin	AMS S.A.	indefinite period	90	90	-
BRE Bank S.A.	AMS S.A.	16 Dec 2015	5,000	25,800	-

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 (described in note 13) and guarantees on rent agreements.

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 in PLN 605 thousand in 2011 and PLN 879 thousand in 2010.

Panels situated near the side of a road

AMS S.A. finished in Warsaw the process of moving its large format advertising panels to localizations outside the side of the road. Mounting the panels of the type Backlight 18 square meters, Backlight 32 square meters, Billboard 18 square meters and Cityscroll 9 square allowed to increase the sales potential of Premium and Superpremium segments and enabled to become entirely independent from the city policy regarding the side of the road.

AMS received many administrative fines for using the waysides for its panels. The appeal procedures are conducted in front of the Local Self-government Appeal Committee (Samorzadowe Kolegium Odwolawcze) or in front of the Voivodeship Administrative Court (Wojewodzki Sad Administracyjny). In accordance with the resolution taken by the Management Board of AMS on March 31, 2007, the company set up provisions for possible administrative fines in the amount of PLN 3,598 thousand as at December 31, 2011. Bearing in mind the up-to-date results of the appeal procedures and a possible occurrence of them in the future, the Management Board of AMS does not see a need to change the current procedure for the set-up of this provision.

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

37. COMMITMENTS UNDER OPERATING LEASES

The future minimum lease payments under non-cancellable operating leases are primarily for the lease of outdoor locations for advertising panels, land and buildings and are summarised as follows:

	31 December 2011	31 December 2010
Within one year	75,750	76,199
Between one and five years	159,647	159,493
More than five years	65,539	83,609
Total	**300,936**	**319,301**

The amounts disclosed above include VAT that the Group will be able to recover.

The majority of lease payments are denominated in PLN.

Annual payments of the Group related to the perpetual usefruct of land amount to PLN 1,510 thousand (2010: PLN 1,465 thousand).

The amount of minimum lease payments recognised (connected with an outdoor operation lease rentals and other rentals) in the income statements is shown in note 21.

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

38. GROUP COMPANIES

Basic information about the Agora S.A. Group as at 31 December 2011:

	Companies consolidated	% of shares held effectively		Assets		Liabilities		Sales		Net result	
		31 December 2011	31 December 2010	31 December 2011	31 December 2010	31 December 2011	31 December 2010	2011	2010	2011	2010
1	Agora Poligrafia Sp. z o.o., Tychy	100.0%	100.0%	103,334	101,746	63,382	59,481	62,940	58,170	612	4,890
2	AMS S.A. , Warsaw	100.0%	100.0%	284,748	258,405	104,248	98,277	186,861	178,497	19,568	11,434
3	IM 40 Sp. z o.o., Warsaw (1)	72.0%	72.0%	4,080	3,763	701	741	5,758	6,111	1,801	1,444
4	GRA Sp. z o.o., Warsaw (4)	100.0%	100.0%	70,245	65,419	29,437	30,369	45,381	41,863	5,378	730
5	Adpol Sp. z o.o., Warsaw (2)	100.0%	100.0%	3,570	4,699	702	1,003	9,464	9,499	1,488	2,316
6	Inforadio Sp. z o.o., Warsaw (1)	66.1%	66.1%	5,242	4,296	1,308	1,127	8,734	8,183	764	353
7	Agora TC Sp. z o.o., Warsaw	100.0%	100.0%	2,764	1,819	919	255	7,882	7,977	1,111	880
8	RDR Sp. z o.o., Warsaw (1)	100.0%	100.0%	23,234	26,878	27,126	29,245	76,525	70,142	(1,689)	2,356
9	LLC Agora Ukraine, Kijev (5)	100.0%	100.0%	412	576	14,351	11,480	70	251	(1,286)	(1,582)
10	Trader.com (Polska) Sp. z o.o., Warsaw	100.0%	100.0%	7,854	5,889	9,378	9,220	21,933	20,264	1,806	910
11	AdTaily Sp.z o.o. Kracow	75.2%	70.9%	1,509	628	1,542	445	2,978	1,895	(1,230)	(1,089)
12	Helios S.A., Lodz (3)	82.8%	82.8%	203,469	201,452	120,248	125,657	204,426	56,013	7,427	(1,266)
13	Sport4People Sp. z o.o. Cracow (6)	51.7%	-	541	-	22	-	430	-	61	-

(1) indirectly, through Grupa Radiowa Agory Sp. z o.o.
(2) indirectly, through AMS S.A.
(3) on August 31, 2011 the company mergered with Kinoplex Sp. z o.o.; the comparable data were restated thereupon; the company consolidated to start from August 31, 2010; the P&L data for 2010 include September-December 2010;
(4) in 2010 GRA Sp. z o.o. mergered with its subsidiary Agencja Reklamowa Jowisz Sp. z o.o.; as the amounts are immaterial, the comparable data were not restated thereupon.
(5) in 2010 LLC Agora Ukraine mergered with its subsidiary Agora Press LTD.; as the amounts are immaterial, the comparable data were not restated thereupon.
(6) the company fully consolidated to start from November 30, 2011; the P&L data include December 2011.

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

100% of selected items

	Company accounted for using the equity method	% of shares held effectively		Assets		Liabilities		Sales		Net result	
		31 December 2011	31 December 2010	31 December 2011	31 December 2010	31 December 2011	31 December 2010	2011	2010	2011	2010
1	A2 Multimedia Sp. z o.o., Warsaw	24.3%	50.0%	227	928	140	311	211	638	(487)	(1,818)
2	Business Ad Network Sp. z o.o., Wroclaw (1)	50.0%	50.0%	5,486	3,792	5,182	3,509	15,746	8,383	22	(141)
3	Goldenline Sp. z o.o. Warsaw (2)	36.0%	-	2,306	-	514	-	-	-	-	-

(1) the company within the Agora Group from 28 April 2010. The income statement data presented above for 2010 are for the period of May – December 2010.
(2) *the company within the Agora Group from December 29, 2011.*

The remaining companies in which Agora S.A. owns shares (not listed in the tables presented above) are immaterial for the financial statements.

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

39. RELATED-PARTY TRANSACTIONS

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

	31 December 2011	31 December 2010
Subsidiaries excluded from consolidation		
Shares	101	51
Trade receivables	3	3
Jointly controlled entities		
Shares	246	235
Trade receivables	924	317
Other receivables	-	1
Trade liabilities	8	4
Other liabilities	200	-
Associates		
Shares	11,780	145
Trade receivables	73	13
Trade liabilities	53	-
Major shareholder		
Trade receivables	6	6
Other liabilities	48	45
Management Board of the Company		
Receivables	-	4
Management Boards of group companies		
Receivables	-	56
Liabilities	1,424	1,354

Table below presents total transactions with related parties in the year of 2011:

	2011	2010
Subsidiaries excluded from consolidation		
Sales	9	9
Jointly controlled entities		
Sales	3,068	2,063
Purchases	(516)	(658)
Associates		
Sales	87	14
Purchases	(396)	(299)
Interests on loans granted	11	-
Sales of financial assets	122	-
Major shareholder		
Sales	61	63
Other operating revenues	-	63

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

Following types of transactions are witnessed within the Agora Group:

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

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

40. 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 cash flow forecasts have been prepared.

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.

Basic information about the method applied is summarized below:

	Cash generating unit relating to activities in Trader.com (Polska) - Internet	**A group of cash generating units relating to activities in particular magazine titles**	**Cash generating unit relating to radio activities**	**Cash generating unit relating to activities in AMS Group**	**A group of cash generating units relating to activities in Helios Group**
As at 31 December 2011	Goodwill = PLN 23,745 thousand	Assets with indefinite useful life and goodwill = PLN 61,879 thousand	Goodwill = PLN 55,455 thousand	Goodwill = PLN 140,944 thousand	Goodwill = PLN 39,096 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.				
5 years	5 years	5 years	5 years	5 years	5 years
	Estimated rate of free cash flow to firm in the period of detailed forecast (pre-tax)				
Years:					
2012	1,176%	(27%)	(21%)	(73%)	66%
2013	(40%)	(28%)	(86%)	(131%)	53%
2014	(6%)	1%	95%	-	(2%)
2015	8%	(2%)	103%	525%	(3%)
2016	3%	(5%)	38%	70%	(1%)
	Discount rate for the years (pre-tax)				
2012-2016	9.7%	8.4%	10.0%	10.6%	9.7%

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

In relation to cash generating units relating to activities in Trader.com (Polska) – Internet and activities in AMS Group, the change in the two key assumptions (each of them separately and all other assumtions leaving unchanged), could result in the estimated recoverable amount of the CGU being equal to its carrying amount.

	Cash generating unit relating to activities in Trader.com (Polska) - Internet	**Cash generating unit relating to activities in AMS Group**
Estimated rate of real free cash flow to firm after the period of detailed forecast*	0.5%	0.5%
- change required for carrying amount to equal recoverable amount	*(0.1pp)*	*(0.8pp)*
Estimated pre-tax discount rate *	9.7%	10.6%
- change required for carrying amount to equal recoverable amount	*0.1pp*	*0.7pp*

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

In 2011, the impairment losses on several magazine rights were recognized in the amount of PLN 11,230 thousand. Unfavourable change in key assumptions could have resulted in additional impairment losses.

41. SELECTED CONSOLIDATED FINANCIAL DATA TOGETHER WITH TRANSLATION INTO EURO

	PLN thousand		EURO thousand	
	2011	2010	2011	2010
Sales	1,234,553	1,116,742	298,194	278,879
Operating profit	51,884	84,888	12,532	21,199
Profit before income taxes	55,015	87,875	13,288	21,945
Net profit for the period attributable to equity holders of the parent	42,171	71,894	10,186	17,954
Net cash from operating activities	152,241	171,554	36,772	42,841
Net cash used in investing activities	(115,549)	(138,104)	(27,910)	(34,488)
Net cash used in financing activities	(93,545)	24,683	(22,595)	6,164
Net increase / (decrease) in cash and cash equivalents	(56,853)	58,133	(13,732)	14,517
Total assets	1,803,720	1,805,476	408,377	455,894
Non-current liabilities	221,341	273,497	50,113	69,060
Current liabilities	319,062	295,427	72,238	74,597
Equity attributable to equity holders of the parent	1,246,064	1,221,052	282,119	308,323
Share capital	50,937	50,937	11,533	12,862
Weighted average number of shares	50,937,386	50,937,386	50,937,386	50,937,386
Earnings per share (in PLN / in EURO)	0.83	1.41	0.20	0.35
Book value per share (in PLN / in EURO)	24.46	23.97	5.54	6.05

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 the year of 2011 (for the year of 2010) using the arithmetic average of exchange rates published by NBP and ruling on the last day of each month for four quarters. For the four quarters of 2011 EURO 1 = PLN 4.1401 (EURO 1 = PLN 4.0044).
- 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 2011 – EURO 1 = PLN 4.4168; as at 31 December 2010 – EURO 1 = PLN 3.9603.

42. EVENTS AFTER THE BALANCE SHEET DATE

On January 31, 2012 the Company disposed 3,700 shares of A2 Multimedia Sp. z o.o. As a result of the transaction Agora S.A. has no shares of A2 Multimedia Sp. z o.o.

Warsaw, April 13, 2012

Piotr Niemczycki – President of the Management Board	Signed on the Polish original
Zbigniew Bak – Deputy President of the Management Board	Signed on the Polish original
Marek Jackiewicz – Member of the Management Board	Signed on the Polish original
Grzegorz Kossakowski – Member of the Management Board	Signed on the Polish original
Stanisław Turnau – 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

TRANSLATION

Agora S.A. Group

Report supplementing the auditor's opinion on the consolidated financial statements Financial Year ended 31 December 2011

The report supplementing the auditor's opinion
contains 11 pages
Report supplementing the auditor's opinion
on the consolidated financial statements
for the financial year ended
31 December 2011

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 Company in the National Court Register

Registration court:	District Court for the Capital City Warsaw in Warsaw, XIII Commercial Department of the National Court Register
Date:	7 November 2001
Registration number:	KRS 0000059944
Share capital as at balance sheet date:	PLN 50,937,386.00

1.1.4. Management of the Parent Company

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

At 31 December 2011, the Management Board of the Parent Company was comprised of the following members:

- Piotr Niemczycki – President of the Management Board,
- Zbigniew Bąk – Vice President of the Management Board,
- Tomasz Józefacki – Member of the Management Board,
- Grzegorz Kossakowski – Member of the Management Board.

On 29 December 2011, Mr. Tomasz Józefacki resigned from the post of a Member of the Management Board, effective on 31 January 2012.

On 4 January 2012, Mr. Marek Jackiewicz and Mr. Stanisław Turnau were appointed Members of the Management Board.

1.2. Information about companies comprising the Group

1.2.1. Companies included in the consolidated financial statements

As at 31 December 2011, the following companies were consolidated by the Group:

Parent Company:

- Agora S.A.

Subsidiaries consolidated on the full consolidation basis:

- Agora Poligrafia Sp. z o.o.,

- AMS S.A. (previously Art Marketing Syndicate S.A.),
- IM 40 Sp. z o.o.,
- Grupa Radiowa Agory Sp. z o.o.,
- Adpol Sp. z o.o.,
- Inforadio Sp. z o.o.,
- Agora TC Sp. z o.o.,
- Radiowe Doradztwo Reklamowe Sp. z o.o.,
- LLC Agora Ukraine,
- Trader.com (Polska) Sp. z o.o.,
- AdTaily Sp. z o.o.,
- Helios S.A.,
- Sport4People Sp. z o.o.

The following subsidiaries were consolidated for the first time during the year ended 31 December 2011, as a result of the Parent Company acquiring a controlling interest:

- Sport4People Sp. z o.o. – subject to consolidation for the period from 30 November 2011 to 31 December 2011.

On 31 August 2011, Kinoplex Sp. z o.o., a subsidiary, was merged with Helios S.A.

1.2.2. Entities excluded from consolidation

As at 31 December 2011, the following subsidiaries of the Group were not consolidated:

- Projekt Inwestycyjny Sp. z o.o.

1.3. Auditor information

1.3.1. Key certified auditor information

Name and surname:	Marcin Domagała
Registration number:	90046

1.3.2. Audit auditor information

Name:	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.
Address:	ul. Chłodna 51, 00-867 Warsaw
Registration number:	KRS 0000339379
Registration court:	District Court for the Capital City 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 in the register of audit firms under number 3546.

1.4. Prior period consolidated financial statements

The consolidated financial statements for the financial year ended 31 December 2010 were audited by KPMG Audyt Sp. z o.o. and received an unqualified opinion.

The consolidated financial statements were approved at the General Meeting on 22 June 2011.

The consolidated financial statements were submitted to the Registry Court on 11 July 2011 and were published in Monitor Polski B No. 235 on 18 January 2012.

1.5. Audit scope and responsibilities

This report was prepared for the General Meeting of Agora S.A. seated in Warsaw, ul. Czerska 8/10 and relates to the consolidated financial statements comprising: the consolidated balance sheet as at 31 December 2011, the consolidated income statement and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements.

The Parent Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union on the basis of the decision of the General Meeting dated 20 October 2004.

The consolidated financial statements have been audited in accordance with the contract dated 24 May 2011, concluded on the basis of the resolution of the Supervisory Board dated 11 April 2011 on the appointment of the auditor.

We conducted the audit in accordance with section 7 of the Accounting Act, national standards on auditing issued by the Polish National Council of Certified Auditors and International Standards on Auditing.

We audited the consolidated financial statements in the Parent Company's head office during the period from 5 March 2012 to 5 April 2012.

Management of the Parent Company is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations and preparation of the Report on the Company's activities.

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

The Management Board of the Parent Company submitted a statement, dated the same date as this report, as to the true and fair presentation of the consolidated financial statements presented for audit, 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 and all our requests for additional documents and information necessary for expressing our opinion and preparing the report have been fulfilled.

Key certified auditor and KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. fulfill independence requirements as described in Art. 56 points 3 and 4 of the Act on Certified Auditors and Their Government, Audit Firms and Public Oversight dated 7 May 2009 (Official Journal from 2009, no. 77, item 649).

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 KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.

1.6. Information on audits of the financial statements of the consolidated companies

1.6.1. Parent Company

The financial statements of the Parent Company for the year ended 31 December 2011 were audited by KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k., certified auditor number 3546, and received an unqualified opinion.

1.6.2. Other consolidated entities

Entity's name	Authorised auditor	Financial year end	Type of auditor's opinion
Agora Poligrafia Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.	31 grudnia 2011 r.	Until the date of this report the statutory audit has not beem completed
AMS S.A. (previously Art Marketing Syndicate S.A.)	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.	31 grudnia 2011 r.	Until the date of this report the statutory audit has not beem completed
IM 40 Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.	31 grudnia 2011 r.	Until the date of this report the statutory audit has not beem completed
Grupa Radiowa Agory Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.	31 grudnia 2011 r.	Until the date of this report the statutory audit has not beem completed
Adpol Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.	31 grudnia 2011 r.	Until the date of this report the statutory audit has not beem completed
Radiowe Doradztwo Reklamowe Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.	31 grudnia 2011 r.	Until the date of this report the statutory audit has not beem completed
Trader.com (Polska) Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.	31 grudnia 2011 r.	Until the date of this report the statutory audit has not beem completed
Helios S.A.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.	31 grudnia 2011 r.	Until the date of this report the statutory audit has not beem completed
Inforadio Sp. z o.o.	Audit Advisors Sp. z o.o.	31 grudnia 2011 r.	Until the date of this report the statutory audit has not beem completed
Agora TC Sp. z o.o.	Audit Advisors Sp. z o.o.	31 grudnia 2011 r.	Until the date of this report the statutory audit has not beem completed
AdTaily Sp. z o.o.	not audited	31 grudnia 2011 r.	
LLC Agora Ukraine	not audited	31 grudnia 2011 r.	
Sport4People Sp. z o.o.	not audited	31 grudnia 2011 r.	

2. Financial analysis of the Group

2.1. Summary of the consolidated financial statements

2.1.1. Consolidated balance sheet

ASSETS	31.12.2011 PLN '000	% of total	31.12.2010 PLN '000	% of total
Non-current assets				
Intangible assets	419,236	23.2	427,337	23.7
Property, plant and equipment	760,157	42.2	763,047	42.3
Long-term financial assets	251	-	201	-
Equity accounted investments	11,881	0.7	235	-
Long-term receivables and prepayments	7,934	0.4	9,640	0.5
Deferred tax assets	3,840	0.2	2,954	0.2
Total non-current assets	1,203,299	66.7	1,203,414	66.7
Current assets				
Inventories	29,209	1.6	22,552	1.2
Short-term receivables and prepayments	246,411	13.7	239,351	13.2
Income tax receivable	1,424	0.1	2,973	0.2
Short-term financial assets	197,872	11.0	154,828	8.6
Cash and cash equivalents	125,505	6.9	182,358	10.1
Total current assets	600,421	33.3	602,062	33.3
TOTAL ASSETS	1,803,720	100.0	1,805,476	100.0

EQUITY AND LIABILITIES	31.12.2011 PLN '000	% of total	31.12.2010 PLN '000	% of total
Equity				
Share capital	50,937	2.8	50,937	2.8
Share premium	147,192	8.2	147,192	8.1
Translation reserve	(114)	-	(130)	-
Retained earnings	1,048,049	58.1	1,023,053	56.7
Total equity attributable to equity holders of the parent	1,246,064	69.1	1,221,052	67.6
Non-controlling interest	17,253	0.9	15,500	0.9
Total equity	1,263,317	70.0	1,236,552	68.5
Liabilities				
Deferred tax liabilities	45,270	2.5	49,376	2.7
Long-term loans and credits	142,459	7.9	188,833	10.5
Other financial liabilities	27,691	1.6	30,050	1.7
Provisions for retirement benefits	1,914	0.1	1,865	0.1
Long-term accruals	4,007	0.2	3,373	0.1
Total non-current liabilities	221,341	12.3	273,497	15.1
Provisions for retirement benefits	195	-	138	-
Trade and other payables	182,729	10.1	164,366	9.1
Income tax payable	3,222	0.2	874	-
Short-term loans and credits	70,527	3.9	66,369	3.7
Provisions	6,786	0.4	10,143	0.6
Short-term accruals	55,603	3.1	53,537	3.0
Total current liabilities	319,062	17.7	295,427	16.4
Total liabilities	540,403	30.0	568,924	31.5
TOTAL EQUITY AND LIABILITIES	1,803,720	100.0	1,805,476	100.0

2.1.2. Consolidated income statement

	1.01.2011 - 31.12.2011 PLN '000	% of total sales	1.01.2010 - 31.12.2010 PLN '000	% of total sales
Revenue	1,234,553	100.0	1,116,742	100.0
Cost of sales	(790,794)	64.1	(655,824)	58.7
Gross profit on sales	*443,759*	*35.9*	*460,918*	*41.3*
Distribution expenses	(254,612)	20.6	(252,427)	22.6
General and administrative expenses	(119,216)	9.6	(112,320)	10.1
Other operating income	18,902	1.5	25,334	2.3
Other operating expenses	(36,949)	3.0	(36,617)	3.3
Results from operating activities	*51,884*	*4.2*	*84,888*	*7.6*
Financial income	19,686	1.6	14,114	1.3
Financial expenses	(16,566)	1.3	(10,147)	0.9
Share of profit/loss of equity accounted investees	11	-	(980)	0.1
Gross profit	*55,015*	*4.5*	*87,875*	*7.9*
Income tax expense	(11,226)	1.0	(16,006)	1.5
Net profit	*43,789*	*3.5*	*71,869*	*6.4*
Profit attributable to:				
Shareholders of the Parent Company	42,171		71,894	
Non-controlling interest	1,618		(25)	
Basic/diluted earnings per share (PLN)	0.83		1.41	

2.2. Selected financial ratios

	2011	2010	2009
1. Return on sales			
net profit x 100% / net revenues	3.5%	6.4%	3.4%
2. Return on equity			
net profit x 100% / equity - net profit	3.6%	6.2%	3.2%
3. Debtors turnover			
average trade receivables (gross) x 365 days / net revenues	62 days	67 days	72 days
4. Debt ratio			
liabilities x 100% / equity and liabilities	30.0%	31.5%	22.2%
5. Current ratio			
current assets / current liabilities	1.9	2.1	2.1

- Net revenues are comprised of the sale of finished products, merchandise and raw materials.
- Average trade receivables (gross) represent the average of trade receivables at the beginning and at the end of the period, excluding allowances for receivables.

3. Detailed report

3.1. Accounting principles

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

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 Company, appropriate adjustments to the financial statements of those entities were made to ensure consistency with the accounting principles applied by the Parent Company.

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 Company.

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 r., No 169, item 1327).

3.3. Method of consolidation

The method of consolidation is described in note 2(c) 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) 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 Company.

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 Company's share in the subsidiaries' equity as at the end of the reporting period to the corresponding positions of the equity of the Parent Company.

Only equity of subsidiaries arising after the Parent Company 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.

3.7. Notes to the consolidated financial statements

All information included in the notes to the consolidated financial statements, comprising a summary of significant accounting policies and other explanatory information, is, in all material respects, presented correctly and completely. This information should be read in conjunction with the consolidated financial statements.

3.8. Report of the Management Board of the Parent Company on the Group's activities

The Report of the Management Board of the Parent Company on the Group's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act and by 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 information required by the law of a non-Member State (Official Journal from 2009, No 33, item 259 with amendments) and the information is consistent with the consolidated financial statements.

3.9. Information on the opinion of the independent auditor

Based on our audit of the consolidated financial statements of the Group as at and for the year ended 31 December 2011, we have issued an unqualified opinion.

On behalf of KPMG Audyt Spółka z ograniczoną
odpowiedzialnością sp.k. registration number 3546
ul. Chłodna 51, 00-867 Warsaw

Signed on the Polish original

....
Certified Auditor No. 90046
Limited Liability Partner
with power of attorney
Marcin Domagała

13 April 2012
Warsaw

AGORA GROUP
Management Discussion and Analysis for
the year 2011
to the consolidated financial statements

April 13, 2012

TABLE OF CONTENTS

AGORA GROUP
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) FOR YEAR OF 2011 OF THE FINANCIAL STATEMENTS

REVENUE PLN 1,234.6 MILLION
NET PROFIT PLN 43.8 MILLION
OPERATING EBITDA PLN 154.4 MILLION
OPERATING CASH FLOW PLN 152.2 MILLION
FREE CASH FLOW PLN 78.9 MILLION

Unless indicated otherwise, all data presented herein represent the period of 2011, while comparisons refer to 2010. All data sources are presented in part IV of this MD&A.

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

- According to the Agora Group ('the Group') estimates, in 2011, advertising spending for all media in Poland amounted to ca PLN 7.8 billion, i.e. over 1.5% more than in 2010. At that time, advertisers increased their advertising expenditure in all media except for press and outdoor. Advertisers increased their spending in television by ca 0.5% yoy, in the Internet by almost 19% yoy, in radio by nearly 6.5% yoy and in the cinema by over 6.5% yoy. Advertising budgets in press decreased by ca 8% yoy. Advertisers spent by 12.5% less yoy in newspapers and by over 4.5% less yoy in magazines. The outdoor spendings decreased by 0.5% yoy.
- On August 31, 2010 Agora S.A. signed a definitive agreement to purchase a majority stake of the company Helios S.A. (former Centrum Filmowe Helios S.A.). The consolidated profit and loss statements of the Agora Group for 2011 include the profit and loss statements of Helios S.A. (till August 31, 2011 the consolidated capital group Helios S.A.; further referred to as "Helios") for 2011. However, due to the date of the acquisition of the Helios by Agora S.A., the consolidated profit and loss statement of the Agora Group for 2010 included profit and loss statement of Helios with the financial results only for the period of September – December of 2010.
- Revenues of the Group in 2011 were higher by 10.6% yoy and amounted to PLN 1,234.6 million. A positive influence on the level of the Group's revenues had a consolidation of cinema segment revenues (in the same period of 2010, the cinema segment contributed only revenues achieved in the period September – December of 2010). The revenue from the ticket sales in 2011 reached PLN 146.3 million and increased yoy. The Group's advertising revenues in 2011 decreased by 1.4% yoy to PLN 705.6 million. The revenues from copy sales stood at PLN 192.8 million (down by 7.7% yoy). Revenues from other sales increased by 24.9% yoy to PLN 189.9 million, mainly due to the revenues from food and beverages sales in the Helios cinemas and higher by 20.4% yoy sales of printing services for external clients.
- In 2011, *Gazeta's* advertising sales reached PLN 256.1 million (down by 16.3% yoy). *Gazeta's* copy sales revenues decreased by 10.1% yoy to PLN 131.3 million. In 2011, *Gazeta* sold 306 thousand copies on average and its share in the advertising expenditure in dailies amounted to 37% *[4]*.
- In 2011, the advertising sales in the Free Press division amounted to PLN 30.4 million and decreased by 3.2% yoy. The share of Agora's free newspaper in dailies ad spend increased by nearly 0.5 pp and reached ca 4.5% *[3]*. During the discussed time, the division's operating result (EBIT) amounted to PLN 4.5 million and was higher by PLN 0.8 million than in 2010 *[1]*.
- In 2011, revenues of the Internet segment amounted to PLN 114.0 million and increased by 12.0% yoy. Revenues from the display ad sales increased by 18.3% yoy. In December 2011, the reach of online services

from *Gazeta.pl* group amounted to 61.3% and made it the third most popular Internet portal in Poland. The number of its users increased by 1.7% yoy and reached 11.7 million people *[6].*

- In 2011, revenues of the AMS group increased by 6.6% yoy to PLN 175.0 million. The segment improved its operating result EBIT to PLN 15.0 million. AMS group increased its share in outdoor advertising market by almost 4pp yoy to 30% *[8].*
- In 2011, revenues of the magazine business reached PLN 75.3 million and dropped by 9.9% yoy. The operating result of the segment was negatively affected by an impairment loss on selected titles in the fourth quarter of 2011. As a result,segment's operating EBITDA decreased to PLN 2.4 million in 2011 *[1].*
- In 2011, the Radio segment revenues grew by 11.0% yoy to PLN 86.1 million. The segment achieved a positive operating EBIT of PLN 3.4 million, which was lower yoy, mainly due to outlays for improvement in the quality of programming offer.
- In 2011, the revenues of the cinema segment were higher than in 2010 and amounted to PLN 203.9 million. The number of tickets sold in the Helios cinemas increased by 8.7% yoy reaching 8.3 million tickets. The operating result of Helios (EBIT) was better than in 2010 and amounted to PLN 15.4 million.
- In 2011, total net operating cost of the Group increased by 14.6% yoy and reached PLN 1,182.7 million. The growth in the operating cost results mainly from the cost incurred by Helios (in 2010 only the cost incurred by Helios in the period of September – December burdened the Group's operating cost). If the operating cost of Helios was excluded from the Group's profit and loss account, the Group's operating cost would grow by ca 3% yoy.
- In 2011, operating EBITDA of the Group decreased by 13.1% yoy to PLN 154.4 million. The Group's operating result EBIT decreased yoy to PLN 51.9 million and the Group's net profit attributable to the equity holders of the parent amounted to PLN 42.2 million.
- At the end of December 2011, the Group's cash and short-term monetary assets amounted to PLN 323.4 million, out of which PLN 125.5 million in cash and cash equivalents and PLN 197.9 million in secure short - term securities.
- The Group's debt amounted to PLN 213.0 million at the end of December 2011. Since August 31, 2010 the Group's debt includes the debt of Helios S.A. (including: bank credits, loans and finance lease liabilities), amounting to PLN 87.2 million as at the end of December 2011.
- As a result of verification of the financial projections of the business segments of the Agora Group carried out in accordance with *International Financial Reporting Standards (IFRS)*, the Group recognized an impairment loss in the total amount of PLN 14.3 million. The above one-off cost of impairment loss affected the consolidated results of the Group and unconsolidated results of the appropriate companies from the Group in 2011 (it also impacted the deferred tax).
- Moreover, in 2011 a positive effect on the Group's net profit had verification of the value of put option, granted to the non-controlling shareholders of Helios S.A., by PLN 3.3 million conducted in accordance with *International Financial Reporting Standards (IFRS)*. As at December 31, 2011 the estimated redemption value of put option amounted to PLN 26.4 million and was recognised in the consolidated balance sheet of the Agora Group as other financial liability. According to IFRS subsequent changes in the value of the liability will be recognised through the subsequent income statements. The value of the Agora`s liability related to put options is calculated on the basis of the estimated, dicounted option exercise price, which depends on the estimated future value of the Helios equity, which is calculated on the basis of a constant EV/EBITDA multiplier specified in agreements and estimated future values of EBITDA and net debt of Helios Group. The range of future values of this liability is difficult to estimate, because it depends on EBITDA growth in future. The EBITDA growth is correlated to the growth in the number of multiplex cinemas, which depends on the number of new shopping centres constructed by developers.

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

1. EXTERNAL FACTORS

1.1 Advertising market [3]

Due to the purchase of the majority stake in the company Helios S.A., the Company included advertising expenditure in Polish cinemas in the description of total advertising expenditure. The comparable data for the previous periods has been modified adequately.

In 2011, total advertising expenditure in Poland grew by over 1.5% yoy to ca PLN 7.8 billion.

The highest growth of advertising expenditure was observed in the Internet (up by almost 19% yoy), mainly as a result of growing expenditure in search engines (up by ca 26% yoy). Internet was the only medium in which advertising expenditure grew in each quarter of 2011.

Radio was the second medium in which advertising expenditure grew in 2011 (up by nearly 6.5% yoy). This growth results from the increased advertising expenditure in radio in the first three quarters of 2011 (up by nearly 12.5% yoy), which was partially used up by the decline in radio advertising expenditure in the last quarter of 2011.

In 2011, the value of advertising budgets in TV increased by over 0.5% yoy to PLN 3.9 billion.

In the period of January-December 2011, advertisers increased their expenditure on cinema advertising by over 6.5% yoy, mainly as a result of increased advertising expenditure in this medium in the second and fourth quarter of 2011.

The value of outdoor advertising decreased in 2011 by over 0.5% yoy. The third quarter of 2011 was the only one with the positive growth dynamics in outdoor advertising, mainly due to the advertising outlays for Parliamentary elections in Poland.

Press noted the largest reductions in advertising expenditure in 2011 (down by ca 8% yoy). The largest drop in advertising expenditure was observed in dailies (down by 12.5% yoy). In magazines advertisers spent over 4.5% less than in 2010.

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 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 in subsequent reports.

2. INTERNAL FACTORS

2.1. Revenue

In 2011, the Group's revenues increased by 10.6% yoy to PLN 1,234.6 million. This growth results mainly from including the revenues of the Cinema segment in the Group's results starting from September 1, 2010. Other segments that contributed to the growth of the Group's revenues include: Internet, Outdoor and Radio.

In 2011, the Group's advertising revenues decreased by 1.4% yoy and amounted to PLN 705.6 million. Segments that noted a growth in advertising revenues in 2011 included: Internet (up by 18.3% yoy), Radio (up by 11.5% yoy), Outdoor (up by 6.1% yoy) and Cinema.

The decrease of advertising revenue in *Gazeta Wyborcza* (down by 16.3% yoy) and in Magazines segment (down by 6.1% yoy) exhorted a negative impact on the level of the Group's advertising revenues.

In 2011, the revenues from copies sold decreased by 7.7% yoy to PLN 192.8 million, mainly due to diminishing revenues from copies sold of *Gazeta Wyborcza* and magazines.

In 2011, the revenues from the sales of tickets to the Helios cinemas amounted to PLN 146.3 million and were higher than in 2010 (in 2010, only the revenues contributed by the Cinema segment in the period of September – December were consolidated in the Group's profit and loss account).

In 2011, other revenues increased by 24.9% yoy to PLN 189.9 million. This growth results mainly from the sales of printing services for external clients (up by 20.4% yoy) and food and beverages sales in the cinemas of Helios network. In 2010, only the revenues contributed by the Cinema segment in the period of September – December were consolidated in the Group's profit and loss account.

2.2. Operating cost

Total net operating cost of the Group, in 2011, reached PLN 1,182.7 million and increased by 14.6% yoy. This cost increase is mainly attributable to the cinema business, whose operating cost in the fourth quarter of 2011 increased by 25.0% yoy and in 2011 reached PLN 188.5 million. For the comparison purposes, it should be remembered that in 2010 only the results achieved by the Cinema segment in the period of September - December were consolidated in the Agora Group's profit and loss account. Excluding the operating cost of the cinema business, the Group's net operating cost would have increased by ca 3% yoy in 2011.

The Group's **staff cost** (excluding non-cash cost of share-based payments) increased by 10.4% yoy in 2011. This increase results mainly from the higher number of employees in the Group due to, inter alia, the purchase of Helios as well as higher cost of contracts of mandate.

The Group's **headcount,** at the end of 2011, was 3,481 employees, including 321 employees of Helios. The Group's headcount at the end of December 2011 increased by 11 FTEs versus the end of December 2010. The increase in the Group's headcount results mainly from the development projects executed in the Group.

Total estimated **non – cash expense** relating to share - based payments (described in note 26 to the consolidated financial statements of the Agora Group) charged to the Group's 2011 profit and loss account amounted to PLN 9.7 million.

The Group offers its employees other incentive plans (for example: cash motivation plans, incentive plans in sales departments etc.), which cost is charged to the Group's staff cost. Since the fourth quarter of 2010, the Group's operating result is burdened quarterly by the cost of Three-Year-Long Incentive Plan for the Management Board members and higher managerial personnel (described in note 26C to the consolidated financial statements of the Agora Group). In 2011, this cost amounted to PLN 1.1 million.

The **cost of external services** in 2011 increased by 24.1% yoy and amounted to PLN 355.4 million, mainly as a result of consolidation of the cinema business in the Group's profit and loss account. In 2010, the Group's operating cost was burdened with the cost of external services incurred by the Helios network only in the period of September - December. The largest components charged to this cost position include: the cost of film copies purchase and cinema space rentals incurred by the cinema business. Additionally, the level of the external services cost is influenced by the purchases of broadcast air-time and the cost of sales of brokerage services. The cost of production services is also included in the cost of external services. The Group managed to decrease significantly the cost of production services due to the launching of the print of heatset supplements to *Gazeta Wyborcza* in Agora's own printing plant.

In 2011, **cost of raw materials, energy and consumables** increased by 23.3% yoy to PLN 250.6 million. This increase stems mainly from the raise in the cost of production materials (including cost of newsprint) due to - inter alia - launching the print of heatset supplements to *Gazeta Wyborcza* in Agora's own printing plant since the fourth quarter of 2010 (previously this cost position was charged to the cost of external services). It is worth stressing that this growth is compensated by the drop in the external services cost. Further factors contributing to the growth of cost of raw materials, energy and consumables in 2011 include an increase in price and volume of printing services for external clients. Additionally, the inclusion in this cost category of the cost of materials and energy belonging to the Helios cinema network contributed to its growth (in 2010 only the results of the Helios cinema network achieved in the period of September – December were consolidated in the results of the Agora Group).

In 2011, **promotion and marketing expense** was PLN 115.1 million and decreased by 12.1% yoy. Most of the segments reduced their advertising expenditure in 2011. The largest savings in advertising expenditure were observed in Newspapers segment.

3. PROSPECTS

3.1. Advertising market

In 2011, total advertising expenditure grew in Poland by over 1.5% yoy.

Taking into account current macroeconomic situation and the condition of the advertising market, the Company estimates that the advertising market in Poland may grow by ca 0-3% yoy in 2012. It should be remembered that the condition of Polish advertising market in 2012 may be influenced by decisions made by international companies on the basis of uncertain economic situation in different parts of Europe or the world disregarding the condition of Polish economy.

In Company's opinion, the Internet will be the medium with the highest growth of advertising expenditure in 2012 (up by 9-12% yoy). Advertising expenditure in cinemas will grow by ca 3-6% yoy. The value of outdoor advertising expenditure, according to the Company's estimates, shall grow by ca 0-3% yoy. Similarly, the value of advertising expenditure in TV and radio may grow by ca 0-3% yoy.

In accordance with the Company's estimates advertisers shall limit their expenditure in press further in 2012. The decrease in dailies may reach ca 14-17% yoy, whereas in magazines ca 6-9% yoy.

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, lack of reliable data on the average market discount rate and ongoing change in the way of media consumption and short span of time in planning advertising campaigns.

Once the Company has a more reliable market data in consecutive quarters, it may correct the ad spending estimations in particular media in subsequent reports.

3.2. Operating cost

In 2012, the Group does not anticipate a significant growth in the operating cost. Due to a volatile advertising market situation the Group plans flexible management of operating cost base in order to be able to meet the market conditions in its business segments. However, it should be remembered that the Group's fundamental objective is growth and therefore in case of possibilities to widen its competencies or scale of operation in the segments attractive for the Group's further growth they will be treated as priority.

3.2.1 Cost of external services

In 2012, this cost position shall be dependent on the cost of film copies for the cinema business, EUR/PLN exchange rate and results in radio and Internet brokerage services. Additionally, this cost position may be influenced in 2012 by planned openings of new cinemas.

3.2.2 Staff cost

In 2012, the Group expects a slight yoy increase of the staff cost. The increase in the staff cost is mainly related to the execution of development projects within the Group (including openings of new cinemas) and provisions for motivation plans executed in the Group (described in note 26 to the consolidated financial statements of the Agora Group).

3.2.3 Non – cash expense relating to share - based payments

Estimated total cost related to share – based incentive plans to be charged to the Group's 2012 profit and loss account shall amount to PLN 2.6 million. It should be noted, however, that this amount includes estimated cost of execution of incentive plan but the Company does not in fact know the number of certificates to be purchased by employees pursuant to the future plan, or the stock price of Agora's shares at that accounting period. Hence, for purposes of providing an estimate, the Company assumed that these values will be equivalent to those on which the 2011 calculations were based. The cost of incentive plans are reflected in the Group's P&L according to the accounting rules referred to in note 26A to the consolidated financial statements. Pursuant to these rules, share-based compensation cost will be charged unevenly throughout the year. In the first half of 2012, the Group's P&L will be affected by PLN 1.8 million of outstanding non-cash incentive compensation. The cost of new incentive plan of PLN 0.8 million will be reflected in the Group's P&L in the fourth quarter of 2012.

3.2.4 Promotion and marketing cost

Due to the market situation and limited number of promotional campaigns in most of the Agora Group's segments, the promotion and marketing cost decreased in 2011 by 12.1% yoy. The Group does not intend to intensify its promotional and marketing activities in 2012. However, it should be remembered that the level of promotion and marketing expense depends on the dynamics of particular media development, as well as the number of projects (including book series) and the market activities and projects of the Group's competitors.

3.2.5 Cost of raw materials and energy

In 2011, the cost of materials and energy increased significantly. This cost category was influenced mainly by launching the print of heatset supplements to *Gazeta Wyborcza* in Agora's own printing plant since the fourth quarter of 2010, compensated with the decrease of external services cost. Additionally, the growth of unit prices of materials (including newsprint cost) and volume of production for external clients as well as cinema operations (consolidated in the Group's financial results since September 2010) contributed to the growth of this cost position. The level of cost of raw materials and energy in 2012 will be dependent mainly on the price of newsprint, the volume of production and EUR/PLN exchange rate.

3.3. The Group's main objectives in 2012

In 2011, the Group was actively executing all set objectives and it intends to continue these actions throughout current year.

Development of multimedia competencies and strengthening synergies between different media within the Group's portfolio led to effective utilization of the Group's multimedia resources in day – to - day activities as well as in development projects. Due to the possibilities offered by the Internet, the Group offered access to its products to new groups of recipients for example by implementing new functionalities in Tuba.fm. Despite the growth projects in the Internet, the so – called traditional media launched successfully new projects. The examples include changes in the weekend edition of *Gazeta Wyborcza* (*Holiday Magazine*) as well as publishing of a new magazine *Ksiazki. Magazyn do czytania* (*Books. Magazine to read*).

Additionally, the Group in accordance with its declarations supplemented and enriched its advertising and product offer, inter alia by means of acquisitions (e.g. *GoldenLine.pl*). Previous year was also the first, full year of the Group's operations in cinema business. It was a year of integration of a new business segment into the Group's structure and testing different models of co-operation with other segments comprising the Agora Group.

In 2012, the Group activities, apart from the continuation of actions undertaken in 2011, shall be concentrated inter alia, on:

(i) adapting the Group's mode of operation and structure to the market situation and changes taking place in media;

(ii) intensification of actions strengthening the synergies among different segments from the Group's portfolio as well as actions taking advantage of the Internet to develop new forms and scope of activities in the so – called traditional media segments;

(iii) intense growth of both Internet segment and widely understood Internet in the Agora Group;

(iv) developing in the cinema business by opening new cinemas;

(v) increasing the scale of the Group's operations, also, through further acquisitions strengthening the Group's position and/or diversifying the sources of the Group's revenues.

III. FINANCIAL RESULTS

1. THE AGORA GROUP

The consolidated financial statements of the Agora Group for 2011 include: Agora S.A., Agora Poligrafia Sp. z o.o., AMS S.A. group ("AMS group"), Agora TC Sp. z o.o., Trader.com (Polska) Sp. z o.o., AdTaily Sp. z o.o., Sport4People Sp. z o.o., 4 subsidiaries of the radio business, Helios S.A. operating in the cinema business, the Ukrainian company LLC Agora Ukraine, jointly controlled entity Business Ad Network Sp. z o.o. as well as associates A2 Multimedia Sp. z o.o. and GoldenLine 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 the note 41 to the consolidated financial statements.

2. PROFIT AND LOSS ACCOUNT OF THE AGORA GROUP

Tab. 1

in PLN million	**2011**	**2010**	*% change yoy*
Total sales (1)	**1,234.6**	**1,116.7**	***10.6%***
Advertising revenue	705.6	715.7	*(1.4%)*
Copy sales	192.8	208.9	*(7.7%)*
Ticket sales (4)	146.3	40.1	*264.8%*
Other	189.9	152.0	*24.9%*
Operating cost net, including:	**(1,182.7)**	**(1,031.8)**	***14.6%***
Raw materials, energy and consumables	(250.6)	(203.3)	*23.3%*
D&A	(92.8)	(82.4)	*12.6%*
External services	(355.4)	(286.3)	*24.1%*
Staff cost (2)	(312.6)	(283.2)	*10.4%*
Non-cash expense relating to share-based payments	(9.7)	(10.4)	*(6.7%)*
Promotion and marketing	(115.1)	(130.9)	*(12.1%)*
One-off cost (5)	(14.3)	-	-
Operating result - EBIT	**51.9**	**84.9**	***(38.9%)***
Finance cost, net, incl.:	**3.1**	**4.0**	***(22.5%)***
Revenue from short-term investment	15.1	12.8	*18.0%*
Interest on bank loans, borrowings, finance lease and similar items	(15.7)	(8.9)	*76.4%*
Foreign exchange (losses) / gains	(0.8)	0.4	-
Revaluation of put option (6)	3.3	-	-
Share of results of equity accounted investees	**-**	**(1.0)**	**-**
Profit before income tax	**55.0**	**87.9**	***(37.4%)***
Income tax (3)	(11.2)	(16.0)	*(30.0%)*
Net profit for the period	**43.8**	**71.9**	***(39.1%)***
Attributable to:			
Equity holders of the parent	42.2	71.9	*(41.3%)*
Non - controlling interest	1.6	-	-
EBIT margin (EBIT/Sales)	4.2%	7.6%	*(3.4pp)*
EBITDA	**144.7**	**167.2**	***(13.5%)***
EBITDA margin (EBITDA/Sales)	11.7%	15.0%	*(3.3pp)*
Operating EBITDA (2)	**154.4**	**177.6**	***(13.1%)***
Operating EBITDA margin (Operating EBITDA/Sales)	12.5%	15.9%	*(3.4pp)*

in PLN million	**2011**	**2010**	*% change yoy*
EBIT excluding one-off costs (5)	**66.2**	**84.9**	***(22.0%)***
EBIT margin excluding one-off costs (5)	5.4%	7.6%	*(2.2pp)*
EBITDA excluding one-off costs (5)	**159.0**	**167.2**	***(4.9%)***
EBITDA margin excluding one-off costs (5)	12.9%	15.0%	*(2.1pp)*
Operating EBITDA (2), (5) excluding one-off costs	**168.7**	**177.6**	***(5.0%)***
Operating EBITDA margin excluding one-off costs (5)	13.7%	15.9%	*(2.2pp)*
Net profit for the period excluding one-off costs and revaluation of put option (5), (6)	**52.1**	**71.9**	***(27.5%)***

(1) particular sales positions include sales of Special Projects (with book collections), described in details in point IV.A in this report;
(2) excluding non-cash cost of share-based payments;
(3) in 2010, the settlement of the one – off transaction of sales of the shares of Inforadio Sp. z o.o. to GRA Sp. z o.o. within the intergroup capital restructuring had the positive effect (of PLN 6.6 million) on this position;
(4) data presented includes the period of 2011 and September-December 2010;
(5) the above amount includes the impairment loss on selected press titles in the Magazine segment and the tangible fixed assets in one of the cinemas composing the Helios network.

It should be stressed that according to the International Financial Reporting Standards, the Group conducts impairment tests for individual cash generating units. As a result, the tests are conducted, inter alia, in relation to each magazine title and each cinema in the Helios network. According to the requirements, it is not possible to compensate the surplus of the recoverable amount on one magazine title (or one cinema) with the shortage on other title (or cinema) within one business segment. As a result, impairment loss on individual cash generating units is recognized even if the total value of the Group's business segment is not impaired (in this case: Magazine and Cinema segments).

(6) revaluation of the "put options" granted to the non-controlling shareholders of Helios S.A. in the amount of PLN 3.3 million carried out in accordance with the International Financial Reporting Standards. As at December 31, 2011 the estimated redemption amount of the "put options" amounted to PLN 26.4 million and was recognised in the consolidated balance sheet of the Agora Group in other financial liabilities.

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. 2

in PLN million	**2011**	*% share in total sales*	**2010**	*% share in total sales*	*% change 2011 vs 2010 yoy*
Total sales (1)	**1,234.6**	***100.0%***	**1,116.7**	***100.0%***	**-**
Advertising revenue	705.6	*57.2%*	715.7	*64.1%*	*(6.9%)*
Copy sales	192.8	*15.6%*	208.9	*18.7%*	*(3.1%)*
Ticket sales (2)	146.3	*11.8%*	40.1	*3.6%*	*8.3%*
Other	189.9	*15.4%*	152.0	*13.6%*	*1.8%*

(1) particular sales positions include sales of Special Projects (with book collections), described in details in point IV.A in this report;
(2) the data for 2010 includes only revenues contributed in the period of September-December 2010.

2.2. Financial results presented according to major segments of the Agora Group for 2011

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. 3

in PLN million	News-papers	Internet	Magazines	Outdoor	Radio	Cinema	Matching positions (3)	Total (consoli-dated) 2011
Total sales (4)	**594.5**	**114.0**	**75.3**	**175.0**	**86.1**	**203.9**	**(14.2)**	**1,234.6**
% share	48.2%	9.2%	6.1%	14.2%	7.0%	16.5%	(1.2%)	100.0%
Operating cost net (4)	**(500.7)**	**(107.7)**	**(73.4)**	**(160.0)**	**(82.7)**	**(188.5)**	**(69.7)**	**(1,182.7)**
EBIT	**93.8**	**6.3**	**1.9**	**15.0**	**3.4**	**15.4**	**(83.9)**	**51.9**
Finance cost, net								3.1
Share of results of equity accounted investees								-
Income tax								(11.2)
Net profit								**43.8**
Attributable to:								-
Equity holders of the parent								42.2
Non-controlling interest								1.6
EBITDA	**122.8**	**12.2**	**2.0**	**33.3**	**6.0**	**33.4**	**(65.0)**	**144.7**
Operating EBITDA (1)	127.1	12.8	2.4	34.1	6.5	33.4	(61.9)	154.4
CAPEX (2)	(23.7)	(6.3)	(0.2)	(13.8)	(3.0)	(21.4)	(28.6)	(97.0)

(1) excluding non-cash cost of share-based payments;
(2) based on invoices booked in the period; in the Cinema segment includes also PLN 9.8 million of non-current assets in lease;
(3) matching positions show data not included in particular segments, inter alia: other revenues and costs of Agora's support divisions and the Management Board of Agora S.A., Agora TC 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;
(4) 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.

2.3. Sales and markets

Nearly 100% of the total sales of the Group were related to sales in domestic market. Sales to foreign markets are realized mainly through press sales (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 2011, 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 dailies is purchased from several suppliers. In 2011, 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 in 2011 were negatively affected mainly by bank commissions, as well as interest on the bank loans and lease liabilities. Moreover, in the fourth quarter of 2011 a positive impact on this position had the revaluation of the "*put options"* granted to the non-controlling shareholders of Helios S.A. in the amount of PLN 3.3 million.

3. BALANCE SHEET OF THE AGORA GROUP

Tab. 4

in PLN million	**31-12-2011**	**31-12-2010**	***% change to 31/12/2010***
Non-current assets	**1,203.3**	**1,203.4**	**(0.01%)**
share in balance sheet total	*66.7%*	*66.7%*	-
Current assets	**600.4**	**602.1**	**(0.3%)**
share in balance sheet total	*33.3%*	*33.3%*	-
TOTAL ASSETS	**1,803.7**	**1,805.5**	**(0.1%)**
Equity holders of the parent	**1,246.1**	**1,221.1**	**2.0%**
share in balance sheet total	*69.1%*	*67.6%*	*1.5 pp*
Non-controlling interest	**17.3**	**15.5**	**11.6%**
share in balance sheet total	*1.0%*	*0.9%*	*0.1pp*
Non-current liabilities and provisions	**221.3**	**273.5**	**(19.1%)**
share in balance sheet total	*12.3%*	*15.1%*	*(2.8 pp)*
Current liabilities and provisions	**319.0**	**295.4**	**8.0%**
share in balance sheet total	*17.6%*	*16.4%*	*1.2pp*
TOTAL LIABILITIES AND EQUITY	**1,803.7**	**1,805.5**	**(0.1%)**

3.1. Non-current assets

The value of non-current assets remained at the similar level yoy and it reflects changes in D&A on property, plant and equipment and intangibles as well as purchases of property, plant and equipment, intangibles and long term investments in Sport4People Sp. z o.o. (recognition of goodwill) and GoldenLine Sp. z o.o. (investment accounted for using the equity method).

3.2. Current assets

The value of current assets remained almost flat yoy.

3.3. Non-current liabilities and provisions

The yoy decrease in non-current liabilities and provisions stems mainly from the reclassification and the decrease of long term bank loan and other borrowings (by PLN 46.4 million).

3.4. Current liabilities and provisions

The yoy change in current liabilities and provisions was caused mainly by an increase in short-term liabilities by PLN 18.4 million and an increase in short-term bank loans and other short-term borrowings by PLN 4.2 million.

4. CASH FLOW STATEMENT OF THE AGORA GROUP

Tab. 5

in PLN million	**2011**	**2010**	*% change yoy*
Net cash from operating activities	152.2	171.6	*(11.3%)*
Net cash from investment activities	(115.6)	(138.1)	*(16.3%)*
Net cash from financing activities	(93.5)	24.7	-
Total movement of cash and cash equivalents	**(56.9)**	**58.2**	**-**
Cash and cash equivalents at the end of period	**125.5**	**182.4**	***(31.2%)***

As at 31 December 2011, the Agora Group had PLN 323.4 million in cash and in short-term monetary assets, of which PLN 125.5 million was in cash and cash equivalents (cash, bank accounts and bank deposits) and PLN 197.9 million in secure short-term securities.

Agora S.A. has not been engaged in 2011 in any currency option instruments or other derivatives (used for hedging or speculative purposes).

On May 26, 2011, the Company executed Annex no. 12 (the “Annex 12”) to the loan agreement with the Bank Pekao S.A. On the basis of the Annex 12, the Company has the credit line in the amount of PLN 150 million, which may be used by May 31, 2012. In the first three quarters of 2011, Agora S.A. repaid three consecutive installments of the credit line used in the previous years. The installment related to the fourth quarter of 2011, together with the related interest and commissions, was charged by the bank on January 2, 2012.

As at the date of this consolidated financial statements, considering the cash position and the available credit facility, the Group does not anticipate any liquidity problems with regards to its further investment plans (including capital investments).

The acquisition of Helios S.A. resulted in the increase of the Agora Group debt from bank loans and other borrowings as a result of consolidation of debt liabilities of Helios within the Agora Group. Additionally, Helios is a third party of lease agreements (classified as finance lease) concerning cars and cinema equipment.

4.1. Operating activities

In 2011, the net cash inflows from operating activities were lower yoy mainly due to lower operating profit.

4.2. Investment activities

Net outflow from investing activities in 2011 results mainly from outlays on property, plant and equipment, intangibles and on acquisition of subsidaries and associates.

4.3. Financing activities

In 2011, the net cash from financing activities included mainly repayments and drawings of bank loans by Helios S.A., financial lease payments and also the repayments of the credit line by Agora S.A.

5. SELECTED FINANCIAL RATIOS [5]

Tab. 6

	2011	2010	*% change yoy*
Profitability ratios			
Net profit margin	3.4%	6.4%	*(3.0pp)*
Gross profit margin	35.9%	41.3%	*(5.4pp)*
Return on equity	3.4%	5.9%	*(2.5pp)*
Efficiency ratios			
Inventory turnover	12 days	11 days	*9.1%*
Debtors days	61 days	67 days	*(9.0%)*
Creditors days	48 days	53 days	*(9.4%)*
Liquidity ratio			
Current ratio	1.9	2.0	*(5.0%)*
Financing ratios			
Gearing ratio (1)	-	-	-
Interest cover	3.7	12.7	*(70.9%)*
Free cash flow interest cover	5.7	18.0	*(68.3%)*

(1) as at 31 December 2011 and 31 December 2010 the Group had net cash position.

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. NEWSPAPERS [1]

The *Newspapers* segment includes the pro-forma consolidated financials of *Gazeta Wyborcza*, *Metro,* Special Projects, Agora's Printing Department and Agora Poligrafia Sp. z o.o.

Tab. 7

in PLN million	**2011**	**2010**	*% change yoy*
Total sales	**594.5**	**644.0**	***(7.7%)***
Copy sales (1)	135.9	148.5	*(8.5%)*
incl. Gazeta Wyborcza	*131.3*	*146.1*	*(10.1%)*
Advertising revenue (1), (2)	299.1	345.2	*(13.4%)*
incl. Gazeta Wyborcza (3)	*256.1*	*305.9*	*(16.3%)*
incl. Metro (4)	*30.4*	*31.4*	*(3.2%)*
Special Projects (including book collections)	49.4	58.7	*(15.8%)*
Other revenue	110.1	91.6	*20.2%*
Total operating cost, including	**(500.7)**	**(496.6)**	***0.8%***
Raw materials, energy, consumables and printing services	(206.5)	(196.0)	*5.4%*
Staff cost (5)	(133.8)	(130.5)	*2.5%*
Non-cash expense relating to share-based payments	(4.3)	(5.1)	*(15.7%)*
D&A	(29.0)	(25.7)	*12.8%*
Promotion and marketing (2) (6)	(69.1)	(80.0)	*(13.6%)*
EBIT	**93.8**	**147.4**	**(36.4%)**
EBIT margin	15.8%	22.9%	(7.1pp)
EBITDA	**122.8**	**173.1**	**(29.1%)**
EBITDA margin	20.7%	26.9%	(6.2pp)
Operating EBITDA (5)	**127.1**	**178.2**	**(28.7%)**
Operating EBITDA margin	21.4%	27.7%	(6.3pp)

(1) excluding revenues from Special Projects;

(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) the amounts refer to only a portion of total revenues from dual media offers (published both in Gazeta Wyborcza, as well as on GazetaPraca.pl, GazetaDom.pl, Domiporta.pl, Komunikaty.pl verticals and Nekrologi.Wyborcza.pl website), which is allocated to the print edition of Gazeta;

(4) the amounts refer to total revenues of the Free Press Department, including revenues from Metro's display advertising, classifieds and inserts as well as from mTarget services and Metro's special activities;

(5) excluding non-cash cost of share-based payments;

(6) the amounts include inter alia the start-up cost of new book collections (i.e. initial promotional cost in the media) and the production and promotional cost of gadgets offered with Gazeta.

In 2011, the operating EBITDA of the segment amounted to PLN 127.1 million and the EBITDA margin reached 21.4% *[1]*.

1. GAZETA WYBORCZA

1.1. Revenue

1.1.1. Copy sales [4]

In 2011, *Gazeta* sold 306 thousand copies on average (down by 8.8% yoy) and *Gazeta*'s revenues from copy sales decreased by 10.1% yoy.

In 2011, total average paid circulation of *Rzeczpospolita* amounted to 129 thousand copies (down by 8.4% yoy), that of *Fakt* to 394 thousand copies (down by 9.7% yoy) and that of *Super Express* to 174 thousand copies (down by 5.3% yoy). In 2011, all titles of Polskapresse under *Polska The Times* brand were distributed in 240 thousand copies on average (down by 10.1% yoy). In 2011, average paid circulation of *Dziennik Gazeta Prawna* amounted to 91.6 thousand copies (down by 8.0% yoy) *[4] .*

1.1.2. Readership [4]

In 2011, *Gazeta's* weekly readership stood at 13.3% (4 million readers; CCS, weekly readership index). The readership of the tabloid *Fakt* stood at 12.8% and that of *Super Express* reached on average 5.9%. In 2011, *Metro* was read by 1.8 million people on average (CCS, weekly readership 5.8%). The readership rate for *Dziennik Gazeta Prawna* stood at 2.4% (0.7 million readers) and for *Rzeczpospolita* at 4%(1.2 million readers).

1.1.3. Advertising sales [3]

In 2011, *Gazeta's* net advertising revenue (including display advertising, classifieds and inserts) amounted to PLN 256.1 million (down by 16.3% yoy). The above figures include only a portion of revenues from dual-media advertising offers (published both in print as well as on *GazetaPraca.pl, GazetaDom.pl, Domiporta.pl, Komunikaty.pl* verticals and *Nekrologi.Wyborcza.pl* website), which is allocated to the print edition of *Gazeta Wyborcza.*

In 2011, the ad spend in dailies in Poland decreased by 12.5% yoy. In the discussed period, *Gazeta*'s revenues from display advertising decreased by 14.8% yoy, and its estimated share in display ad spend in dailies decreased by 1pp yoy to the level of 37%. At the same time, the share of *Dziennik Gazeta Prawna* in dailies ad expenditure stood at ca 4.0% (flat yoy) and of *Rzeczpospolita* stood at ca 9% (down by nearly 1pp yoy). In 2011, the share of *Fakt* in display ad spend in dailies stood at ca 9.0% (up by nearly 0.5pp yoy) and that of *Super Express* at ca 3.5% (up by almost 0.5pp yoy).

In 2011, *Gazeta*'s share in the national newspaper ad spend amounted to over 41% and was up by over 0.5pp yoy. During this period, *Gazeta*'s share in Warsaw ad spend in newspapers decreased by over 0.5pp yoy while the joint share of *Gazeta* and *Metro* was up by over 1pp yoy. At the same time, *Gazeta's* share in local dailies (excluding Warsaw) decreased by over 2pp yoy.

These advertising market estimations may represent some margin of error due to significant discount pressure on the market. Once the Company has more reliable market data, it may correct the ad spending estimations in the consecutive reporting periods.

In 2011, the share of ad pages in *Gazeta's* total pagecount amounted to ca 34.5% (down by ca 3.9pp yoy), while the average number of paid-for ad pages published daily in all local and national editions reached ca 152 (down by ca 15% yoy).

1.1.4. Special Projects

Tab. 8

in PLN million	1Q 2010	2Q 2010	3Q 2010	4Q 2010	1Q 2011	2Q 2011	3Q 2011	4Q 2011
Revenue from Special Projects (including collections)	14.1	15.9	8.1	20.6	16.0	16.1	6.1	11.2

In 2011, Agora ran 7 new collections and continued 3 from the previous year. Additionally, Special Projects ran 59 one-off projects, including 42 books and 17 music albums.

In 2011, Special Projects sold 1.6 million books and books with DVDs and CDs. In this period, the division's revenue reached PLN 49.4 million and was down by 15.8% yoy. Special Projects recorded a positive EBIT of PLN 1.6 million, up by 0.1 million yoy *[1]*.

The autobiography of Marek Niedzwiecki *Nie wierze w zycie pozaradiowe,* published in the fourth quarter of 2011, was awarded the title of *Bestseller Empiku 2011* in the category "Special Projects". Agora received three nominations to this year award of Bestseller Empiku. Moreover, the list of best selling books included: *Listy na wyczerpanym papierze* – a collection of letters written by Agnieszka Osiecka (not published before) and Jeremi Przybora – and *Kuna za kaloryferem* by Adam Wajrak and Nuria Selva Fernandez – a warm and entertaining story about animal preservation.

1.1.5. Other revenues

In 2011, the Company's revenue from the sales of printing services to external clients rose by 20.4% yoy.

1.2. Cost

1.2.1 Printing cost of Gazeta Wyborcza

Tab. 9

in PLN million	**2011**	**2010**	*% change yoy*
Fixed cost	37.7	36.4	*3.6%*
incl. D&A	*12.6*	*12.4*	*1.6%*
Variable cost	84.3	83.2	*1.3%*
incl. newsprint	*71.8*	*64.6*	*11.1%*
TOTAL fixed and variable cost	**122.0**	**119.6**	***2.0%***

Starting from the fourth quarter of 2010, most of *Gazeta's* heatset supplements are printed in Agora's own printing house in Pila, which in 2011 resulted in the increase of the fixed cost attributed to the title yoy.

The increase of the newsprint cost of *Gazeta Wyborcza* in 2011, despite the lower number of copies and pagecount , is a result of higher newsprint prices and higher EUR/PLN exchange rate.

1.2.2. Promotion and marketing cost

In 2011, promotion and marketing cost of the Newspapers segment was down by 13.6% yoy mainly as a result o lower promotion outlays in Gazeta Wyborcza and smaller number of book collections.

1.3. Additional information

In 2011, as well as in the previous years, the advertising sales offices of *Gazeta Wyborcza* and *Metro* received the highest score in the annual ranking organized by *Media & Marketing Polska* business magazine evaluating sales teams of dailies. Agora's titles received the highest score in 4 out of 6 categories and were recognized for their excellence.

Edukacja w finansach (Education in finance), a joint campaign of *Gazeta Wyborcza*, *Gazeta.pl* and *Deutsche Bank PBC* received a prestigious *European Excellence Award* in *Communication in Finance* category in Amsterdam.

2. FREE PRESS [3], [4]

In 2011, 5.8% of Poles read *Metro* throughout the week (1.8 million readers; CCS, weekly readership index). As a result, *Metro* had 1.0 million readers more than *Dziennik Gazeta Prawna* and nearly 0.6 million readers more than *Rzeczpospolita.* This means that *Metro* (together with *Super Express,* which had 1.8 million readers and a readership rate of 5.9%) was the third most widely read national daily. *It* was also the second most popular daily in

Warsaw (weekly readership 31.0%, 0.4 million readers); *Gazeta Wyborcza* - the most popular daily in Warsaw had weekly readership of 37.0%; 0.48 million readers).

In 2011, *Metro's* total ad revenues decreased by 3.2% yoy, including an over 3% yoy decrease in display advertising. In this period, the total display ad spend in all dailies in Poland decreased by 12.5% yoy. As a result *Metro's* share in advertising spending in all dailies increased by 0.5pp yoy to almost 4.5%, in Warsaw dailies by over 1.5pp yoy to 15% and in local dailies by over 0.5pp yoy to more than 3%.

In 2011, the operating EBITDA of *Metro* was PLN 4.7 million (up by PLN 0.7 million yoy) *[1].*

IV.B INTERNET [1] [6]

The Internet segment includes the pro-forma consolidated financials of Agora's Internet Department, LLC Agora Ukraine, Trader.com (Polska) Sp. z o.o., AdTaily Sp. z o.o. and Sport4People Sp. z o.o.

Tab. 10

in PLN million	**2011**	**2010**	*% change yoy*
Total sales , including	**114.0**	**101.8**	***12.0%***
Display ad sales (1)	82.7	69.9	*18.3%*
Ad sales in verticals (2)	24.3	23.3	*4.3%*
Total operating cost, including	**(107.7)**	**(97.1)**	***10.9%***
IT and network maintenance	(3.0)	(3.1)	*(3.2%)*
Staff cost (3)	(48.4)	(43.5)	*11.3%*
Non-cash expense relating to share-based payments	(0.6)	(0.5)	*20.0%*
D&A	(5.9)	(6.7)	*(11.9%)*
Promotion and marketing (1)	(18.7)	(19.9)	*(6.0%)*
EBIT	**6.3**	**4.7**	***34.0%***
EBIT margin	5.5%	4.6%	*0.9pp*
EBITDA	**12.2**	**11.4**	***7.0%***
EBITDA margin	10.7%	11.2%	*(0.5pp)*
Operating EBITDA (3)	**12.8**	**11.9**	***7.6%***
Operating EBITDA margin	11.2%	11.7%	*(0.5pp)*

(1) the amounts do not include revenues and total 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, LLC Agora Ukraine, Trader.com (Polska) Sp. z o.o. and AdTaily Sp. z o.o, and Sport4People Sp. z o.o.;

(2) including, among others, allocated revenues from the dual media offer (i.e. published both in Gazeta Wyborcza, as well as on GazetaPraca.pl, GazetaDom.pl, Domiporta.pl, Komunikaty.pl verticals and Nekrologi.Wyborcza.pl website);

(3) excluding non-cash cost of share-based payments.

In 2011, the Internet segment's operating result (EBIT) improved by 34.0% yoy and reached PLN 6.3 million *[1].*

1. REVENUE

In 2011, total sales of the Internet segment increased by 12.0% yoy and reached PLN 114.0 million. This growth resulted mainly from the increase in display ad sales by 18.3% yoy. Ad sales in verticals grew by 4.3% yoy and reached PLN 24.3 million.

2. COST

In 2011, the total operating cost of the Internet segment grew by 10.9% yoy to PLN 107.7 million due to, inter alia, the launch of a new group shopping website *HappyDay.pl* as well as the increase in brokerage costs related to the purchase of advertising space in advertising networks.

In 2011, the staff cost (excluding non-cash cost of share-based payments) went up by 11.3% yoy as a result of, inter alia, higher cost of contracts of mandate and higher number of FTEs in Agora's Internet department. The employment in Internet segment at the end of 2011 was higher by 20 FTEs yoy.

In 2011, promotion and marketing cost decreased by 6.0% yoy to the amount of PLN 18.7 million, mainly due to the reduction of promotion and marketing cost of *Gazeta.pl* portal.

3. IMPORTANT INFORMATION ON INTERNET ACTIVITIES

In December 2011, the reach of *Gazeta.pl* group services among Polish Internet users stood at 61.3%, which made *Gazeta.pl* group the third player among Internet portals, after *Onet.pl* and *Wirtualna Polska - Orange* groups. The number of users reached 11.7 million (up by 1.7% yoy). In the same month, the total number of page views by the users connecting from a territory of Poland reached 1.1 billion (down by 1.0% yoy), with an average viewing time of 2 hours and 10 minutes per user (1 minute less than in December 2010) *[6].*

The websites of *Gazeta.pl group* are ranked among top thematic market players. According to Megapanel PBI/Gemius data from December 2011 *GazetaDom.pl* is the leader in the *Building & real estate* category, whereas *Gazeta.pl's* parenting sites (inter alia *eDziecko.pl*) are the leaders in *Children, Family* category. *Gazeta.pl's* social network sites (inter alia *Forum.Gazeta.pl*) are second in the *Forums & Discussion Groups* category and *Gazeta.pl's* community sites (inter alia *Blox*) are ranked second in *Blogs* category. *Gazeta.pl's* educational sites are ranked third in the *Education* category, *Gazeta.pl's* sport sites (inter alia *Sport.pl*) are ranked third in *Sport* category, *Gazeta.pl's* information sites are third in the *Information & journalism* category, and *Gazeta.pl's* recruitment sites are ranked third in the *Recruitment* category.

In November 2011, Agora acquired a majority stake in Sport4People Sp. z o.o., the owner of a social network site dedicated to football – *Futbolowo.pl.* In December 2011, Agora became a minority shareholder in GoldenLine Sp. z o.o., which is the owner of a social network site dedicated to professional development – *GoldenLine.pl.*

In the fourth quarter of 2011, Agora launched a new version of *wiadomosci.gazeta.pl* – the largest information site of *Gazeta.pl* group, specialized in live reports covering the most important events of the day.

IV.C. THE MAGAZINES [1] [7]

The Magazines segment presents the pro-forma consolidated financials of Agora's Magazines and Agora Press Ltd. (Ukraine) for the period ending 31 July, 2010. From the beginning of August, 2010 Agora Press Ltd. was merged with LLC Agora Ukraine included in the Internet segment.

Tab. 11

in PLN million	**2011**	**2010**	*% change yoy*
Total sales, including	**75.3**	**83.6**	***(9.9%)***
Copy sales	31.7	37.5	*(15.5%)*
Advertising revenue (1)	42.8	45.6	*(6.1%)*
Total operating cost, including	**(73.4)**	**(67.7)**	***8.4%***
Raw materials, energy, consumables and printing services	(26.6)	(26.1)	*1.9%*
Staff cost (2)	(17.3)	(16.8)	*3.0%*
Non-cash expense relating to share-based payments	(0.4)	(0.5)	*(20.0%)*
D&A	(0.1)	(0.3)	*(66.7%)*
Promotion and marketing (1)	(13.2)	(17.6)	*(25.0%)*
One-off cost (3)	(11.2)	-	-
EBIT	**1.9**	**15.9**	***(88.1%)***
EBIT margin	2.5%	19.0%	*(16.5pp)*
EBITDA	**2.0**	**16.2**	***(87.7%)***
EBITDA margin	2.7%	19.4%	*(16.7pp)*
Operating EBITDA (2)	**2.4**	**16.7**	***(85.6%)***
Operating EBITDA margin	3.2%	20.0%	*(16.8pp)*
EBIT excluding one-off cost (3)	**13.1**	**15.9**	***(17.6%)***
EBIT margin excluding one-off cost (3)	17.4%	19.0%	*(1.6pp)*
EBITDA excluding one-off cost (3)	**13.2**	**16.2**	***(18.5%)***
EBITDA margin excluding one-off cost (3)	17.5%	19.4%	*(1.9pp)*
Operating EBITDA (2), (3) excluding one-off cost	**13.6**	**16.7**	***(18.6%)***
Operating EBITDA margin excluding one-off cost (3)	18.1%	20.0%	*(1.9pp)*

(1) the amounts do not include revenues and total 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;

(2) excluding non-cash cost of share-based payments;

(3) the above one - off cost includes the impairment loss on several press titles in the Magazines segment.

It should be stressed that according to the International Financial Reporting Standards, the Group conducts impairment tests for individual cash generating units. As a result, the tests are conducted, inter alia, in relation to each magazine title. According to the requirements, it is not possible to compensate the surplus of the recoverable amount on one magazine title with the shortage on other title within one business segment. As a result, impairment loss on individual cash generating units is recognized even if the total value of the Group's business segment is not impaired (in this case: the Magazines segment).

Due to the impairment loss on several titles, the Magazines segment recorded an operating EBITDA of 2.4 million and the operating EBITDA margin reached the level of 3.2% in 2011 *[1].* If the above impairment loss on selected press titles was to be excluded, the Magazines segment would report an operating EBITDA of PLN 13.6 million in 2011.

1. REVENUE

In 2011, total copy sales decreased by 15.5% yoy, while ad sales were down by 6.1% yoy, leading to an overall decline in total sales by 9.9% yoy. The decrease in revenue from copy sales reflects the reduction of the primary editions' cover prices of *Poradnik Domowy* and *Dziecko* (introduced in March and May 2011, respectively), as well as the overall market trend of copy sales decline. Advertising sales were down mainly as a result of a reduction in advertising expenditure in *interior decoration*, *construction, hygiene & beauty* as well as *food & drink* categories.

1.1. Copy sales

Tab. 12

in thousand of copies	**2011**	**2010**	*% change yoy*
Average copy sales of monthlies	935.5	948.9	*(1.4%)*

In 2011, the average number of copies sold by Agora's monthlies decreased by 1.4% yoy. *Poradnik Domowy* and *Avanti* noted a significant growth in copies sold.

1.2. Advertising sales

In 2011, Agora's revenues from advertising in Magazine segment decreased by 6.1% yoy. Its share in nationwide magazines was at the level of 6.5% and at the level of 10.0% in the monthlies (based on rate card data) *[7]*.

2. COST

In 2011, the Magazines segment increased its operating costs by 8.4% yoy, mainly as a result of the impairment loss. Additionally, the cost of materials, energy, consumables and printing services, went up by 1.9% yoy, reflecting mainly the higher EUR/PLN exchange rate, which was not fully compensated by the decrease in print runs and pagecounts in most of the titles.

The decline in the promotional and marketing cost (down by 25.0% yoy), resulting from the reduction in number and scope of promotional campaigns contributed positively to the results of the segment in 2011.

3. OTHER EVENTS

In 2011, the Magazine segment actively developed websites of the magazines published by Agora. In April, the websites *e-ogrody.pl* was launched. It presents the information on gardening selected from the resources of Agora's magazines: *Ogrody, Kwietnik* and *Bukiety*. In September, the segment lauched a new website *poradnikdomowy.pl* with a new layout and design offering its users, inter alia, tools to create an online community. In December, a new internet website *magazyn-kuchnia.pl*, offering a wide variety of culinary content to users was launched.

IV.D. 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. 13

in PLN million	**2011**	**2010**	*% change yoy*
Total sales, including:	**175.0**	**164.1**	***6.6%***
Advertising revenue (1)	171.5	161.7	*6.1%*
Total operating cost, including:	**(160.0)**	**(158.9)**	***0.7%***
Execution of campaigns	(27.8)	(27.3)	*1.8%*
Maintenance cost	(73.9)	(73.5)	*0.5%*
Staff cost (2)	(19.7)	(18.7)	*5.3%*
Non-cash expense relating to share-based payments	(0.8)	(0.9)	*(11.1%)*
Promotion and marketing	(5.4)	(6.0)	*(10.0%)*
D&A	(18.3)	(21.3)	*(14.1%)*
Other operating cost net	0.7	-	-
EBIT	**15.0**	**5.2**	***188.5%***
EBIT margin	8.6%	3.2%	*5.4pp*
EBITDA (4)	**33.3**	**26.4**	***26.1%***
EBITDA margin	19.0%	16.1%	*2.9pp*
Operating EBITDA (2) (4)	**34.1**	**27.3**	***24.9%***
Operating EBITDA margin	19.5%	16.6%	*2.9pp*
Number of advertising spaces (3)	23,821	23,841	*(0.1%)*

(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 non-cash cost of share-based payments;

(3) excluding advertising panels of AMS Group installed on petrol stations, small panels on bus shelters and in the Warsaw subway, as well as advertising panels on buses and trams;

(4) the amounts include a reclassification adjustment of D&A, resulting from financing sources of fixed assets owned by AMS group.

In 2011, the increase of revenue by 6.6% yoy and cost control measures improved the financial results of the Outdoor segment yoy. The operating result (EBIT) increased by 188.5% yoy and amounted to PLN 15.0 million, while the operating EBITDA margin increased by 2.9pp yoy to 19.5%.

1. REVENUE [8]

In 2011, according to IGRZ estimates, the outdoor advertising expenditure shrank by over 0.5% yoy*[8].*

The advertising sales of the AMS group outperformed the market in 2011, noting a 6.1% increase yoy.

As a result of the increase in revenues from advertising sales the estimated share of AMS in outdoor ad spending increased by nearly 4pp yoy to 30% in 2011 *[8].*

2. COST

In 2011, the operating cost of AMS Group remained nearly flat yoy (up by 0.7% yoy), while the total revenue rose by 6.6% yoy.

The increase in staff cost (up by 5.3% yoy) in 2011 reflected development of regional sale structure and higher variable remuneration components resulting from higher sales. Another factor significantly contributing to the growth of this cost position were provisions for incentive plans implemented in the Group.

In 2011, the decline in other operating cost net allowed to limit the growth of the segment's operating cost. It was mainly related to closing several administrative disputes on using the waysides without permission and lower yoy number of terminated panels.

Additionally, in 2011 promotion and marketing cost was reduced (down by 10.0% yoy) due to the smaller scope of social campaigns and joint non-profit /commercial campaigns in the second and third quarter of 2011. The non-profit element of these campaigns is settled in barter and charged to promotion and marketing cost.

3. OTHER EVENTS

AMS launched *AMS Metrics* – the first software on the market that calculates effectiveness of campaigns implemented on outdoor panels. With this tool, it is possible to provide basic parameters used in other media such as range, number of contacts, cost of reach. *AMS Metrics* allows to specify these parameters in outdoor advertising for panels in all major Polish cities.

The AMS S.A. sales team was recognized in 2011 as the best sales team in the outdoor market in the prestigious annual ranking of the weekly *Media and Marketing Polska*.

As a part of *Bramy Kraju,* an urban marketing programme, AMS organised the seventh conference for local government under the name *A city after EURO. How to use a large sport event to enhance city development.* Experience from the *FIFA World Cup* in 2010 in South Africa and the experts' opinions were presented during that conference. The answer for the question how to use EURO 2012 for the development of the city - in terms of architecture and urban development, population, public transport and promotion, was looked for.

For the third time, AMS was recognized for its support of the culture and received the title of *Patron of Culture* in Cracow in the category of *Media Patron* and an additional distinction in the *Sponsor* category.

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*, being parts of the Agora Group. This includes: 20 *Golden Oldies* (*Zlote Przeboje)* local radio stations (including the license for Wolin, granted in March 2011 which broadcasts since June 2011), 7 local radio stations (*Radio Roxy FM)*, one AC format (Adult Contemporary) local station and a super-regional news radio *TOK FM* broadcasting in nine largest metropolitan areas.

Tab. 14

in PLN million	**2011**	**2010**	*% change yoy*
Total sales, including :	**86.1**	**77.6**	***11.0%***
Advertising revenue (1) (3)	84.5	75.8	*11.5%*
Total operating cost, including: (3)	**(82.7)**	**(73.9)**	***11.9%***
Staff cost (2)	(25.0)	(24.5)	*2.0%*
Non-cash expense relating to share-based payments	(0.5)	(0.5)	-
Licenses, rental and telecommunication costs	(8.5)	(8.3)	*2.4%*
D&A	(2.6)	(2.7)	*(3.7%)*
Promotion and marketing (3)	(16.6)	(17.1)	*(2.9%)*
EBIT	**3.4**	**3.7**	***(8.1%)***
EBIT margin	3.9%	4.8%	*(0.9pp)*
EBITDA	**6.0**	**6.4**	***(6.3%)***
EBITDA margin	7.0%	8.2%	*(1.2pp)*
Operating EBITDA (2)	**6.5**	**6.9**	***(5.8%)***
Operating EBITDA margin	7.5%	8.9%	*(1.4pp)*

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

(2) excluding non-cash cost of share-based payments;

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

In 2011, Agora's Radio segment achieved a positive operating EBITDA of PLN 6.5 million.

1. REVENUE [3]

In 2011, the sales of the Radio segment increased by 11.0% yoy and amounted to PLN 86.1 million, including advertising revenue which increased by 11.5% yoy and amounted to PLN 84.5 million. In 2011, advertisers increased their total advertising expenditure in radio by almost 6.5% yoy.

2. COST

In 2011, the operating costs of the Radio segment increased by 11.9% yoy and reached PLN 82.7 million, mainly as a result of higher brokerage costs, which are compensated by higher ad sales.

3. AUDIENCE SHARES [9]

In 2011, the audience share of Agora's music local radio stations amounted to 7.1% (up by 0.4 pp yoy).

The audience share of *TOK FM* in all the cities of broadcasting achieved a 5.0% share (5.1% in 2010).

4. OTHER EVENTS

In July 2011, *ArtPop Festiwal Zlote Przeboje Bydgoszcz 2011* took place. It was the third edition of the festival organized together with the city of Bydgoszcz and *Sony MBG Poland*. The foreign stars included *Grace Jones*, *The Killers* and *I Blame Coco*.

In 2011, the segment launched applications for its music platform *tuba.FM* for most popular mobile platform – appliances with iOS, Android and Bada (Samsung), Symbian and Meego (Nokia) systems. The users of Samsung TV sets may also use the application *tuba.FM* on the platform *Smart TV* – since its launch this application is the most popular music application in Samsung TV sets.
In total, in 2011, the users uploaded the mobile application of tuba.FM over 200 thousand times.

IV.F. CINEMA

The Cinema segment includes Helios S.A. (on August 31, 2011 Helios S.A. merged with Kinoplex Sp. z o.o.). The financials of the Cinema segment are consolidated with the results of Agora Group starting from September 1, 2010. Detailed information concerning the acquisition as well as the merger of the companies is discussed in note 32 to the consolidated financial statements of the Agora Group.

Tab. 15

in PLN million	**2011**	**September-December 2010**
Total sales, including :	**203.9**	**56.0**
Tickets sales	146.3	40.1
Sales from foods & beverages	42.1	12.1
Advertising revenues (2)	11.7	3.3
Total cost, including:	**(188.5)**	**(55.4)**
External services	(105.7)	(31.1)
Raw materials, energy and consumables	(24.6)	(7.7)
Staff cost	(25.0)	(8.5)
D&A	(18.0)	(5.4)
Promotion and marketing (2)	(4.9)	(1.3)
One-off cost (3)	(3.1)	-
Other net operating cost	(7.2)	(1.4)
EBIT	**15.4**	**0.6**
EBIT margin	7.6%	1.1%
EBITDA	**33.4**	**6.0**
EBITDA margin	16.4%	10.7%
Operating EBITDA (1)	**33.4**	**6.0**
Operating EBITDA margin (1)	16.4%	10.7%
EBIT excluding one-off cost (3)	**18.5**	**0.6**
EBIT margin excluding one-off cost (3)	9.1%	1.1%
EBITDA excluding one-off cost (3)	**36.5**	**6.0**
EBITDA margin excluding one-off cost (3)	17.9%	10.7%
Operating EBITDA (1), (3) excluding one-off cost	**36.5**	**6.0**
Operating EBITDA margin (1), (3) excluding one-off cost	17.9%	10.7%

(1) As far as the Helios group is concerned EBITDA and operating EBITDA ratios are equal as in the period referred to in the table there was not any non-cash cost of share-based payments incurred;

(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;

(3) the above one - off cost includes the impairment loss on the tangible fixed assets in one of the cinemas from the Helios network.

It should be stressed that according to the International Financial Reporting Standards, the Group conducts impairment tests for individual cash generating units. As a result, the tests are conducted, inter alia, in relation to each cinema in the Helios network. According to the requirements, it is not possible to compensate the surplus of the recoverable amount in one cinema with the shortage in another within one business segment. As a result, impairment loss on individual cash generating units is recognized even if the total value of the Group's business segment is not impaired (in this case: the Cinema segment).

1. REVENUE [3]

In 2011, Helios cinemas had 8.3 million visitors (up by 8.7% yoy). The average ticket price in Helios cinemas was PLN 17.62 net (down by over 2% yoy). Out of the total number of tickets sold, nearly 36.5% were tickets for 3D films (up by 1pp yoy).

According to *boxoffice.pl* report, in 2011, the number of cinema tickets sold in Poland increased by over 3% yoy and the revenue from tickets sales was higher by over 1% yoy.

The operating result (EBIT) of the Cinema segment reached PLN 15.4 million and was better than in 2010.

2. COST

In 2011, as a result of the annual review of financial projections, the Cinema segment recognized an impairment loss in the total amount of PLN 3.1 million. This loss is related to the tangible fixed assets in one of the cinemas from the Helios network.

In 2011, the operating cost of the segment reached PLN 188.5 million and was higher yoy. The increase results mainly from the higher cost of external services, including cost of film copies and rent of commercial space in shopping centres.

3. OTHER EVENTS

The cinemas of Helios are undergoing the process of digitalization. On the date of acquisition by Agora Group, the Helios network had 24 3-D digital projectors. Until December 31, 2011, 86 new digital projectors were installed (including 62 with 3-D system).

NOTES

[1] Operating EBITDA = EBITDA + non-cash expenses relating to share-based payments.

EBIT, EBITDA, operating EBITDA of Newspapers, Internet and Magazines 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 supporting divisions), which are included in reconciling positions.

[2] The Group's net result refers to "net result attributable to equity holders of the parent".

[3] The data refer to advertising expenditures in six media (print, radio, TV, outdoor, Internet, cinema). Unless explicitly stated otherwise, print 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. Because of that and taking into account the discount pressure, 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 print, 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 (previously Expert Monitor), Agora S.A. monitoring.

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

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

Outdoor advertising figures are based on estimates of Izba Gospodarcza Reklamy Zewnetrznej [8]

[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 SMG/KRC 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 or preceding research. Size of the sample: nationwide PBC General for January - December 2011: N = 48,757, Warsaw: N = 2,091.

[5] Definition of ratios:

$$\text{Net profit margin} = \frac{\text{Net profit attributable to equity holders of the parent}}{\text{Sales of finished products, merchandise and materials}}$$

$$\text{Gross profit margin} = \frac{\text{Gross profit on sales}}{\text{Sales of finished products, merchandise and materials}}$$

$$\text{Return on equity} = \frac{\text{Net profit attributable to equity holders of the parent}}{\begin{array}{c}\text{(Equity attributable to equity holders of the parent at the beginning of the period}\\ \text{+ Equity attributable to equity holders of the parent at the end of the period)}\\ \text{/ 2 / 1 for annual results}\end{array}}$$

$$\text{Debtors days} = \frac{\begin{array}{c}\text{(Trade receivables gross at the beginning of the period}\\ \text{+ Trade receivables gross at the end of the period) / 2}\end{array}}{\text{Sales of finished products, merchandise and materials / no. of days}}$$

$$\text{Creditors days} = \frac{\begin{array}{c}\text{(Trade creditors at the beginning of the period}\\ \text{+ Trade creditors at the end of the period) / 2}\end{array}}{\text{Cost of sales / no. of days}}$$

Inventory turnover =	*(Inventories at the beginning of the period + Inventories at the end of the period) / 2* / *Cost of sales / no. of days*
Current ratio I =	*Current Assets* / *Current liabilities*
Gearing ratio =	*(Current and non-current liabilities from loans – cash and cash equivalents – highly liquid short-term monetary assets)* / *Total equity and liabilities*
Interest cover =	*Operating profit* / *Interest charge*
Free cash flow interest cover =	*Free cash flow ** / *Interest charge*

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

[6] The Gazeta.pl Group include online services (including partnership services), which domains are subscribed by Agora. Real users, page views and spent time on the basis of Megapanel PBI/Gemius, 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. Real users data of the Gazeta.pl group services are audited by Gemius SA.

[7] Average paid circulation of monthlies is based on the Agora's own data. Rate card data on magazines obtained from Kantar Media monitoring (previously Expert Monitor); commercial brand advertising, excluding specialized monthlies; accounted for 129 titles for the period of 2011.

[8] Source: report on sales of outdoor companies prepared by Izba Gospodarcza Reklamy Zewnetrznej (IGRZ) which include: AMS S.A., BP Media, Business Consulting, CAM Media, Cityboard Media, Clear Channel Poland, Defi Poland, Gigaboard Polska, Mini Media, Ströer Out of Home and Warexpo. The report is prepared on the basis of the financials provided by member companies of IGRZ. The reports for the outdoor market (defined by IGRZ as 'the out-of-home market'), include immovable, mobile and digital outdoor advertising.

[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):

- for local music radio stations: in cities of broadcasting of Agora'a music radio stations and in the age group of 15+, from January to December (sample for 2010: 41,869; sample for 2011: 41,982),
- for TOK FM: in cities of broadcasting and in the age group of 15+, from January to December (sample for 2010: 30,976; sample for 2011: 31,050).

[10] Average paid circulation of Polskapresse titles associated under Polska The Times brand = a sum of all copies sold of the titles /number of days of publishing.

[11] The data on cinema ticket sales in Polish cinemas are based on Boxoffice.pl data prepared on the basis of the reports submitted by distributors of film copies. The data does not reflect the full situation on the Polish cinema market and is 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.

[12] the data on ticket sales in the cinemas comprising Helios group come from the financial data of Helios reported according to the accounting standards and financial reports timetable. Due to the differences in the process of data preparation and presentation the numbers concerning cinema tickets sold in the cinemas of Helios group and in all Polish cinemas are not comparable.

V. ADDITIONAL INFORMATION

V.A. INFORMATION CONCERNING SIGNIFICANT CONTRACTS FOR THE ISSUER AND ITS GROUP

1. CHANGES IN THE AGREEMENT CONCERNING CREDIT LINE

In the current report published on May 26, 2011 the Company informed that on May 26, 2011 Agora executed annex no. 12 (the "Annex 12") to the loan agreement with the Bank Pekao S.A. executed on April 5, 2002. On the basis of the signed Annex 12, the Company has the credit line in the amount of PLN 150 million, which may be used by May 31, 2012.

In the current report published on July 1, 2011 the Company informed that on July 1, 2011 in performance of the provisions of the Annex no. 12, Agora signed appropriate documents regarding prolongation of the period during which the Bank can enforce the provided collateral for the credit line granted to the Company.

In the current report published on October 17, 2011 the Company informed that on October 17, 2011 Agora received the letter from the Bank Pekao S.A. that confirms meeting the preliminary conditions necessary for granting the loan installment available to the Company based on the loan agreement with the Bank Polska Kasa Opieki S.A.

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 comprising the Group:

Tab. 16

		% of shares held (effectively)	
		As of 31 Dec 2011	As of 31 Dec 2010
	Subsidiaries consolidated		
1	Agora Poligrafia Sp. z o.o., Tychy	100.0%	100.0%
2	AMS S.A. (AMS), 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	Radiowe Doradztwo Reklamowe Sp. z o.o. (RDR), Warsaw (1)	100.0%	100.0%
9	LLC Agora Ukraine, Kiev, Ukraine	100.0%	100.0%
10	Trader.com (Polska) Sp. z o.o., Warsaw	100.0%	100.0%
11	AdTaily Sp. z o.o., Cracow (6)	75.2%	70.9%
12	Helios S.A., Lodz (4)	82.78%	82.78%
13	Kinoplex Sp. z o.o., Łódź (7)	-	82.78%
14	Sport4People Sp. z o.o., Cracow (3)	51.7%	-
	Jointly controlled entities and associates accounted for the equity method		
15	A2 Multimedia Sp. z o.o., Warsaw (5)	24.3%	50.0%
16	Business Ad Network Sp. z o.o., Wroclaw (6)	50.0%	50.0%
17	GoldenLine Sp. z o.o., Warsaw (4)	36.0%	-
	Companies excluded from consolidation and equity accounting		

		% of shares held (effectively)	
		As of 31 Dec 2011	As of 31 Dec 2010
18	Polskie Badania Internetu Sp. z o.o., Warsaw	15.8%	25.0%
19	Projekt Inwestycyjny Sp. z o.o., Warsaw (1)	100.0%	100.0%
20	Polskie Badania Outdooru Sp. z o.o., Warsaw (2)	41.0%	41.0%

(1) indirectly through GRA Sp. z o.o.;
(2) indirectly through AMS S.A.;
(3) purchase of shares on November 25, 2011;
(4) purchase of shares on December 29, 2011.
(5) the court registered the change on January 25, 2012;
(6) till the date of publication of this consolidated financial statements for 2011 the court has not registered the last increase in capital;
(7) the Company merged with Helios S.A. on August 31,2012.

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

On February 24, 2011 the District Court for the city of Cracow, XI Commercial Division, registered the increase of the share capital of AdTaily by 48 new shares with nominal value of PLN 50 per share (in total PLN 2.4 thousand). The Company covered the new shares with PLN 252 thousand contribution. The agio above the nominal value of issued shares was recognized in other reserves. The AdTaily's share capital amounts to PLN 33,350 and now consists of 667 shares with nominal value PLN 50 per share. As a result of the above transaction Agora S.A. has 487 shares constituting 73.01% of the share capital and has right to 73.01% votes at shareholders' meeting.

On August 31, 2011 the District Court for the city of Lodz, XX Commercial Division, registered the merger of Kinoplex Sp. z o.o. with Helios S.A. (the incorporating company). The merger was executed in accordance with the article 516§ 6 of the Commercial Companies Code (simplified merger by take over), i.e. due to the fact that the acquired company was a one man company and its sole shareholder was Helios S.A., the merger took place without a resolution of a general meeting of shareholders of the incorporating company by means of transfer of all the assets and liabilities of Kinoplex Sp. z o.o. to Helios S.A. The merger was effected without increasing the share capital of Helios S.A.

On September 29, 2011 the District Court for the city of Krakow, XI Commercial Division, registered the increase of the share capital of AdTaily by 28 new shares with nominal value of PLN 50 per share (in total PLN 1.4 thousand), the new shares were coverd by 4 natural persons with PLN 1.4 thousand contribution. After the increase, AdTaily's share capital amounts to PLN 34,750 and now consists of 695 shares with nominal value PLN 50 per share. As a result of the above transactiona Agora S.A. holds 487 shares constituting 70.07% of the share capital and has right to 70.07% votes at a general meeting of shareholders.

On November 24, 2011 the shareholders of A2 Multimedia Sp. z o.o. adopted a resolution to increase the share capital of A2 Multimedia by 7,200 new shares with nominal value of PLN 500 per share (in total PLN 3,600 thousand). Agora S.A. covered 3,600 new shares with PLN 1,800 thousand contribution. Moreover, on December 29, 2011 Agora S.A. disposed of 3,900 shares of A2 Multimedia Sp. z o.o. As a result of the above transactions, after the registration by the the District Court for the capital city of Warsaw, XII KRS Commercial Division on January 25, 2012, Agora S.A. had 3,700 shares constituting 24.34% of the share capital and has right to 24.34% votes at shareholders' meeting.

On November 25, 2011 as a result of the partial purchase of shares from the company's owners and acquisition of new shares through an increase of the share capital Agora S.A. became an owner of 93 shares of the company Sport4People Sp. z o.o. constituting 51.67% of the share capital and has right to 51.67% votes at the shareholders' meeting. Agora has also signed with the owners an investment agreement to grant conditional option rights for their remaining shares (call option for the Company to buy shares held by them and put option as for a liability to acquire these shares by the Company).

On December 15, 2011, the shareholders of AdTaily Sp. z o.o. adopted a resolution to increase the share capital of AdTaily by 145 new shares with nominal value of PLN 50 per share (in total PLN 7.25 thousand). Agora covered the new shares with PLN 761.25 thousand contribution. The agio was recognized in other reserves. The AdTaily's share capital amounts to PLN 42 thousand and now consists of 840 shares with nominal value PLN 50 per share. As a result of the above transaction Agora S.A. has 632 shares constituting 75.24% of the share capital and has right to 75.24% votes at shareholders' meeting. The increase of the share capital has not been registered till the date of publication of this report.

On December 29, 2011, the Company Agora S.A. signed an agreement to purchase shares in GoldenLine Sp. z o.o. and shareholders agreement of GoldenLine Sp. z o.o. with its registered seat in Warsaw ("the company"). As a result of signing the aforementioned agreements, Agora acquired 72 shares constituting 36% of the company's share capital and entitling Agora to 72 votes giving the right to 36% of the total number of votes at the meeting of shareholders of the company ("the Shares"). The total purchase price for the Shares amounts to PLN 11,520 thousand. The company is accounted for the equity method.

On the basis of the modified articles of association and shareholders agreement executed between Agora S.A. and existed shareholders ("Shareholders"), Agora received a number of rights typical for a non-controlling shareholder.

On the basis of the shareholders agreement, Shareholders may take advantage of their right to sell their shares to Agora and Agora may use its right to purchase the shares owned by the Shareholders, but those rights do not constitute irrevocable obligations of the other party as each party can free itself from those obligations by voting at a general meeting of shareholders for alternative ways of giving liquidity to the shares owned by Shareholders.

3. PARTICIPATION IN BUSINESS ORGANIZATION, HOME AND FOREIGN

The Agora Group wants actively influence the environment it operates in. therefore 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,
    - IAA - International Advertising Association (Polish office)
    - IGRZ – Outdoor Advertising Economic Chamber,
    - ReproPol (Association),
    - Polish Cinemas Association,
    - Polish New Cinemas Association.
- Foreign:
    - WAN – IFRA World Association of Newspapers and News Publishers,
    - OPA Europe - Online Publishers Association,
    - NAB – National Association of Broadcasters,
    - INMA – International Newsmedia Marketing Association,
    - EPC – European Publishers Council,
    - FAEP – The European Federation of Magazine Publishers.

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

4. MAJOR HOME AND FOREIGN CAPITAL INVESTMENTS

In 2011 carrying amounts of intangible assets of the Group (magazine titles, licenses and patents, other) decreased by PLN 8.1 million, (cost increase up by PLN 15.5 million, amortisation and impairment losses for the period - increase up by PLN 23.6 million). Detailed information on intangible assets is included in note 3 to the consolidated financial statements.

In 2011 carrying amounts of property, plant and equipment of the Group decreased by PLN 2.9 million, (cost increase up by PLN 48.2 million, amortisation and impairment losses for the period - increase up by PLN 51.1 million). Detailed information on intangible assets is included in note 4 to the consolidated financial statements.

In 2011 major capital investments (shares, contribution to capital, loans) made outside the capital group (including the companies excluded from consolidation) from Group's own funds did not changed significantly.

Detailed information includes note 5 to the consolidated financial statements.

The Group purchased also shares in GoldenLine Sp. z o.o. (the company accounted for by means of the equity method in the consolidated financial statements) and Sport4People Sp. z o.o. (the company consolidated fully in consolidated financial statements) – more detailed information in point V.B.2 of this MD&A.

In 2011, the Company invested its free cash outside its capital group mainly in secure short-term securities. As at the end of 2011, this amount was equal to PLN 197.9 million.

5. CHANGES IN THE SHAREHOLDERS' STRUCTURE OF THE COMPANY

According to the formal notifications received from the Company's shareholders, particularly on the basis of art. 69 of Act on Public Offer and the Conditions of Introducing Financial Instruments to the Organized Trading System and on Public Companies dated July 29, 2005, as of the day of publication of annual report for 2010 the following shareholders were entitled to exercise over 5% of voting rights at the General Meeting of Shareholders of the Company:

Tab. 17

	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 December 23, 2010)*	6,032,025	*11.84*	23,158,425	*34.03*
BZ WBK AIB Asset Management S.A. including: *(in accordance with the last notification obtained on February 22, 2011)*	15,632,682	*30.69*	15,632,682	*22.97*
BZ WBK AIB Towarzystwo Funduszy Inwestycyjnych S.A. *(in accordance with the last notification obtained on December 29, 2009)*	12,749,373	*25.03*	12,749,373	*18.73*
Arka BZ WBK FIO *(in accordance with the last notification obtained on February 14, 2011)*	10,118,356	*19.86*	10,118,356	*14.87*

Information received from BZ WBK Asset Management S.A., BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A. and Arka BZ WBK Fundusz Inwestycyjny Otwarty and ING Otwarty Fundusz Emerytalny:

In the current report published on September 7, 2011 the Management Board of Agora S.A. announced that the Company obtained a notification from BZ WBK Asset Management S.A. (BZ WBK) about decrease in the total voting rights at the General Meeting of Shareholders of Agora S.A. As a result of disposals of Agora's shares on September 1, 2011 clients, whose securities accounts are managed by BZ WBK held 14,210,951 shares of Agora S.A. constituting 27.90% of Agora's share capital and giving the right to 14,210,951 votes constituting 20.88% of the total number of votes at the General Meeting of Shareholders of Agora S.A.

In the current report published on September 7, 2011 the Management Board announced that the Company obtained a notification from BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A., seated in Poznan, acting on behalf of Arka BZ WBK Funduszu Inwestycyjnego Otwartego, Arka BZ WBK Akcji Środkowej i Wschodniej Europy Funduszu Inwestycyjnego Zamkniętego, Arka Prestiz Specjalistycznego Funduszu Inwestycyjnego Otwartego and Lukas Funduszu Inwestycyjnego Otwartego (hereinafter referred to as "Funds") that as a result of disposals of Agora's shares on September 1, 2011 Funds hold the number of shares decreasing their voting rights at the General Meeting of Shareholders of Agora S.A. by over 2%. As a result of disposals of Agora's shares Funds held 11,380,852 shares of Agora S.A. constituting 22.34% of Agora's share capital and giving the right to 11,380,852 number of votes, constituting 16.72% of the total voting rights at Agora's General Meeting of Shareholders.

In the current report published on September 28, 2011 the Management Board of Agora S.A. announced that the Company obtained a notification from BZ WBK about decrease in the total voting rights at the General Meeting of Shareholders of Agora S.A. As a result of disposals of Agora's shares on September 21, 2011 clients, whose securities accounts are managed by BZ WBK held 13,098,845 shares of Agora S.A. constituting 25.72% of Agora's share capital and giving the right to 13,098,845 votes constituting 19.24% of the total number of votes at the General Meeting of Shareholdersof the Company.

In the current report published on September 28, 2011 the Management Board of Agora S.A. announced that the Company obtained a notification from BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A., seated in Poznan, acting on behalf of Arka BZ WBK Funduszu Inwestycyjnego Otwartego (hereinafter referred to as "Fund"), about decrease in the total voting rights at the General Meeting of Shareholders of Agora S.A. by over 2%. As a result of disposals of Agora's shares on September 21, 2011 the Fund held 8,605,202 shares of Agora S.A. constituting 16.89% of Agora's share capital and giving the right to 8,605,202 votes constituting 12.64% of the total number of votes at the General Meeting of Shareholders of the Company.

In the current report published on September 29, 2011 the Management Board of Agora S.A. announced that the Company obtained a notification, that as a result of share purchase, ING Otwarty Fundusz Emerytalny (hereinafter referred to as the ING Fund) became the owner of the shares entitling the ING Fund to over 5% of votes during a General Meeting of Shareholders of Agora S.A. As a result of transactions mentioned above on September 26, 2011 the ING Fund held 3,758,637 Company's shares constituting 7.38% of the Company's share capital. These shares entitle the ING Fund to 3,758,637 votes at the General Meeting of Shareholders of Agora S.A. constituting 5.52% of the total number of votes at a General Meeting of Shareholders of Agora S.A.

In the current report published on October 18, 2011 the Management Board of Agora S.A. announced that the Company obtained a notification from BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A., seated in Poznan, acting on behalf of Arka BZ WBK Funduszu Inwestycyjnego Otwartego, Arka BZ WBK Akcji Srodkowej i Wschodniej Europy Funduszu Inwestycyjnego Zamkniętego, Arka Prestiż Specjalistycznego Funduszu Inwestycyjnego Otwartego and Credit Agricole Funduszu Inwestycyjnego Otwartego (hereinafter referred to as "Funds") that as a result of disposals of Agora's shares on October 12, 2011 Funds hold the number of shares decreasing their voting rights at the General Meeting of Shareholders of Agora S.A. below 15%. As a result of disposals of Agora's shares Funds held 9,249,444 shares of Agora S.A. constituting 18.16% of Agora's share capital and giving the right to 9,249,444 number of votes, constituting 13.59% of the total voting rights at Agora's General Meeting of Shareholders.

In the current report published on November 4, 2011 the Management Board of Agora S.A. announced that the Company obtained a notification from BZ WBK about decrease in the total voting rights at the General Meeting of Shareholders of Agora S.A. As a result of disposals of Agora's shares on October 28, 2011 clients, whose securities accounts are managed by BZ WBK held 11,321,996 shares of Agora S.A. constituting 22.23% of Agora's share capital and giving the right to 11,321,996 votes constituting 16.63% of the total number of votes at the General Meeting of Shareholders of Agora S.A.

In the current report published on November 4, 2011 the Management Board of Agora S.A. announced that the Company obtained a notification from BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A., seated in Poznan, acting on behalf of the Fund about decrease in the total voting rights at the General Meeting of Shareholders of Agora S.A. by over 2%. As a result of disposals of Agora's shares on October 28, 2011 the Fund held 7,054,883 shares of Agora S.A. constituting 13.85% of Agora's share capital and giving the right to 7,054,883 votes constituting 10.37% of the total number of votes at the General Meeting of Shareholders of Agora S.A.

In the current report published on January 4, 2012 the Management Board of Agora S.A. announced that the Company obtained a notification from BZ WBK about decrease in the total voting rights at the General Meeting of Shareholders of Agora S.A. As a result of disposals of Agora's shares on December 28, 2011 clients, whose securities accounts are managed by BZ WBK held 9,318,618 shares of Agora S.A. constituting 18.29% of Agora's share capital and giving the right to 9,318,618 votes constituting 13.69% of the total number of votes at the General Meeting of Shareholders of Agora S.A.

In the current report published on January 4, 2012 the Management Board of Agora S.A. announced that the Company obtained a notification from BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A., seated in Poznan, acting on behalf of Fund about decrease in the total voting rights at the General Meeting of Shareholders of Agora S.A. As a result of disposals of Agora's shares on December 28, 2011 the Fund held 5,585,522 shares of Agora S.A. constituting 10.97% of Agora's share capital and giving the right to 5,585,522 votes constituting 8.21% of the total number of votes at the General Meeting of Shareholders of Agora S.A.

In the current report published on January 4, 2012 the Management Board of Agora S.A. announced that the Company obtained a notification from BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A., seated in Poznan, acting on behalf of Arka BZ WBK Funduszu Inwestycyjnego Otwartego, Arka BZ WBK Akcji Srodkowej i Wschodniej Europy Funduszu Inwestycyjnego Zamknietego, Arka Prestiz Specjalistycznego Funduszu Inwestycyjnego Otwartego and Credit Agricole Funduszu Inwestycyjnego Otwartego (hereinafter referred to as "Funds") that as a result of disposals of Agora's shares Funds hold the number of shares decreasing their voting rights at the General Meeting of Shareholders of Agora S.A. On December 28, 2011, as a result of disposals of Agora’s shares, Funds held 6,870,685 shares of Agora S.A. constituting 13.49% of Agora's share capital and giving the right to 6,870,685 number of votes, constituting 10.09% of the total voting rights at Agora's General Meeting of Shareholders.

In the current report published on January 4, 2012 the Management Board of Agora S.A. announced that the Company obtained a notification from BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A., seated in Poznan, acting on behalf of Arka BZ WBK Funduszu Inwestycyjnego Otwartego, Arka BZ WBK Akcji Srodkowej i Wschodniej Europy Funduszu Inwestycyjnego Zamknietego, Arka Prestiz Specjalistycznego Funduszu Inwestycyjnego Otwartego and Credit Agricole Funduszu Inwestycyjnego Otwartego (hereinafter referred to as "Funds") that as a result of disposals of Agora's shares Funds hold the number of shares decreasing their voting rights at the General Meeting of Shareholders of Agora S.A. below 10%. On December 29, 2011, as a result of disposals of Agora’s shares, Funds held 6,570,685 shares of Agora S.A. constituting 12.90% of Agora's share capital and giving the right to 6,570,685 number of votes, constituting 9.65% of the total voting rights at Agora's General Meeting of Shareholders.

In the current report published on January 5, 2012 the Management Board of Agora S.A. announced that the Company obtained a notification from BZ WBK about decrease in the total voting rights at the General Meeting of Shareholders of Agora S.A. As a result of disposals of Agora's shares on December 30, 2011 clients, whose securities accounts are managed by BZ WBK held 7,938,618 shares of Agora S.A. constituting 15.59% of Agora's share capital and giving the right to 7,938,618 votes constituting 11.66% of the total number of votes at the General Meeting of Shareholders of Agora S.A.

In the current report published on March 8, 2012 the Management Board of Agora S.A. announced that the Company obtained a notification from BZ WBK about decrease in the total voting rights at the General Meeting of Shareholders of Agora S.A. As a result of disposals of Agora's shares on March 1, 2012 clients, whose securities accounts are managed by BZ WBK held 6,360,642 shares of Agora S.A. constituting 12.49% of Agora's share capital and giving the right to 6,360,642 votes constituting 9.35% of the total number of votes at the General Meeting of Shareholders of Agora S.A.

In the current report published on March 15, 2012 the Management Board of Agora S.A. announced that the Company obtained a notification from BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A., seated in Poznan, acting on behalf of Arka BZ WBK Funduszu Inwestycyjnego Otwartego, Arka BZ WBK Akcji Srodkowej i Wschodniej Europy Funduszu Inwestycyjnego Zamknietego, Arka Prestiz Specjalistycznego Funduszu Inwestycyjnego Otwartego and Credit Agricole Funduszu Inwestycyjnego Otwartego (hereinafter referred to as "Funds") that as a result of disposals of Agora's shares Funds hold the number of shares decreasing their voting rights at the General Meeting of Shareholders of Agora S.A. below 5%. On March 9, 2012, as a result of disposals of Agora’s shares, Funds held 3,394,723 shares of Agora S.A. constituting 6.66% of Agora's share capital and giving the right to 3,394,723 number of votes, constituting 4.99% of the total voting rights at Agora's General Meeting of Shareholders.

In the current report published on March 15, 2012 the Management Board of Agora S.A. announced that the Company obtained a notification from BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A., seated in Poznan, acting on behalf of Fund about decrease in the total voting rights at the General Meeting of Shareholders of Agora

S.A. As a result of disposals of Agora's shares on March 9, 2012 the Fund held 2,808,987 shares of Agora S.A. constituting 5.51% of Agora's share capital and giving the right to 2,808,987 votes constituting 4.13% of the total number of votes at the General Meeting of Shareholders of Agora S.A.

Information received from Agora - Holding Sp. z o.o.

In the current report published on January 3, 2012 the Management Board of Agora S.A., with reference to the current report no. 71/2005 dated September 16, 2005 about incentive program, announced that on January 3, 2012, received a notification from Agora-Holding Sp. z o.o. ("Agora-Holding") about the transfer of 339,605 ordinary Company's shares by Agora-Holding, in the fulfillment of the terms of donation contract for the benefit of Partycypacyjny Fundusz Inwestycyjny Zamkniety (hereinafter referred to as "Partycypacyjny Fund") managed by Skarbiec Towarzystwo Funduszy Inwestycyjnych S.A. The Partycypacyjny Fund was created for the execution of incentive program in Agora S.A. and its subsidiaries. As a result of the disposal of shares described above, Agora - Holding's stake in the number of total voting rights at the General Meeting of Shareholders of Agora S.A. decreased by 0.499% to 33.53%.

According to the formal notifications received from the Company's shareholders, particularly on the basis of art. 69 of Act on Public Offer and the Conditions of Introducing Financial Instruments to the Organized Trading System and on Public Companies dated July 29, 2005, as of the day of publication of annual report for 2011 the following shareholders were entitled to exercise over 5% of voting rights at the General Meeting of Shareholders of the Company:

Tab. 18

	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 January 3, 2012)*	5,692,420	*11.18*	22,818,820	*33.53*
BZ WBK Asset Management S.A. *(in accordance with the last notification obtained on March 8, 2012)*	6,360,642	*12.49*	6,360,642	*9.35*
ING Otwarty Fundusz Emerytalny *(in accordance with the last notification obtained on September 29, 2011)*	3,758,637	*7.38*	3,758,637	*5.52*

To the knowledge of Agora's Management Board there are no agreements which could result in future changes in the stakes held by its present shareholders, except for share distribution agreements signed between Agora S.A. and Agora Holding Sp. z o.o. concerning execution of participation plans in connection with the incentive plans carried out by Agora about which the Management Board informed on December 18, 2000 and two annexes to one of the above-mentioned agreements, whose main stipulations were announced in current reports of April 14, 2003 and July 9, 2003.

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.

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

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

The Management Board members' employment contracts, which are currently in force, state that during the period of 18 months starting from:
(1) the day, when the right of the shareholders holding preferred series A shares to exclusively nominate candidates to the Management Board, is removed from the Company's Statute or
(2) the day on which one entity or group of entities acting in concert exceeds the 50% threshold of the total number of votes at the General Meeting of Shareholders,
should any of these contracts be terminated by the Company, the Management Board member will receive a compensation payment in the total amount consisting of: the sum of a special compensation payment (six months remuneration) and the amount of remuneration for the notice period (for six months) which in total will be equal to the monthly remuneration of the given Management Board member multiplied by twelve. The redundancy payment mentioned above is not available in case when the employment contract is dissolved as a result of art. 52 § 1 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 of the Management Board and the Supervisory Board of Agora S.A.

Tab. 19

in PLN million	2011	2010
The Management Board		
Piotr Niemczycki	0.70	0.60
Zbigniew Bak (1)	0.81	0.53
Tomasz Jozefacki (2)	0.62	0.48
Grzegorz Kossakowski	0.62	0.48
	2.75	**2.09**

	2011	2010
The Supervisory Board		
Wanda Rapaczynski	0.07	0.07
Andrzej Szlezak	0.11	0.11
Tomasz Sielicki	0.07	0.07
Slawomir S. Sikora	0.07	0.07
Marcin Hejka	0.07	0.07
	0.39	**0.39**

(1) In 2010, Zbigniew Bak was on a 3-month-long upaid leave.
(2) The Member of the Management Board till January 31, 2012.

The Management Board and Supervisory Board Members of Agora S.A. did not receive any remuneration for serving as board members in subsidiaries, joint-ventures and associates.

Moreover, in 2011 remuneration of Management and Supervisory Board Members in subsidiaries amounted to PLN 4.03 million (2010: PLN 3.06 million).

The Agora Group executes incentive programs based on financial instruments. Information on shares and certificates granted to the Management Board and Supervisory Board Members is presented in note 26 to the consolidated financial statements.

In 2011 the Management and Supervisory Board Members of subsidiaries (other than Management Board Members of Agora S.A.) received 20,315 M certificates (2010: 42,696 K certificates) and the total cost of M and I certificates, which affected Group's consolidated financial result was equal to PLN 613 thousand (2010: K and I certificates: PLN 680 thousand).

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

Neither the Management Board Members of subsidiaries nor the Management Board of Agora S.A. owned any shares in related companies with the Company or any shares in Agora S.A., except for described below.

4.1. Shares in Agora S.A.

Tab. 20

	as of December 31, 2011	*Nominal value (PLN)*
Piotr Niemczycki	1,548,373	*1,548,373*
Zbigniew Bak	68,006	*68,006*
Tomasz Jozefacki (1)	1,000	*1,000*
Grzegorz Kossakowski	44,451	*44,451*

(1) The Member of the Management Board till January 31, 2012

The number of bearer shares of Agora S.A. is known only for these management and supervisory board members in Company's subsidiaries, who are as well the Management Board Members of Agora S.A. This information is presented in table 20.

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

Tab. 21

	as of December 31, 2011 (number of shares)	*Nominal value (PLN)*
Piotr Niemczycki	1	10,427.84
Zbigniew Bak	1	10,427.84

The stake held by each of the Management Board members constitutes 16.67% of the share capital and entitles them to exercise 16.67% of voting rights at the General Meeting of Agora Holding Sp. z o.o.

4.3 Shares in related parties

The number of shares owned by the Management Board Members of Agora's subsidiaries as at December 31, 2011 is shown in the table below:

Tab. 22

	As at December 31, 2011 (no. of shares)	*Nominal value (PLN)*	*% of shares=% of votes at General Meeting*
Management Board Members of Helios S.A.			
Tomasz Jagiello	809,000	80,900	7.921%
Marek Palpuchowski	384,600	38,460	3.766%
Katarzyna Borkowska	68,264	6,826.4	0.668%
Jan Tadeusz Bogdan	44,000	4,400	0.431%
Grzegorz Komorowski	44,000	4,400	0.431%

	As at December 31, 2011 (no. of shares)	*Nominal value (PLN)*	*% of shares=% of votes at General Meeting*
Management Board Members of AdTaily Sp. z o.o.			
Marcin Ekiert	90	4,500	10.71%
Jakub Krzych	90	4,500	10.71%
Management Board Members of Sport4People Sp. z o.o.			
Grzegorz Czechowicz	59	5,900	32.78%

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

Neither the Supervisory Board Members of subsidiaries with Agora S.A. nor the Supervisory Board of Agora S.A. owned any shares in related companies with the Company or any shares in Agora S.A., except for described in point 5.2. The shares in Agora S.A. are described below.

5.1. Shares in Agora S.A.

Tab. 23

	as of December 31, 2011	*Nominal value (PLN)*
Slawomir S. Sikora	0	*0*
Tomasz Sielicki	33	*33*
Andrzej Szlezak	0	*0*
Marcin Hejka	0	*0*
Wanda Rapaczynski	924,616	*924,616*

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

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

Tab. 24

	as of December 31, 2011 (number of shares)	*Nominal value (PLN)*
Wanda Rapaczynski	1	10,427.84

The stake held by a member of the Supervisory Board constitutes 16.67% of the share capital and entitles her to exercise 16.67% of voting rights at the General Meeting of Agora Holding Sp. z o.o.

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

On December 29, 2011, Tomasz Jozefacki - one of Agora's Board members - has resigned from the position of Agora's Management Board member. From February 1, 2012 Piotr Niemczycki - President of the Management Board - supervises the Internet segment on behalf of the Management Board of Agora S.A. On January 4, 2012, pursuant to § 28 section 3 of the Company's Statute, the Management Board of the Company elected by way of co-option additional members of the Management Board, Stanislaw Turnau and Marek Jackiewicz. The changes in the composition of the Management Board are meant to strenghthen the process of implementation the hitherto strategy in the Company and in the Agora Group. Stanislaw Turnau supervises the Newspaper segment and Marek Jackiewicz supervises the Magazine segment and distribution division. Previously those segments were supervised by Agora’s Deputy President Zbigniew Bak.

Additionally, 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. and Poligrafia Sp. z o.o.

According to the law requirements the managment boards of the companies in which trade unions operate consult or negotiate decisions in legally determined cases.

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

In 2011 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, 2011, Agora S.A. had a credit line, described below (according to Annex 12):

Tab. 25

Creditor	Amount of the credit line	Currency	Interest rate (%)	Agreement date	Termination (or payment)date
Bank Polska Kasa Opieki S.A.	PLN 297.8 million	PLN	WIBOR 1M or 3M + bank margin	5 Apr 02	Bank Loan A: quarterly, 13 instalments from March 31, 2009 till March 31, 2012; Bank Loan B: quarterly, 12 instalments from June 30, 2012 till March 31, 2015; Bank Loan C: quarterly, 13 instalments from March 31, 2013 till March 31, 2016.

Up to December 31, 2011, the Company used PLN 139.5 million of its credit line (Bank Loan A). The 11 quarterly instalments were paid up. Bank Loan B is an open credit line, which was partly used on October 5, 2010 to refinance the share purchase of Helios S.A. (PLN 104.9 million). According to the Annex no. 12, the Company can use the Credit C, that is credit line up to PLN 150 million till May 31, 2012. Till the date of signing this MD&A, the credit C was not used by the Company. Agora Poligrafia Sp. z o.o. is a guarantee of this credit (a subsidiary of Agora S.A.).

b) subsidiaries

Helios S.A.

Tab. 26

Creditor	Amount of the bank credit or loan (in PLN thousand)	Currency	Interest rate (%)	Agreement date	Termination (or payment)date
HSBC Bank POLSKA S.A.	3,000	PLN	WIBOR 1M + bank margin	08-Sep-09	07-Sep-12
Kredyt BANK S.A.	9,040	PLN	WIBOR 1M + bank margin	06-Jul-07	30-Nov-13
Kredyt BANK S.A.	11,500	PLN	WIBOR 1M + bank margin	06-Jul-07	30-Nov-13
Kredyt BANK S.A.	2,000	PLN	WIBOR 1M + bank margin	09-Sep-08	31-Aug-14
Kredyt BANK S.A.	16,407	PLN	WIBOR 1M + bank margin	05-Oct-10	31-Aug-15
Kredyt BANK S.A.	6,400	PLN	WIBOR O/N + bank margin	29-Nov-06	24-Nov-12
Kredyt BANK S.A.	3,600	PLN	WIBOR + bank margin	11-May-11	11-May-12
Raiffeisen Bank Polska S.A.	30,000	PLN	WIBOR 1M + marża banku	18-Oct-02	31-Dec-20
Raiffeisen Bank Polska S.A.	1,500	PLN	WIBOR 1M + marża banku	18-Oct-02	31-Dec-20
Raiffeisen Bank Polska S.A.	10,000	PLN	WIBOR 1M + marża banku	28-Apr-03	31-Dec-20
Raiffeisen Bank Polska	5,000	PLN	WIBOR 1M +	13-Oct-11	20-Sep-16

Creditor	Amount of the bank credit or loan (in PLN thousand)	Currency	Interest rate (%)	Agreement date	Termination (or payment)date
S.A.			marża banku		
Tomasz Jagiello	400	PLN	WIBOR 1M + 1.5%	14-Oct-02	22-Feb-12
Tomasz Jagiello	222	PLN	WIBOR 1M + 1.5%	20-May-04	22-Feb-12
Marek Palpuchowski	600	PLN	WIBOR 1M + 1.5%	14-Oct-02	22-Feb-12
Marek Palpuchowski	70	PLN	WIBOR 1M + 1.5%	20-May-04	22-Feb-12
Katarzyna Borkowska	80	PLN	WIBOR 1M + 1.5%	26-Apr-05	15-Feb-12

More detailed information on the subjects above is presented in note 13 to the consolidated financial statements.

As of December 31, 2011, the Company was also a beneficiary of two warranties totalling PLN 680 thousand from the major contractor of Agora's headquarters.

8. INFORMATION ON LOANS GRANTED IN 2011, GUARANTEES AND OTHER OFF-BALANCE SHEET ITEMS

Agora S.A. guaranteed PLN 623 thousand to the Bank Polska Kasa Opieki S.A. in connection with its employees' loans on equipment purchased by them. The Company guaranteed also PLN 1,015 thousand to Grupa Allegro S.A. in connection with the contract executed with BAN Sp. z o.o. As at balance sheet date, the outstanding amount of bills of exchange issued by AMS S.A. amounted to PLN 5,246 thousand. Additionally, Helios S.A. issued bills of exchange as collaterals of bank loans and finance lease and guarantees of rental agreements.

Information on long-term and short-term loans granted in 2011 by Agora S.A. and its subsidiaries are presented in the table below (according to the agreements which were in force as at December 31, 2011).

Tab. 27

No.	Company's name	Loan amount (in thousand)	Currency	Interest rate	Date of the agreement	Termination (or payment)date
1	A2 Multimedia Sp. z o.o.	200	PLN	Wibor 3M+1.5%	3-Feb-11	26-Dec-11
2	AdTaily Sp. z o.o.	1,000	PLN	Wibor 3M+1.5%	18-Mar-11	31-Dec-18

Information on loans granted by Agora S.A. to subsidiaries is presented in the table below (together with interest accrued).

Tab. 28

Company in PLN thousand	face value of loans granted as at 31 Dec 2011	due to 31 Dec 2012	due to 31 Dec 2013	due to 31 Dec 2014	due after 31 Dec 2014
TOTAL TO ALL COMPANIES	98,600	60,620	3,432	11,688	22,860
Total to subsidiaries, including:	98,600	60,620	3,432	11,688	22,860
Agora Ukraine LLC	14,361		432	2,855	11,074
Grupa Radiowa Agora Sp. z o.o.	22,250	5,331	3,000	6,858	7,061
Trader.com (Polska) Sp. z o.o.	6,834	1,134		1,375	4,325
AMS S.A. (1)	54,139	54,139	-	-	-
AdTaily Sp. z o.o.	1,016	16	-	200	800

(1) In March 2012 AMS S.A. repaid the whole amount of the loan.

9. THE SYSTEM OF CONTROL OF EMPLOYEE SHARE SCHEMES

Since 2005 eligible employess of the Company and the Agora Group can purchase investment certificates in Participatory Closed Mutual Fund (PCMF), managed by Skarbiec Towarzystwo Funduszy Inwestycyjnych S.A. The Company informed about its incentive schemes in the current report no 71/2005 dated 16 September 2005.

In accordance with the incentive plan above, Agora Holding Sp. z o.o., the most significant shareholder of Agora S.A., can allocate shares for the purpose of incentive plans in the Agora Group. The Management Board of the Company may recommend to Agora Holding Sp. z o.o. the list of employees and the number of certificates for the purpose of motivation plans. All final decisions regarding the incentive plans in Agora (number of participants, grant of certificates and sale conditions) are made by Agora Holding Sp. z o.o.

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

On April 11, 2011, the Supervisory Board of Agora S.A. indicated KPMG Audyt Spolka z ograniczona odpowiedzialnoscia spolka komandytowa as an auditor entitled to audit financial reports of the Company for years 2011, 2012 and 2013. The agreements related to audit and review of financial statements are signed for the above mentioned periods and relate to audit and review of financial statements for a given financial year. For the year of 2010, KPMG Audyt Sp. z o.o. was entitled to audit financial reports.

Information about the agreements and the values from those agreements is disclosed below (net amounts):

Tab. 29

In PLN thousand	Financial year ended 31 December 2011	Financial year ended 31 December 2010
Remuneration for audit (1)	117.8	250.0
Other certifying services, including remuneration for review (1)	72.2	157.0
Remuneration for tax services	-	120.0
Other services (2)	40.0	72.0

(1) Remuneration for audit 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 (agreement of May 24, 2011 for 2011 and of July 15, 2010 for 2010).

(2) Remuneration for other services includes other amounts paid and due for services connected with audit and review of financial statements not mentioned in points above.

11. INFORMATION ABOUT FINANCIAL INSTRUMENTS

Information about financial statements in respect of:

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

is disclosed in notes 33 and 34 to the consolidated financial statements.

12. THE DESCRIPTION OF BASIC HAZARDS AND RISK

- **Macroeconomic risk**

Advertising revenues strictly depend on the general economic situation in Poland and in Europe. They grow in the periods of economic upswing and are marked by considerable decrease in time of the economic slowdown. According to the Company's estimations in 2011, advertisers spent over 1.5% yoy more on advertising. Advertisers increased their expenditure in Internet (by almost 19% yoy), in radio (by nearly 6.5% yoy), in cinema (by over 6.5% yoy) and in TV (by over 0.5% yoy). Other media suffered further erosion of advertising expenditure: dailies down by 12.5%, magazines by over 4.5% and outdoor by nearly 0.5%.

On the basis of the current macroecomic situation as well as on the advertising market, the Company estimates that in 2012 the value of advertising market in Poland will grow by 0-3% boy. It should be remembered, that the growth of Polish advertising market may be affected by the decisions made by large international companies on the basis of the uncertain situation in Europe or other parts of the world disregarding the condition of the Polish economy. Additionally, 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.

- **Seasonality of advertising spending**

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

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

The 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 nearly half of the advertising market expenditure (49.5%) in 2011. The next largest segment of advertising market – Internet held 15.5% share in total ad spend. Ad expenditure in magazines and dailies constituted almost 11% and nearly 8% share of total ad spend, respectively. Outdoor advertising held, in 2011, over 7.5% of the advertising market share and radio ad spend constituted almost 7.5% of total ad expenditure.
Cinema advertising in Poland constituted almost 1.5% of all advertising expenditure. Bearing in mind the dynamics of particular and the current estimates of advertising market growth in 2012 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.

- **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.

- **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.
The Group also publishes a free daily – *Metro.* We cannot predict how the global changes occurring on the press market will influence the free press position and consequently, the position and the results of the Group.

- **Internet**

Polish Internet advertising market is highly competitive. Number of internet users in Poland increases steadily which attracts new advertisers to this medium. The level of Internet ad expenditure is also characterized by seasonality. The first and the third quarters of the financial year are usually characterized by lower revenues and the fourth quarter is marked by higher revenues.

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. 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.

- **Outdoor**

Outdoor advertising market in Poland is highly competitive. AMS S.A. competes with Polish companies as well as big international concerns. This segment of advertising expenditure is also characterized by seasonality. The highest revenues in this segment are usually noted in the second and fourth quarter. 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 July 27, 2010 AMS S.A. and Ströer Polska entered into a consortium agreement to jointly apply for a concession contract with the municipal authorities of Warsaw. On July 28, 2010 the companies submitted a motion to execute a consession agreement however, it is a highly competitive process and there is no certainty that the municipal autorities will execute a contract with the consortium AMS and Ströer.

- **Cinema**

Helios group opens new cinemas mainly in shopping centres. Therefore, further development of the cinema network is dependent upon the construction of new shopping 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 repertoire and number of movies screened in 3D technology affect results of Helios.
Moreover, the cinema operators compete with other technologies of film screening, inter alia, cable networks, Internet, home cinema systems or DVD, which may decrease popularity of cinema going.

- **Risks of running licensed business**

The Group comprises local radio stations broadcasting under the brands *Złote Przeboje* and *Roxy FM* and superregional radio *TOK FM*.
Radio broadcasting in Poland is licensed. 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 listeners, for a certain radio format will 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.

- **Radio stations**

Polish radio ad market is highly competitive. Agora's radio stations compete with other radio broadcasters, with national and regional 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.

- **Special Projects**

The Special Project Department mainly publishes book collections and books with attached CDs & DVDs. There are immense differences in collections' revenue generating and profit - making abilities, which causes variation in revenue and profit level generated by Group's Special Project Department in subsequent reporting periods. Each collection is a separate project and it cannot be assumed that present revenue and profit level will remain constant in future.

The result for each period depends on the launched collections at that time and how many readers they attract. The other important factor is the level of market saturation with such publications. Additionally, growing popularity of reading books in a digital format makes it a general practice and may influence the results of Special Projects.

- **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 printing services, purchase of production materials, mainly newsprint, and gadgets inserted in magazines, 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.

- **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. and Poligrafia 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.

13. FACTORS AND UNUSUAL EVENTS WHICH HAD INFLUENCE ON THE RESULTS OF BUSINNESS ACTIVITIES FOR 2011 WITH THE ESTIMATION OF THEIR INFLUENCE

A negative impact on the Group Agora in 2011 have had annual impairment tests. As a result of verification of the financial projections of the business segments of the Agora Group, the Group recognized an impairment loss in the total amount of PLN 14.3 million. This amount consists of impairment losses on several magazine titles in the Magazine segment and the value of property, plant and equipment in a one of cinemas from the Helios network.

Moreover, further limitation of ad expenditure in press affected dailies and magazines. It has had a negative impact on the Group's results as 57.2% of the Group's total revenues came from advertising. A negative factor influencing the Group's revenues has been also the worldwide trend of declining copy sales which affected *Gazeta Wyborcza* and magazines published by Agora.

14. DIVISIONS OF THE COMPANY AND OF ITS SUBSIDIARIES

Agora S.A. has 19 divisions and the major headquarter in Warsaw. Other companies from the Group do not have divisions.

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

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

16. ISSUING OF SECURITIES

In 2011 the Company did not issue any securities.

17. OTHER INFORMATION

- **Changes in the Management Board**

In the current report published on 29 December 2011, the Company informed that on 29 December 2011 Tomasz Jozefacki submitted his resignation from the post of the Member of the Management Board of the Company. The resignation came into force with the date of 31 January 2012.

In the current report published on January 4, 2012, the Company informed that pursuant to § 28 section 3 of the Company's statute, the Management Board of the Company elected by way of co-option additional members of the Management Board, Marek Jackiewicz and Stanisław Turnau.

- **Admitting shares for trading**

On February 18, 2011, 684,777 shares of Agora S.A. were admitted for trading on the main market of the Warsaw Stock Exchange. The shares were acquired by Partycypacyjny Fundusz Inwestycyjny Zamkniety with its registered seat in Warsaw.

On March 15, 2012, 339,605 shares of Agora S.A. were admitted for trading on the main market of the Warsaw Stock Exchange. The shares were acquired by Partycypacyjny Fundusz Inwestycyjny Zamkniety, managed by Skarbiec Towarzystwo Funduszy Inwestycyjnych S.A.

- **Changes in the Company's Statutes**

In the current report published on August 11, 2011 the Management Board informed that on July 27, 2011 the District Court for the capital city of Warsaw, XIII KRS Commercial Division entered into in the register of entrepreneurs the changes in the Company's Statutes through amendment of the paragraph 5 item 1 according to the resolution no. 17 approved by the General Meeting of Shareholders held on June 22, 2011.

VI. REPORT AND DECLARATION RELATING TO AGORA S.A. COMPLIANCE WITH THE CORPORATE GOVERANCE RULES IN 2011

Agora S.A. complies with the corporate governance rules as described in the attachment to the resolution No. 12/1170/2007 of the Supervisory Board of the Warsaw Stock Exchange dated July 4, 2007 entitled Code of Best Practice for WSE Listed Companies amended by the resolution no. 20/1287/2011 dated October 19, 2011. These rules are disclosed on the web site http://www.corp-gov.gpw.pl/ .

Agora S.A. understands the importance of the corporate governance rules and their role in strengthening the transparency of public companies therefore it pays a lot of attention to their implementation in everyday operations. The Company's efforts to become fully transparent are visible in its adherence to the Code of Best Practice since 2002.

The Company discloses current and periodical reports, which are subsequently published on the corporate website. On the Company's corporate website one can also find a list of the most important events, presentations of Company's financial results, conference call recordings concerning the aforementioned results and also information on current events in the Company.

The Company prepares quarterly presentations of its financial results, which are then discussed with analysts and investors during conference calls or meetings. Such discussions enable everyone interested full access to information about the Company and are a great occasion to meet with the members of the Management Board of the Company.

Meeting the expectations of the capital market, in 2004, Agora, as a one of the first companies listed on Warsaw Stock Exchange, introduced the rule on restricted external communication with the capital market participants before publication of financial results. According to the aforementioned rule, two weeks before publication of quarterly results, the representatives of the Company do not conduct any talks and do not participate in any meetings with analysts and investors. The purpose of this rule is to increase transparency and to ensure equal access to the information on the Company before the publication of its financial results.

1. LISTING OF THE CORPORATE GOVERNANCE RULES THAT WERE NOT OBSERVED BY THE ISSUER INCLUDING THE CIRCUMSTANCES AND REASONS FOR THEIR REJECTION 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 2011, the Company did not comply fully with the rule regarding providing shareholders with the possibility to participate in the meeting of shareholders by electronic means of communication as regards:

- 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 and
- exercise their right to vote either in person or through a proxy during a general meeting.

The Company will analyse the possibility to comply fully with this rule providing that the software available on the market shall guarantee safety and efficiency of conducting the meeting of shareholders taking into account the Company's dispersed shareholding structure. The Company already provides real – life broadcast of the meeting of shareholders in Polish and English.

I. RECOMMENDATIONS FOR BEST PRACTICE FOR LISTED COMPANIES

As far as the recommendation regarding the Company's pursue for a transparent and effective information policy with the use of both, traditional methods and modern technologies as well as latest communication tools ensuring fast, secure andeffective access to information the Company plans to launch a new corporate website in the second quarter of 2012. Its objective is to provide shareholders with more coherent and easier 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 market by means of the direct access to investor relations team and the representatives of the Management Board. Moreover, the Company provides additional information on different media segments to people who expressed their willingness to receive such information. Till now, the Company has not received any request to widen the range of possible communication means from the representatives of capital markets.

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 informs about the changes in the agenda of the meeting including the organizational details concerning the meeting.

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.

Currently all shares issued by Agora are traded solely on the Warsaw Stock Exchange, therefore all shareholders of Agora S.A. acquire their rights at the same time in accordance with Polish law.

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 is set 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 three – year - periods.

Eligible employees of the Group participate in the Three – Year – Long Incentive Plan (2010 – 2012) for the members of the Management Board and top managers based on achieving operating EBITDA objective and the degree of the Company's share price increase. The rules, objectives and conditions of settlement the Three – Year – Long Incentive Plan were set in case of the members of the Management Board by the Supervisory Board and in case of top managers by the Management Board by means of adequate resolutions. The detailed description of the Three – Year – Long Incentive Plan can be found in a note to the financial statements for 2011.

Additionally, the members of the Management Board participate also in a motivation plan based on Company's shares. The Company informed about the plan in current report no. 71/2005 dated September 26, 2005. The description of this motivation plan can be found in a note to the financial statements for 2011.

The remuneration and other benefits due to the Management and Supervisory Board members are reported in the Annual Financial Statements.

The remuneration of the Supervisory Board is set by the General Meeting of Shareholders of Agora S.A.

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 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, with the provisions regarding nomination of members to the Supervisory Board also applying to nominating members to the Management 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 the main criteria for selection of proper candidates for all managerial positions, remaining in the comptenecies of the Management Board, include knowledge, experience and abilities necessary to perform given function. The Management Board believes that using that criteria for recruiting all employees in the Company and in the Group, ensures efficient operation and overcoming new business challenges.

As far as the recommendation concerning the members of the Supervisory Board is concerned, it should be stressed that Agora's Supervisory Board members 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 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.

Agora Group has a diversified portfolio of media and each of them as part of its operations undertakes cultural, sports and educational projects. These activities constitute a part of segments' or brands' development within the Agora Group. The most important information regarding these projects can be found on the Company's website. Actions undertaken by Agora's media are of serial or ad hoc nature as an answer to a specific social problem or event. To the actions of cyclical character one can include the action *Firma przyjazna matce* (Mother friendly company) organized by editorial office of the magazine *Dziecko* (Child) and *Poradnik Domowy* (Housekeeping) or the action *Rodzić po ludzku* (Humane birth) organized by *Gazeta Wyborcza*. Moreover, Agora's media promote spending free time in an active way, for example by means of the action *Polska biega* (Poland runs) or *Polska na rowery* (Poland on bikes). Our media also try to shape civil attitudes encouraging Poles to participate in elections within their own authorial actions or as patrons of actions organized by other entities, for example, *Kobiety na wybory* (Women go to vote) or *Wybory dla wszystkich* (Elections for everyone). Agora's media draw also attention to problems in different parts of the world and initiate actions supporting them. The example include actions undertaken in 2011 on the website *Podarnik.Gazeta.pl* for the inhabitants of Libia and Japan and the action undertaken by *Sport.pl* supporting activities of Polish Humanitarian Action called *Movement for Africa*.

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 of partially untrue information on the Company, the Management Board of Agora S.A. shall make a decision to take their position in each case separately.

Below one can find the way the Company observed the aforementioned rules of corporate governance.

II. BEST PRACTICE FOR THE MANAGEMENT BOARDS OF LISTED COMPANIES

According to the corporate governance rules of the companies listed on Warsaw Stock Exchange, the Company operate its corporate website in Polish and English. Despite legally required information Agora's corporate website offers basic corporate documents as its Statute and by-laws of its governing and supervising bodies. Additionally, the website presents the professional biographies of the members of the Management Board or Supervisory Board. According to the requirements the Company publishes on its website financial statements and regulatory filings. Additionally, to facilitate the analyses of the financial information, the Company provides PowerPoint presentations with the financial results and audio recordings from the teleconferences during which members of the Management Board discussed the Group's financial results in a given period of time.

According to the requirements, on the website one can find also the part dedicated to general meetings of shareholders, which traditionally take place in the Company's headquarters in Warsaw. On the website, one can find all the documents relating to a general meeting of shareholders, including announcement on convening the general meeting, the candidates to the managing or supervising bodies together with their professional biographies as soon as the Company receives them from the entitled entities. Here, one can also find all organizational information as a break in general meeting of shareholders or changes in the agenda of the meeting.

On June 22, 2011 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. The General Meeting was convened by the Management Board of Agora S.A. Its course 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 records the meetings of shareholders. Additionally, the Company prepares the list of questions and answers relating to a given meeting of shareholders if they appear. The answers are given by the Management Board and Supervisory Board members present during the meeting.

Here, one can also find the documents relating to the dividend, for example the Management Board recommendation on profit distribution, draft resolutions and final resolutions.

The Company publishes on its website reports relating to its compliance with corporate governance rules and information relating to the rule on changing the auditor examining the Group's financial statements. The Company, every year, in its quarterly report published on its website provides information on the cost of motivation plans in the Company (including the one based on the Company's shares).

In the section relating to the Supervisory Board, the Company provides information on one member of the Supervisory Board related to the shareholder entitled to more than 5% of votes during general meeting of shareholders. Here one can find the Supervisory Board reports together with the evaluation of the Company's internal risk control system and risk management system.

III. BEST PRACTICE FOR SUPERVISORY BOARD MEMBERS

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 2011, the Supervisory Board was represented by its President Mr. Andrzej Szlęzak.

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.

In 2011 none of the members of the Supervisory Board resigned from his or her function. As far as independence of the Supervisory Board members is concerned it is discussed in detail in further part of the report.

IV. BEST PRACTICE OF SHAREHOLDERS

Agora S.A., as a public company, allows the representatives of media to participate in its general meeting of shareholders. Also, during the last General Meeting of Shareholders held on June 22, 2011, the representatives of media were invited to participate. 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.

During the General Meeting of Shareholders held on June 22, 2011 there were no changes introduced in the by-laws of the general meeting. In 2011 the general meeting did not resolve on share issue. The resolution on profit distribution provided for the compliance with the term – of no longer than 15 working days between the date setting the right to dividend and the day of dividend payment. The General Meeting did not resolve on conditional dividend or division of nominal value of the Company's shares.

Each year, the Company provides real-life broadcast of the general meeting of shareholders in Polish and in English. During the General Meeting of Shareholders held in 2011, the Company did not provide 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 Meeting or could have exercised their voting right either in person or through a proxy, inter alia, due to safety reasons. The Company will analyse the possibility to comply with this requirement in 2013 provided that the available software shall gurantee safety of the general meeting and its efficient course taking into account the dispersed nature of the Company's shareholder base.

2. 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 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_eng/1,67052,1659254.html. 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 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 one tenth of the Company's share capital, 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 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;
- the depository bank which, on the basis of the agreement with the Company, issued depository receipts based on the Company shares, when such an entity exercises voting rights attached to shares which constituted the basis for the issue of depository receipts;
- 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 of the Company's Statutes, apart from the registered series A shares, the share capital also comprises ordinary shares series B i D, bearer and registered. The registered shares of preference series A entitle their holders to five votes at the general meeting of shareholders.

According to § 11 of the Company's Statutes, sale or conversion of preference A 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 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.

3. THE COMPOSITION AND RULES OF FUNCTIONING OF THE COMPANY'S GOVERNING BODIES AND OF THE SUPERVISORY BOARD' S COMMITTEES.

3.1. 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 3 to 6 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).

As of the day of publishing the report, the Company's Management Board is represented by:

- Piotr Niemczycki - the President of the Management Board,
- Zbigniew Bak - the Deputy President of the Management Board,
- Marek Jackiewicz - the Member of the Management Board,
- Grzegorz Kossakowski - the Member of the Management Board,
- Stanislaw Turnau - the Member of the Management Board.

On December 29, 2011, Tomasz Jozefacki - Agora's Board member - has resigned from the position of Agora's Management Board member. On January 4, 2012, pursuant to § 28 section 3 of the Company's Statute, the Management Board of the Company elected by way of co-option additional members of the Management Board, Stanislaw Turnau and Marek Jackiewicz.

The Management Board members are elected for five years (§ 29 item 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 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.

3.2. The Supervisory Board

The Supervisory Board acts in compliance with the provisions of the Commercial Companies Code and the Statutes of the Company. The Supervisory Board shall be composed of five 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 item 2 of the Company's Statutes).

As of the day of publication of this report, the Company's Supervisory Board consists of:

- Andrzej Szlezak - the Chairman,
- Marcin Hejka - 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.

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 current Supervisory Board member shall expire on the day the general meeting of shareholders resolves on the adoption of the financial statements for 2012.

According to §20 section 4 of the Company's Statutes at least three members of the Supervisory Board are independent members. Currently, the majority of the Supervisory Board members are independent. The Supervisory Board is responsible for 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 (§ 19 of the Statutes). Such transactions cannot be conducted without the consent of the majority of the independent members of the Supervisory Board. According to § 23 item 4 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 § 24 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 three members of the Supervisory Board.

3.3. 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:

- Marcin Hejka – the Chairperson of the Audit Committee,
- Wanda Rapaczynski,
- Tomasz Sielicki.

(ii) The Human Resources and Remuneration Commission:

- Wanda Rapaczynski – the Chairperson of the Human Resources and Remuneration Commission,
- Slawomir S. Sikora,
- Andrzej Szlezak.

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, however, the meetings can be convened as often as it is required for its proper functioning.

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.

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 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 11, 2011 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 51 Chlodna Street, registered under the number 3,546 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 2011, 2012 and 2013.

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.

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.

4. 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 Board of the Company is 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 19 February 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 subsidaries adequately by the Chief Financial Officer - the member of the Management Board – 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 (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 Chief Financial Officer 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 Chief Officer of the parent company – also the Member of the Management Board) during the sum up meetings and are also published in statutory auditor's report.

Conclusions from the audit review 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 weakness of the internal control and risks in terms of the registration and transactions processing. The Audit Committee during its meetings discusses the results of the work performed by the Internal Audit Deprtament 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 and the Company's Management Board.

5. SHAREHOLDERS WITH A SUBSTANTIAL HOLDING IN THE COMPANY

To the best of the Company's knowledge as of the day of publication of the 2011 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 January 3, 2012)*	5,692,420	*11.18*	22,818,820	*33.53*
BZ WBK Asset Management S.A. *(in accordance with the last notification obtained on March 8, 2012)*	6,360,642	*12.49*	6,360,642	*9.35*
ING Otwarty Fundusz Emerytalny *(in accordance with the last notification obtained on September 29, 2011)*	3,758,637	*7.38*	3,758,637	*5.52*

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 3 to 6 members with the exact number determined by the shareholders holding the majority of preferred series A shares, and following the expiration of such preferred status of all series A shares, by the Supervisory Board.

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 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. 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.

8. 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. Additional limitations regarding the transfer of ownership apply to shares owned by the employees as part of motivation plans described in a note to financial statements for 2011.

9. 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) the deposit bank which, on the basis of agreement with the Company, issued depository receipts based on the Company Shares, in the event that such entity exercises the voting rights attached to shares which were the basis for the issuance of depository receipts; and

c) 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.

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.

10. 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.

VII. DESCRIPTION OF THE BASIC CHARACTERISTICS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS APPLIED BY THE GROUP IN TERMS OF PREPARATION OF ITS SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS

The management boards of the Group's subsidiary companies are responsible for the internal control systems and their effectiveness in the process of drawing up financial reports prepared in accordance with the Regulation of the Minister of Finance dated 19 February 2009 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 Chief Financial Officer - the member of the Management Board of the parent company or the Chief Operating Officer/the Management Board of the related company - are responsible for the factual supervision of the aforementioned process in particular companies. The process of drawing up annual and interim financial reports is coordinated by the Reporting Department functioning within the Finance and Administration Department in the Company. The Group, 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 introducing.

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 of the parent company and the Company'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 Group.

The financial data that constitutes the basis of the consolidated financial statements and interim reports stem from the accounting - financial systems 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 separate and consolidated financial statements of the Company are conveyed, for the purpose of verification, to the Chief Financial Officer and then to the Management Board for the final verification. The separate 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.

Separate and consolidated annual and semi-annual reports 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 Chief Officer of the parent company – also the Member of the Management Board) and during the sum up meetings and are also published in statutory auditor's report.

Conclusions from the audit and review of the separate 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 (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 Group that were identified during the audit of the financial statements.

The Company has its own Internal Audit Department. Its main task is to identify weakness of the internal control and risks in terms of the registration and transactions processing. The Audit Committee during its meetings discusses the results of the work performed by the Internal Audit Deprtament with the Head of the Internal Audit, also without the presence of the Management Board of the Company.

The auditor's and Internal Audit's recommendations are discussed by the Audit Committee and the Company's Management Board of the Company .

VIII. MANAGEMENT BOARD'S REPRESENTATIONS

1. REPRESENTATION CONCERNING ACCOUNTING POLICIES

Management Board of Agora confirms that, to the best knowledge, 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 result of the Issuer's Capital Group for the period.

Annual 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 STATEMENT

Management Board of Agora confirms that the Company's auditor chosen for 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, 13 April 2012

Piotr Niemczycki – President of the Management Board	*Signed on the Polish original*
Zbigniew Bak – Deputy President of the Management Board	*Signed on the Polish original*
Marek Jackiewicz – Member of the Management Board	*Signed on the Polish original*
Grzegorz Kossakowski – Member of the Management Board	*Signed on the Polish original*
Stanislaw Turnau – Member of the Management Board	*Signed on the Polish original*