# Financial and market performance of Agora Group in 1Q2017

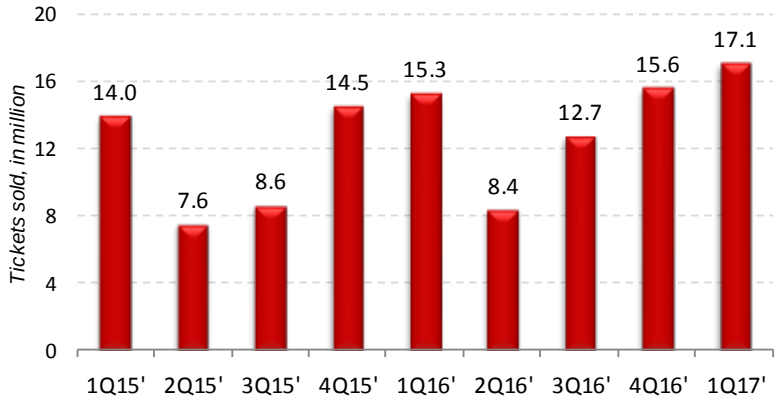

AGORA SA

prasa // film i książka // outdoor // internet // radio // druk

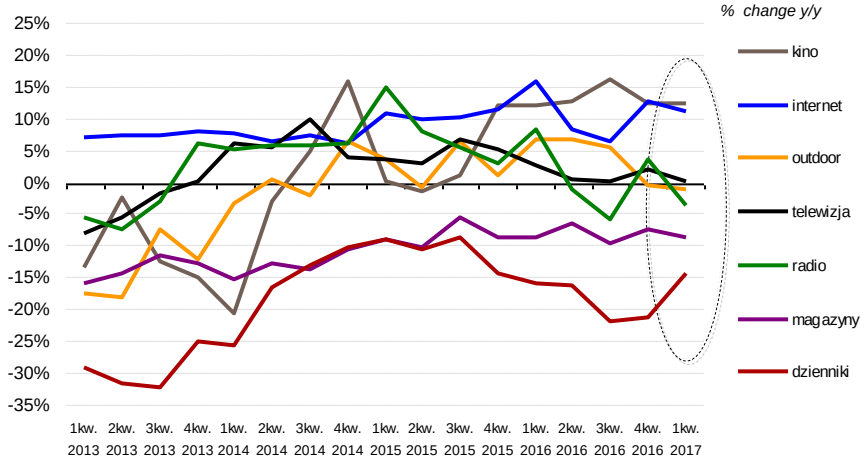
# Agenda

# Crucial elements of business environment

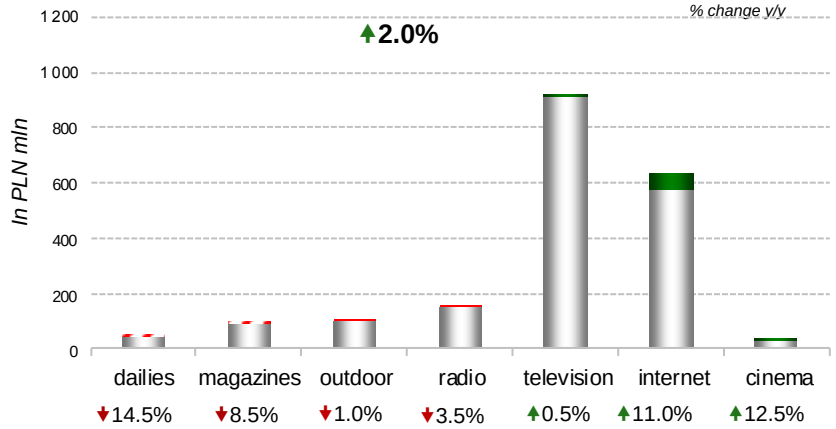
## Cinema attendance in Poland



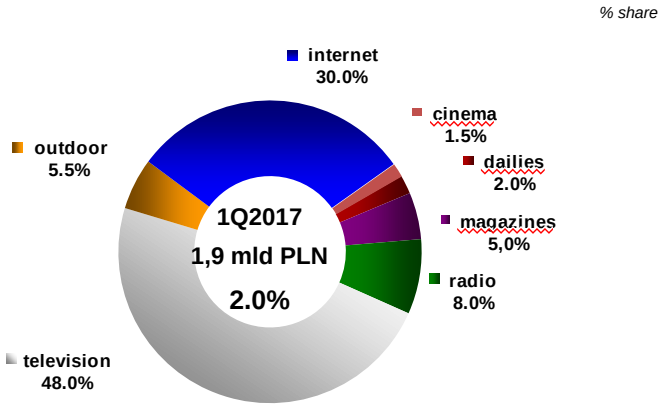

## Dynamics of the advertising market segments




## Dynamics of ad spend in 1Q2017




## Advertising market structure in 1Q2017




Source: ad spend estimates by: Agora (press based on Kantar Media and Agora's monitoring, radio based on Kantar Media), IGRZ (outdoor - since January 2014, the number of entities reporting their revenues to IGRZ declined), Starcom (TV, cinema, Internet), Internet – comprise revenues from e-mail marketing, display, search engine marketing and since 1Q2012 revenues from video advertising. TV estimates include regular ad broadcast and sponsoring with product placement, since 1Q 2013, exclude teleshopping and other advertising. The presented data is comparable;

# Improvement of Agora Group's operating result

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## Agora Group financial results

| in PLN mln | 1Q2017 | 1Q2016 | %change y/y |
|---|---|---|---|
| **Total sales**[1] | **301.0** | **288.5** | **4.3%** |
| Advertising revenue | 119.4 | 121.7 | (1.9%) |
| Copy sales | 33.7 | 34.7 | (2.9%) |
| Ticket sales | 64.4 | 57.9 | 11.2% |
| Concession sales | 22.2 | 19.6 | 13.3% |
| Printing services | 28.0 | 37.0 | (24.3%) |
| Other | 33.3 | 17.6 | 89.2% |
| **Operating cost net, including:** | **(297.4)** | **(285.5)** | **4.2%** |
| Raw materials, energy and consumables | (47.7) | (54.3) | (12.2%) |
| D&A | (25.3) | (25.0) | 1.2% |
| External services | (112.4) | (102.0) | 10.2% |
| Staff cost | (82.8) | (79.5) | 4.2% |
| Promotion and marketing | (21.0) | (16.1) | 30.4% |
| Gain on a bargain purchase [2] | - | 2.2 | - |
| **Operating result - EBIT** | **3.6** | **3.0** | **20.0%** |
| EBIT margin (EBIT/sales) | 1.2% | 1.0% | 0.2pkt % |
| **EBITDA** | **28.9** | **28.0** | **3.2%** |
| EBITDA margin (EBITDA/sales) | 9.6% | 9.7% | (0.1pkt%) |
| **Net profit/(loss) for the period** | **(6.1)** | **(5.6)** | (8.9%) |

- ↑ revenue growth of the Group mainly due to higher revenue of Movies and Books, Internet and Radio segments
- ↓ advertising revenue similar to that of1Q2016
- ↓ copy sales revenue at a similar level in spite of lower number of sold copies of *Gazeta Wyborcza* and Agora's magazines
- ↑ double-digit growth of ticket sales and concession sales in Helios cinemas
- ↓ decrease in revenue from printing services due to lower volume of orders
- ↑ increase in revenue from other sales due to record high revenue from film production activity

- ↑ higher operating cost of the Group due to the increase in operating costs in Movies and Books, Internet and Radio segments
- ↓ decrease in cost of materials, energy and consumables resulting from decline in volume of production and discontinuacion of the free daily *Metrocafe.pl* and the monthly *Pogoda na życie*
- ↑ increase in cost of external services due to higher costs of Agora's film activity, IT and cleaning services
- ↑ higher staff costs resulting mainly from change of minimum wage and employment growth in Movies and Books and Internet segments
- ↑ increase in cost of promotion and marketing resulting from more intensified promotional activity in the Radio, Internet and Movies and Books segments

Source: consolidated financial statements according to IFRS,1Q2017;
[1] particular sales positions, apart from ticket sales and printing services, include sales of Publishing House division and film activities (co-production and distribution in the Movies and Books segment), described in details in point IV.B in this report.
[2] the line items - gain on a bargain purchase and remeasurement of equity interest at the acquisition date – are related to the acquisition of GoldenLine Sp. z o.o in the first quarter of 2016.

# Higher revenue of the Movies and Books segment

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## Higher operating result at the EBIT and EBITDA levels

### Movies and Books

| in PLN mln | 1Q2017 | 1Q2016 | % change y/y |
|---|---|---|---|
| **Total sales, including:** | **126.9** | **98.4** | **29.0%** |
| Ticket sales | 64.6 | 58.0 | 11.4% |
| Concession sales | 22.2 | 19.6 | 13.3% |
| Advertising revenue[1] | 8.5 | 7.1 | 19.7% |
| Revenues from film activities[1,2] | 20.1 | 1.9 | 957.9% |
| Revenues from Publishing House | 8.5 | 8.6 | (1.2%) |
| **Total operating cost** | (106.6) | (82.2) | 29.7% |
| **EBIT[3]** | **20.3** | **16.2** | **25.3%** |
| EBIT margin | 16.0% | 16.5% | (0.5pkt%) |
| **EBITDA[3]** | **28.8** | **24.1** | **19.5%** |
| EBITDA margin | 22.7% | 24.5% | (1.8pkt%) |

- ↑ record-high revenue from film production activity
- ↑ growth of revenue due to higher ticket sales and higher concession sales because of the high attendance in cinemas
- ↑ growth of the advertising revenue in cinemas
- ↓ revenue from Agora's Publishing House at a similar level to that of 1Q2016
- ↑ higher cost of external services resulting from higher payments for film producers and higher rental costs due to dynamic developlement of Helios cinema network

| HELIOS CINEMA NETWORK | |
|---|---|
| 42 CINEMAS | 233 SCREENS |

## Film production activity


*Sztuka kochania:* 1 783 363 viewers since the premiere


*Po prostu przyjaźń*: 637 421 viewers since the premiere


*Pokot*: 260 336 viewers since the premiere

**More than 2,7 mln viewers**

***Sztuka kochania* – the most popular movie in 1Q2017**

| | |
|---|---|
| 1. | **Sztuka kochania** |
| 2. | Fifty Shades Darker |
| 3. | Sing |

**More than 54% of tickets sold for Polish films in 1Q2017 are for films produced by Agora**

**PLANNED OPENINGS**

| CITY | TIME |
|---|---|
| WOŁOMIN ✓ | 1Q 2017 |
| STALOWA WOLA | 4Q 2017 |
| KROSNO | 4Q 2017 |
| WARSZAWA | 2018 |
| GDAŃSK | 2018 |
| KATOWICE | 2018 |
| PIASECZNO | 2021 |

Source: consolidated financial statements according to IFRS,1Q2017; Boxoffice.pl

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

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

[3] the amounts include D&A cost in Publishing House division, which in the first quarter of 2017 amounted to PLN 0.2 million (in the comparable period of 2016 it amounted to PLN 0.2 million).

# Press activity of the Group

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## Reduction of operating costs

**PRESS**

| in PLN mln | 1Q2017 | 1Q2016 | %change y/y |
|---|---|---|---|
| **Total sales, including:** | **53.5** | **61.9** | **(13.6%)** |
| Copy sales | 28.0 | 30.9 | (9.4%) |
| incl.*Gazeta Wyborcza* [1] | 23.1 | 25.9 | (10.8%) |
| incl. Magazines | 3.1 | 3.8 | (18.4%) |
| Advertising revenue [2] | 24.6 | 29.9 | (17.7%) |
| incl. *Gazeta Wyborcza* [13] | 14.7 | 17.5 | (16.0%) |
| incl. Magazines [4] | 5.1 | 5.1 | - |
| incl. *Metrocafe.pl* [4] | - | 3.1 | - |
| **Total operating cost** [3] | (54.5) | (64.7) | (15.8%) |
| **EBIT** | **(1.0)** | **(2.8)** | **64.3%** |
| EBIT margin | (1.9%) | (4.5%) | 2.6% |
| **EBITDA** | **(0.5)** | **(2.3)** | **78.3%** |
| EBITDA margin | (0.9%) | (3.7%) | 2.8% |

- decline in revenue due to lower revenue from advertising in *Gazeta Wyborcza* and discontinuation of the free daily *Metrocafe.pl* and the monthly *Pogoda na życie*
- decrease in copy sales resulting from lower copy sales of printed press
- lower staff costs mainly due to employment reduction
- decrease in cost of materials, energy, printing goods and services due to lower printing volumes of own titles and discontinuation of *Metrocafe.pl* and *Pogoda na życie*
- reduced promotion and marketing cost resulting from lower activity of *Gazeta Wyborcza* and lower number of a dual priced editions of the daily in comparison to 1Q2016

## Better monetization of the content

### Special issues


### Greater coverage of local content

**Since April 3rd, there are nine new regional additions of *Gazeta Wyborcza* available Monday through Thursday, with the content created by 20 local editorial offices of the daily:**

- **better coverage**
- **more pages available for selected local editors**
- **wider reach for advertising**
- **optimization of printing costs**

Source: consolidated financial statements according to IFRS,1Q2017 ; rpr ZKDP.

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

[2] on October 14, 2016 Agora ceased publication of the free daily Metrocafe.pl;

[3] the amounts include inter alia the production and promotional cost of gadgets offered with Gazeta Wyborcza and Agora's magazines; In 2016 the numbers included allocated inflows from the sales of advertising on the webistes: Wyborcza.pl, Wyborcza.biz, Wysokie obcasy.pl as well as on the local webistes. Since 2017 those revenues are not allocated to Internet segment.

[4] since 2017 the operating costs of the segment related to the production of Gazeta Wyborcza are set according to agreed card rate, in contrary to previous years when it was set by allocation of direct and indirect cost (including D&A) related to its production. The presentation of data for the corresponding periods of time was corrected accordingly.

# Operating results of the Outdoor and the Internet segments

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## Stable sales results

**OUTDOOR**

| in PLN million | 1Q2017 | 1Q2016 | %change y/y |
|---|---|---|---|
| **Total sales, icluding:** | **35.3** | **35.7** | **(1.1%)** |
| advertising revenue[1] | 34.7 | 35.0 | (0.9%) |
| **Total operating cost** | (29.6) | (32.2) | (8.1%) |
| **EBIT** | **5.7** | **3.5** | **62.9%** |
| EBIT margin | 16.1% | 9.8% | 6.3pkt% |
| **EBITDA** | **10.0** | **7.4** | **35.1%** |
| EBITDA margin | 28.3% | 20.7% | 7.6pkt% |

- ↓ slight decrease of advertising revenue due to slowdown in advertising expenditure in OOH segment and discontinuation of media handling in the Warsaw subway
- ↓ reduction of operating cost resulting from changes in the structure of panels in company's portfolio and discontinuation of media handling in the Warsaw subway
- ↑ higher D&A cost resulting from execution of concession contracts for the construction of bus shelters in Warsaw and in Cracow

## Growing advertising results

**INTERNET**

| in PLN million | 1Q2017 | 1Q2016 | %change y/y |
|---|---|---|---|
| **Total sales, including:** | **38.3** | **36.3** | **5.5%** |
| dispaly ad sales [2,3] | 30.1 | 28.2 | 6.7% |
| ad sales in verticals | 3.8 | 3.5 | 8.6% |
| **Total operating cost[2]** | (38.0) | (34.5) | 10.1% |
| **EBIT** | **0.3** | **1.8** | **(83.3%)** |
| EBIT margin | 0.8% | 5.0% | (4.2pkt%) |
| **EBITDA** | **1.5** | **3.1** | **(51.6%)** |
| EBITDA margin | 3.9% | 8.5% | (4.6pkt%) |

- ↑ growth of advertising revenue resulting from higher revenue from ad sales, mostly from Yieldbird
- ↑ growth of operating costs resulting from increase in external costs, mainly cost s of renting advertising space
- ↑ higher cost of promotion and marketing due to execution of marketing campaigns of Gazeta.pl and GoldenLine.pl
- ↑ increase of staff cost due to increased headcount in Gazeta.pl and Yieldbird

**YIELDBIRD is one of the fastest growing ad tech companies in Poland.**

YIELDBIRD

#WN WIDEONEWS haps myk! ach!

**After the success of social video formats – Haps and Myk!, Gazeta.pl introduced Ach! – fashion and beauty tutorials created in cooperation with well-known YouTubers.**

Source: consolidated financial statements according to IFRS,1Q2017;
[1] the amounts do not include revenues, direct and variable cost of cross-promotion of Agora's other media on AMS panels if such promotion was executed without prior reservation;
[2] the amounts do not include total revenues and cost of cross-promotion of Agora's different media (only direct variable cost of campaigns carried out on advertising panels) if such promotion is executed without prior reservation, as well as inter-company sales between Agora's Internet Department, Trader.com (Polska) Sp. z o.o., Yieldbird Sp. z o.o., Sport4People Sp. z o.o., Sir Local Sp. z o.o., GoldenLine Sp. z o.o. and Optimizers Sp. z o.o.;
[3] In 2016 the numbers included allocated inflows from the sales of advertising on the webistes: Wyborcza.pl, Wyborcza.biz, Wysokie obcasy.pl as well as on the local webistes. Since 2017 those revenues are not allocated to Internet segment.

# Operating results of the Radio and the Print segments

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## Slight growth of revenue

### RADIO

| in PLN million | 1Q2017 | 1Q2016 | %chanage y/y |
|---|---|---|---|
| **Total sales, including:** | **25.8** | **25.4** | **1.6%** |
| Radio advertising revenue [1,2] | 21.0 | 21.9 | (4.1%) |
| **Total operating cost [2]** | (25.5) | (23.7) | 7.6% |
| **EBIT** | **0.3** | **1.7** | **(82.4%)** |
| EBIT margin | 1.2% | 6.7% | (5.5pkt%) |
| **EBITDA** | **1.2** | **2.5** | **(52.0%)** |
| EBITDA margin | 4.7% | 9.8% | (5.1pkt%) |

- ↑ increase in revenue resulting from higher revenue from brokerage services for Helios cinemas and higher airtime sales in Agora's radio stations
- ↑ higher cost of promotion and marketing due to execution of marketing campaign of Radio Złote Przeboje - *Muzyka Daje Radość*
- ↑ higher costs related to sales brokerage services for Helios cinemas
- ↓ lower purchase costs of other broadcasters' airtime and lowers staff costs

New mobile application *Mikrofon TOK FM* allows users to record their commentary and send its audio version to the radio.

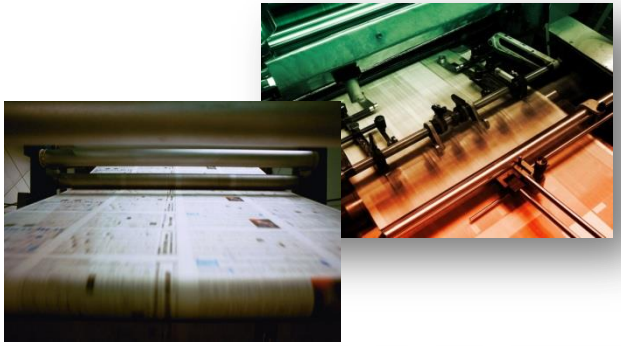
| % share in audience[3] | 1Q2017 | %change y/y |
|---|---|---|
| **Agora's music radio stations** (Rock Radio, Radio Złote Przeboje and Radio Pogoda) | 3.9% | 0.1pkt% |
| Radio TOK FM | 2.4% | 0.5pkt% |

## Maintaining a positive result on the EBITDA level

### PRINT

| in PLN million | 1Q2017 | 1Q2016 | % change y/y |
|---|---|---|---|
| **Total sales, including:** | **29.7** | **39.0** | **(23.8%)** |
| printing services[4] | 28.0 | 37.0 | (24.3%) |
| **Total operating cost [5]** | (32.2) | (40.0) | (19.5%) |
| **EBIT** | **(2.5)** | **(1.0)** | **(150.0%)** |
| EBIT margin | (8.4%) | (2.6%) | (5.8pkt%) |
| **EBITDA** | **2.9** | **4.9** | **(40.8%)** |
| EBITDA margin | 9.8% | 12.6% | (2.8pkt%) |

- ↓ Decline in revenue and decrease in operating cost resulting from lower volume of orders and production



Source: consolidated financial statements according to IFRS,1Q2017; local radio stations (incl. TOK FM), ad market: Agora's estimates based on Kantar Media monitoring.
[1] advertising revenues include revenues from brokerage services of proprietary and third-party air time;
[2] the amounts do not include revenues and total cost of cross-promotion of Agora's different media (only the direct variable cost of campaigns carried out on advertising panels) if such a promotion was executed without prior reservation.
[4] revenues from services rendered for external customers;
[5] since 2017 the operating costs of the segment related to the production of Gazeta Wyborcza are set according to agreed card rate, in contrary to previous years when it was set by allocation of direct and indirect cost (including D&A) related to its production. The presentation of data for the corresponding periods of time was corrected accordingly.

# Results of the Agora Group

**Summary of Agora Group's results in 1Q2017:**

- record high revenue from the film production activity
- growing revenue from ticket and concession sales in Helios cinemas
- effective digital transformation process of *Gazeta Wyborcza*
- strengthening the position of the Gazeta.pl group in social media
- effective monetization of AMS projects
- high audience level of TOK FM Radio

# Prospects

Dynamic development of the Helios cinema network and implementing new structure of the Movies and Book segment - moving film production activity into the business structure of NEXT FILM.

Conclusion of the bus shelter construction investment process in Warsaw and strengthening AMS' position in the outdoor market.

Strengthening the Group's position in the Internet through dynamic development of mobile, introduction of new formats, eg. social video, and monetization of video content in social media.

Difficult market condition: abrupt legal changes, possible fluctuation of PLN exchange rate, decrease in investment, slowdown in advertising expenditure in selected segments of the market.

Continuation of negative trends in the Press market.

Difficult forecasting the advertising market.

# Thank you for your attention

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