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AGORA SA

AGORA GROUP

Management Discussion and Analysis for **the first half of 2017** to the financial statements

August 11, 2017

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AGORA GROUP

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A) OF THE GROUP'S RESULTS FOR THE FIRST HALF OF 2017

REVENUE PLN 583.7 MILLION
NET LOSS PLN 5.4 MILLION
EBITDA PLN 60.3 MILLION
OPERATING CASH FLOW PLN 24.2 MILLION

Unless indicated otherwise, all data presented herein represent the period of January - June 2017, while comparisons refer to the same period of 2016. All data sources are presented in part IV of this MD&A.

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

- In the second quarter of 2017, the revenue generated by Agora Group ("Group") amounted to PLN 282.7 (down by 4.6% yoy). Significantly higher yoy were revenues generated in the Movies and Books segment, mainly due to high attendance at Helios cinemas. Revenue from cinema tickets sold increased by 39.4% yoy to PLN 43.5 million, while concession sales went up by 36.7% yoy and totalled PLN 17.5 million. As a result, total revenue of the segment increased by 11.6% yoy to PLN 78.9 million. The Group observed lower yoy sales of printing and advertising services and drop in revenues from other sales as compared to the second quarter of 2016. The revenue of the Print segment amounted to PLN 32.9 million (down by 20.9% yoy). A decrease in advertising revenue by 16.3% yoy was recorded in the Press segment, whose total revenue decreased to PLN 64.0 million. A factor which largely influenced the level of revenue in the Press segment was the decision, made in the fourth quarter of 2016, to discontinue selected press titles. Revenue in the Internet segment decreased by 5.7% yoy to PLN 41.0 million, mainly due to a decline in the sales of web display advertising coinciding with higher sales of ads on vertical portals. Revenue in the Radio segment declined by 5.7% yoy and amounted to PLN 27.9 million. The Outdoor segment recorded revenue at a similar level to the corresponding period of 2016.
- In the first half of 2017, revenue recorded by the Group amounted to PLN 583.7 million, remaining at a similar level to the first half of 2016. The Group's revenue in the first half of 2017 was primarily affected by lower revenues in the Press and Print segments, which amounted to PLN 117.5 million and PLN 62.6 million, respectively. These were offset by markedly higher revenue in the Movies and Books segment, which amounted to PLN 205.8 million. The increase in revenue in the Movies and Books segment by 21.7% yoy resulted mainly from high cinema attendance and higher revenue generated by Agora Group's film business in the first quarter of 2017. It is also worth noting that in the first half of 2016, the Group recorded additional revenue of PLN 7.1 million associated with distribution rights to the game *The Witcher 3: Wild Hunt* and its extensions. A slight yoy decrease was recorded in revenues in the Radio and Outdoor segments, which amounted to PLN 53.7 million and PLN 80.5 million, respectively. In the reporting period, the revenues of the Internet segment amounted to PLN 79.3 million and were at a similar level to the first half of 2016.
- In the second quarter of 2017, the Group's operating costs decreased by 7.2% yoy and amounted to PLN 276.0 million. This resulted from cutting down operating costs across all of the Group's operating segments except for Movies and Books. The Press segment experienced the sharpest decrease in operating costs. This was due to the restructuring measures introduced in 2016 as well as cutting down on marketing and promotion expenses. As a result, operating costs for the Press segment decreased by 17.6% yoy to PLN 58.5 million. Another segment where operating costs were reduced to a significant extent was Print. In the second quarter of 2017, the

segment's operating costs decreased by 21.8% yoy and amounted to PLN 34.1 million, mainly owing to lower costs of materials, energy and printing services. Operating costs for the Outdoor segment decreased by 5.4% yoy to PLN 33.1 million. This was caused mainly by lower system maintenance and staff costs. In the Internet segment, operating costs decreased by 3.6% yoy to PLN 34.4 million, whereas in the Radio segment they went down by 4.9% yoy, to PLN 23.1 million. The increase in operating costs in the Movies and Books segment by 5.2% yoy to PLN 80.5 million was largely driven by the expansion of the Helios cinema network, higher cinema attendance and higher staff costs.

In the first half of 2017, the Group's operating costs decreased by 1.6% yoy and amounted to PLN 573.4 million. They went up in three segments: Movies and Books, Internet and Radio. The highest increase in operating costs — up by 17.9% yoy to PLN 187.1 million — was visible in the Movies and Books segment. This was mainly due to settlements with producers of the films introduced to cinemas by NEXT FILM, a higher number of cinemas in the Helios network, high cinema attendance and higher staff costs. The operating costs reported by the Internet segment grew by 3.1% yoy to PLN 72.4 million. This resulted mainly from higher costs related to the sales of advertising space of third-party Internet publishers, as well as higher costs of marketing services. In the Radio segment, the increase in operating costs was mainly driven by higher costs of the advertising campaign for Radio Zlote Przeboje. However, operating costs decreased significantly in the Press, Print and Outdoor segments. The sharpest decline in operating costs – by 16.7% yoy, to PLN 113.0 million – was recorded in the Press segment. The costs of materials, energy, printing goods and services as well as promotion and marketing costs were the items were the greatest cost reductions were recorded. The decrease in operating costs in the Press segment was also driven by the decision to discontinue selected press titles. The Print was another segment to significantly curb operating costs (by 20.7% yoy, to PLN 66.3 million). This was mainly driven by lower costs of materials, energy and production services due to a lower production volume and an increased share of print on customer-provided paper in the total production volume. Operating costs in the Outdoor segment were reduced by 6.7% yoy to PLN 62.7 million. The main reason behind this reduction was a decrease in system maintenance costs owing to a higher share of citylight panels among the media operated by the Outdoor segment.

- In the second quarter of 2017, the Group's EBITDA increased by 37.1% yoy to PLN 31.4 million. The Group also recorded a significant improvement of EBIT, which was positive and amounted to PLN 6.7 million. Agora Group's net profit for the period amounted to PLN 0.7 million and the net profit attributable to the equity holders of the parent company stood at PLN 0.4 million.

  In the first half of 2017, the Group's EBITDA increased by 18.5% yoy to PLN 60.3 million. The Group's result at the EBIT level also significantly improved, having increased to PLN 10.3 million. In the first half of 2017, the net loss amounted to PLN 5.4 million and the net loss attributable to the equity holders of the parent company amounted to PLN 7.8 million.

- The purchase of 106 shares from the shareholders of GoldenLine Sp. z o.o. ("GoldenLine") with its seat in Warsaw for a total price of PLN 8.5 million had a significant impact on the Group's net result in the first half of 2016. The details of the transactions are presented in note 12 to condensed semi-annual consolidated financial statements of the Agora Group as of June 30, 2016. The total negative impact of the acquisition of the company GoldenLine on the consolidated net result of the Agora Group in the first half of 2016 amounted to PLN 3.3 million.

- At the end of June 2017, the Group had PLN 100.0 million in cash and short-term monetary assets, which comprised cash and cash equivalents in the amount of PLN 76.4 million and PLN 23.6 million invested in short-term securities. Additionally, the Group had cash receivables of PLN 21.6 million deposited by AMS S.A. as cash collateral securing the bank guarantees granted in relation to performance of the concession contract for the construction and modernisation of bus/tram shelters in Warsaw (out of which PLN 10.8 million is presented within long-term receivables).

- At the end of June 2017, the Group's debt amounted to PLN 92.7 million (including external debt of Helios S.A. consisting of bank loans and finance lease liabilities in the amount of PLN 66.3 million).

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

1. EXTERNAL FACTORS

1.1 Advertising market [3]

According to the Agora S.A. estimates ("Company", "Agora"), based on public data sources, in the second quarter of 2017, total advertising spending in Poland amounted to ca PLN 2.3 billion and increased by almost 0.5% yoy.

Tab. 1

	2Q 2015	3Q 2015	4Q 2015	1Q 2016	2Q 2016	3Q 2016	4Q 2016	1Q 2017	2Q 2017
% change yoy in ad market value	3.0%	6.0%	4.5%	5.0%	5.0%	0.5%	3.5%	2.5%	0.5%

In the second quarter of 2017 advertisers increased advertising expenditure in cinema and in internet. They spent less in press, radio and television. The data relating to the changes in the value of advertising expenditure in particular media segments are presented in the table below:

Tab. 2

Total advertising expenditure	Television	Internet	Magazines	Radio	Outdoor	Dailies	Cinema
0.5%	(1.0%)	7.0%	(10.0%)	(0.5%)	(0.0%)	(20.0%)	9.5%

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

Tab. 3

Advertising spendings, in total	Television	Internet	Magazines	Radio	Outdoor	Dailies	Cinema
100.0%	47.5%	31.0%	5.0%	6.5%	6.0%	2.5%	1.5%

In the first half of 2017, total advertising spending in Poland amounted to ca PLN 4.28 billion and increased by over 1.0% yoy. At that time, advertisers limited their expenditure in press, radio, outdoor and in television. The growth of advertising expenditure was visible in internet and cinema. The data relating to the changes in the value of advertising expenditure in particular media segments are presented in the table below:

Tab. 4

Total advertising expenditure	Television	Internet	Magazines	Radio	Outdoor	Dailies	Cinema
1.0%	(0.5%)	8.5%	(9.5%)	(2.0%)	(0.5%)	(17.0%)	9.5%

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

Tab. 5

Advertising spendings, in total	Television	Internet	Magazines	Radio	Outdoor	Dailies	Cinema
100.0%	47.5%	31.5%	5.0%	7.0%	5.5%	2.0%	1.5%

1.2 Copy sales of dailies [4]

In the second quarter of 2017, the total paid circulation of dailies decreased by 10.4% yoy. The largest decrease was observed in regional dailies.

In the first half of 2017, the drop in total paid circulation of dailies in Poland amounted to 11.1%. The largest decrease was observed in regional dailies.

1.3 Cinema admissions [10]

In the second quarter of 2017, the number of tickets sold in Polish cinemas increased by 33.4% yoy and amounted to nearly 11.2 million.

In the first half of 2017, the number of tickets sold in Polish cinemas increased by 19.5% yoy to 28.3 million tickets.

2. INTERNAL FACTORS

2.1. Revenue

Tab. 6

in million PLN	2Q 2017	% share	2Q 2016	% share	*% change yoy*
Total sales (1)	**282.7**	***100.0%***	**296.2**	***100.0%***	***(4.6%)***
Advertising revenue	141.6	*50.1%*	150.5	*50.8%*	*(5.9%)*
Ticket sales	43.6	*15.4%*	31.2	*10.5%*	*39.7%*
Copy sales	34.4	*12.2%*	34.2	*11.5%*	*0.6%*
Printing services	30.9	*10.9%*	39.6	*13.4%*	*(22.0%)*
Concession sales in cinemas	17.5	*6.2%*	12.8	*4.3%*	*36.7%*
Other	14.7	*5.2%*	27.9	*9.5%*	*(47.3%)*

in million PLN	1H 2017	% share	1H 2016	% share	*% change yoy*
Total sales (1)	**583.7**	***100.0%***	**584.7**	***100.0%***	***(0.2%)***
Advertising revenue	261.0	*44.7%*	272.2	*46.6%*	*(4.1%)*
Ticket sales	108.0	*18.5%*	89.1	*15.2%*	*21.2%*
Copy sales	68.1	*11.7%*	68.9	*11.8%*	*(1.2%)*
Printing services	58.9	*10.1%*	76.6	*13.1%*	*(23.1%)*
Concession sales in cinemas	39.7	*6.8%*	32.4	*5.5%*	*22.5%*
Other	48.0	*8.2%*	45.5	*7.8%*	*5.5%*

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

In the second quarter of 2017, **the Group's total revenue** amounted to PLN 282.7 million and decreased by 4.6% yoy.

In the second quarter of 2017, Agora Group's **advertising revenue** decreased by 5.9% yoy and amounted to PLN 141.6 million. It was lower in the Press, Internet, Radio and Outdoor segments. It is noteworthy, that in the case of the Press segment, the sales dynamics of advertising services, apart from being affected by market trends, was also impacted by the discontinuation of selected press titles, including notably the free daily *Metrocafe.pl*. An increase in sales of advertising services was recorded in the Movies and Books segment.

In the second quarter of 2017, **copy sales revenue** amounted to PLN 34.4 million and increased by 0.6% yoy. This was achieved mainly owing to a year-on-year increase in revenue from products sold by Agora's Publishing House (including *Sztuka kochania* and *Tu bylem. Tony Halik*), special editions of *Gazeta Wyborcza* magazines and subscriptions of content on Wyborcza.pl.

In the second quarter of 2017, **revenue from tickets sold in the cinemas** comprising the Helios network increased by 39.7% yoy and amounted to PLN 43.6 million. In the reporting period, the number of tickets sold in the Helios cinemas amounted to over 2.3 million, which meant an increase of 35.0% yoy. In the same period, the overall number of cinema tickets sold in Poland amounted to nearly 11.2 million and increased by 33.4% yoy *[10]*.

In the second quarter of 2017, **revenue from the sales of printing services** in Agora Group amounted to PLN 30.9 million and decreased by 22.0% yoy. This mainly resulted from a lower volume of orders and a higher share of print on customer-provided paper.

Cinema concession sales increased by 36.7% yoy to PLN 17.5 million. This was caused by higher cinema attendance and a yoy increase in average prices at cinema bars.

Revenue from other sales amounted to PLN 14.7 million and was significantly lower yoy. In the corresponding period of 2016, revenue associated with the game *The Witcher 3: Wild Hunt* and its extensions, amounting to PLN 6.9 million, had a positive impact on that item.

In the first half of 2017, **the Group's total revenue** amounted to PLN 583.7 million and was similar to the figure for the first half of 2016.

In the first half of 2017, Agora Group's **advertising revenue** decreased by 4.1% yoy and amounted to PLN 261.0 million. This item went down in most of the Group's operating segments. The sharpest decrease in advertising revenue was recorded in the Press segment, partially due to the condition of the press advertising market and the discontinuation of selected press titles, including the free daily *Metrocafe.pl*. However, an increase in advertising revenue to PLN 14.1 was recorded in the Movies and Books segment.

In the first half of 2017, **the Group's copy sales revenue** amounted to PLN 68.1 million and was at a similar level to the corresponding period of 2016. The factors that influenced the level of the Group's copy sales revenue were, among others, the continued downward trend with regard to copy sales of printed press, offset to some extent by a yoy increase in sales of publications by Agora Publishing House, special editions of *Gazeta Wyborcza* magazines and digital subscriptions to Wyborcza.pl.

In the first half of 2017, **revenue from tickets sold in the cinemas** comprising the Helios network increased by 21.2% yoy and amounted to PLN 108.0 million. In the analysed period, the number of tickets sold in the Helios cinemas amounted to over 5.9 million, which meant a year-on-year increase of 19.6%. In the same period, the overall number of cinema tickets sold in Poland amounted to 28.3 million and increased by 19.5% yoy *[10]*.

In the first half of 2017, **revenue from the sales of printing services** in the Group amounted to PLN 58.9 million (down by 23.1% yoy). This was mainly due to a lower volume of orders and an increasing share of printing services involving customer-provided paper.

Cinema concession sales increased by 22.5% yoy to PLN 39.7 million. This was caused by higher cinema attendance and a year-on-year increase in average prices at cinema bars.

Revenue from other sales amounted to PLN 48.0 million and increased by 5.5% yoy. This was mainly driven by high revenue generated by Agora Group's film business in the first half of 2017. During that period, NEXT FILM released three new film productions for cinema distribution: *Po prostu przyjazn*, *Sztuka kochania. Historia Michaliny Wislockiej* and *Pokot*. Agora was the leading producer of the first title and the co-producer of the other two.

2.2. Operating cost

Tab. 7

in million PLN	**2Q 2017**	**% share**	**2Q 2016**	**% share**	***% change yoy***
Operating cost net, including:	**(276.0)**	**100.0%**	**(297.5)**	***100.0%***	***(7.2%)***
External services	(99.5)	36.1%	(105.5)	*35.5%*	*(5.7%)*
Staff cost	(80.5)	29.2%	(81.2)	*27.3%*	*(0.9%)*
Raw materials, energy and consumables	(46.6)	16.9%	(56.3)	*18.9%*	*(17.2%)*
D&A	(24.7)	8.9%	(24.2)	*8.1%*	*2.1%*
Promotion and marketing	(15.5)	5.6%	(22.0)	*7.4%*	*(29.5%)*

in million PLN	**1H 2017**	**% share**	**1H 2016**	**% share**	***% change yoy***
Operating cost net, including:	**(573.4)**	**100.0%**	**(583.0)**	***100.0%***	***(1.6%)***
External services	(211.9)	37.0%	(207.5)	*35.6%*	*2.1%*
Staff cost	(163.3)	28.5%	(160.7)	*27.6%*	*1.6%*
Raw materials, energy and consumables	(94.3)	16.4%	(110.6)	*19.0%*	*(14.7%)*
D&A	(50.0)	8.7%	(49.2)	*8.4%*	*1.6%*
Promotion and marketing	(36.5)	6.4%	(38.1)	*6.5%*	*(4.2%)*

The Group's **net operating costs** went down by 7.2% yoy in the second quarter of 2017 and amounted to PLN 276.0 million. They were reduced to the highest extent in the Press and Print segments. They were also lower in most of the Group's other segments. An increase in this item was recorded only in the Movies and Books segment.

Costs of external services, which decreased by 5.7% yoy to PLN 99.5 million, were the largest cost item. The comparability of that item to the second quarter of 2016 was influenced by the settlement made at the time with the producer of the game *The Witcher 3: Wild Hunt* related to sales of the game and its extensions. Costs of external services were also lower yoy in the Radio segment, which was chiefly associated with lower revenue from brokerage of advertising in third party radio stations and lower costs of marketing research. This cost items was also reduced in the Print, Press and Outdoor segments. However, in the same period, increased costs of external services were visible in the Movies and Books and Internet segments, which was associated with higher costs of film copy purchase, the expansion of the Helios cinema network and higher costs of advertising brokerage.

In the second quarter of 2017, **staff costs** decreased by 0.9% yoy to PLN 80.5 million. This resulted from reducing this cost item in most of the Group's operating segments. An increase in staff costs only took place in the Movies and Books segment, which was associated with the change of the minimum hourly wage introduced at the beginning of 2017 and increased number of employees in the Helios network as a result of opening new cinemas.

The Group's headcount at the end of June 2017 amounted to 2,852 full time employees and decreased by 155 FTEs year on year. This reduction results mainly from a lower level of employment in the Press and Print segments as well as in supporting divisions.

The decrease in the cost of of raw materials, energy and consumables as compared to 2016, results mainly from a lower volume of main press titles published by Agora Group and a lower volume of orders in the Print segment.

The Group's costs of promotion and marketing decreased in the second quarter of 2017 by 29.5% yoy to PLN 15.5 million. The sharpest decrease in this item was recorded in the Press and Movies and Books segments. It was also lower in the Internet and Radio segments. However, a slight increase was recorded in the Outdoor segment.

In the first half of 2017, operating costs were reduced by 1.6% yoy to PLN 573.4 million. The sharpest decrease in this item was recorded in the Press, Print and Outdoor segments, while an increase was observed in the Movies and Books and the Internet segments.

In the first half of 2017, **costs of external services** increased by 2.1% yoy, up to the amount of PLN 211.9 million. The increase in this cost item was mainly driven by the Movies and Books and the Internet segments. In the Movies and Books segment, the increase was due to a higher number of cinemas in the Helios network resulting in higher rent costs of space leased in shopping centres, more tickets sold and settlements with film producers in connection with the Group's film business. The increase in the costs of external services in the Internet segment was mainly related to the sales of advertising space of third-party Internet publishers and was offset by revenue generated in the same area. At the same time, costs of marketing research and sales brokerage were lower in the Radio segment.

In the first half of 2017, **staff costs** increased by 1.6% yoy to PLN 163.3 million. This was mainly due to higher staff costs in the Movies and Books segment. The increase was a consequence of a higher minimum hourly wage introduced as of the beginning of 2017 and a higher number of cinemas in the Helios network. In the Group's other operating segments staff costs decreased yoy.

A significant decrease in **the cost of raw materials, energy and consumables** (to PLN 94.3 million) results mainly from a lower volume of orders in the Print segment and a lower volume of main press titles published by Agora Group.

Promotion and marketing costs were also lower yoy in the reporting period, amounting to PLN 36.5 million. This resulted mainly from their reduction in the Press and the Outdoor segments. However, the same cost item increased yoy in the Radio, Movies and Books and the Internet segments.

3. PROSPECTS

3.1. Revenue

3.1.1. Advertising market[3]

In the second quarter of 2017, the advertising market in Poland increased by almost 0.5% yoy. Advertisers spent ca. PLN 2.3 billion yoy to promote their products and services. In the first half of 2017, the total amount of expenditure on advertising increased by over 1.0% and amounted to ca PLN 4.28 billion.

Taking into account available data on advertising market, the Company decided not to modify its estimates regarding the growth dynamics of advertising market expenditure in Poland in 2017. According to Company's estimates based on the analysis of market data the advertising market expenditure in 2017 shall grow by 1-3% yoy. The data on estimated changes in the dynamics of particular media segments are presented in the table below:

Tab. 8

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

3.1.2 Copy sales

In the second half of 2017, negative trends relating to copy sales of dailies and magazines shall continue, although the dynamics of drop shall not be higher yoy. The Company is continuously developing its offer of digital content. As at the end of 2016, the number subscriptions of content of Wyborcza.pl reached nearly 100 thousand. In the Company's opinion, such activities, together with other factors, should stabilise the Press segment's financial results in the long term.

3.1.3. Ticket sales

The most significant factor affecting attendance in Polish cinemas is the repertoire as well as wealth of Polish people and distance from the nearest cinema location. According to the data available, the number of tickets sold in Polish cinemas in 1H17 amounted to 28.3 million, which is growth by 19.5% yoy *[10]*. Results of 1H17 as well as the cinema repertoire for 2H17 may result in higher cinema attendance in 2017 than in 2016.

3.2 Operating cost

In the following quarters of 2017, the Group plans to maintain cost discipline, so that operating costs would be lower in 2017 than in 2016. It shall be caused mainly by lower costs in the Print segment related to lower volume of orders, restructuring activities in the Press segment implemented in 2016, including discontinuation of selected press titles, as well as reduction of system maintenance costs in the Outdoor segment.

3.2.1 Costs of external services

The cost of external services in the following quarters of 2017 will largely depend on the costs of film copy purchase related directly to attendance in Polish cinemas as well as the costs of advertising brokerage (especially in the Internet segment) and the EUR/PLN exchange rate. Increase in this cost item will be affected by: opening of new cinema locations in 2017, payments for film producers related to film distribution activity and execution of other development projects.

3.2.2 Staff cost

According to the Company's estimates staff costs will be lower yoy. It results primarily from group lay-offs, carried out in Agora S.A. in 2016 (mainly in the Press segment) as well as discontinuation of *Metrocafe.pl*. However, it should be noted that due the dynamics growth in digital area the Press segment strengthens its competencies in this field by recruitment of specialists.

Reduction of staff costs in the Agora Group will be also caused by lower yoy remuneration in the Outdoor and Radio segments as well as in supporting divisions of Agora S.A. Staff costs will increase in the Movies and Books and Internet segments. In the Movies and Books segment, it will be significantly affected by the amendment to the act on hourly minimum wage, implemented from 2017. It will also affect the level of third party services related to the cleaning services in Helios cinemas. In the Company's opinion, the total influence of the change in the minimum hourly wage may increase the operating cost in the segment by ca. PLN 8.0 – 10.0 million yoy, which will also affect the operating result of the Movies and Books segment in 2017.

3.2.3 Promotion and marketing cost

In the first half of 2017, costs of marketing and promotion were lower yoy by 4.2%. In the quarters to come Agora Group is planning to implement more development activities, with which promotional activities are related. The dynamics of changes in individual media, the number of launched development projects, as well as market activities of the Group's competitors may affect the level of these expenses. Considering the above factors, the Company estimates that in 2017 costs of marketing and promotion item decrease, yoy.

3.2.4 Cost of raw materials and energy

In the first half of 2017, costs of raw materials and energy decreased by 17.8% yoy. According to the Company's estimates, in the followinf quarters of 2017 this cost item will be shaped by similar market trends to those in 2016. The Group's Print segment will have the largest impact on this cost item, especially the cost of production materials, the volume of production and the EUR/PLN exchange rate. The Company estimates that due to reduction in volume of printed titles, the value of this cost item will be lower yoy in 2017.

III. FINANCIAL RESULTS

1. THE AGORA GROUP

The consolidated financial statements of the Agora Group for the first half of 2017 include: Agora S.A. and 15 subsidiaries, which operate principally in the internet, print, cinema, radio and outdoor segments. Additionally, as at 30 June 2017 the Group held shares in jointly controlled entities: Green Content Sp. z o.o., Stopklatka S.A. and Online Technologies HR Sp. z o.o., as well as in associated companies: Instytut Badan Outdooru IBO Sp. z o.o. and Hash.fm Sp. z o.o.

A detailed list of companies of the Agora Group is presented in note 11 and the changes in the composition of the Group are described in note 12 to the the condensed semi-annual consolidated financial statements. The selected financial data together with translation into EURO are presented in note 18 to the condensed semi-annual consolidated financial statements.

2. PROFIT AND LOSS ACCOUNT OF THE AGORA GROUP

Tab. 9

in PLN million	**2Q 2017**	**2Q 2016**	*% change yoy*	**1H 2017**	**1H 2016**	*% change yoy*
Total sales (1)	**282.7**	**296.2**	***(4.6%)***	**583.7**	**584.7**	***(0.2%)***
Advertising revenue	141.6	150.5	*(5.9%)*	261.0	272.2	*(4.1%)*
Ticket sales	43.6	31.2	*39.7%*	108.0	89.1	*21.2%*
Copy sales	34.4	34.2	*0.6%*	68.1	68.9	*(1.2%)*
Printing services	30.9	39.6	*(22.0%)*	58.9	76.6	*(23.1%)*
Concession sales in cinemas	17.5	12.8	*36.7%*	39.7	32.4	*22.5%*
Other	14.7	27.9	*(47.3%)*	48.0	45.5	*5.5%*
Operating cost net, including:	**(276.0)**	**(297.5)**	***(7.2%)***	**(573.4)**	**(583.0)**	***(1.6%)***
External services	(99.5)	(105.5)	*(5.7%)*	(211.9)	(207.5)	*2.1%*
Staff cost	(80.5)	(81.2)	*(0.9%)*	(163.3)	(160.7)	*1.6%*
Raw materials, energy and consumables	(46.6)	(56.3)	*(17.2%)*	(94.3)	(110.6)	*(14.7%)*
D&A	(24.7)	(24.2)	*2.1%*	(50.0)	(49.2)	*1.6%*
Promotion and marketing	(15.5)	(22.0)	*(29.5%)*	(36.5)	(38.1)	*(4.2%)*
Gain on a bargain purchase (2)	-	-	-	-	2.2	-
Operating result - EBIT	**6.7**	**(1.3)**	**-**	**10.3**	**1.7**	***505.9%***
Finance cost, net, incl.:	**(0.4)**	**(0.2)**	***100.0%***	**(1.0)**	**(5.6)**	***(82.1%)***
Income from short-term investment	0.5	0.4	*25.0%*	1.2	0.9	*33.3%*
Costs related to bank loans and finance lease	(1.1)	(0.8)	*37.5%*	(2.1)	(1.8)	*16.7%*
Remeasurement of equity interest at the acquisition date (2)	-	-	-	-	(5.5)	-
Share of results of equity accounted investees	**(1.7)**	**0.2**	**-**	**(3.7)**	**(0.1)**	***(3,600.0%)***
Profit/(loss) before income tax	**4.6**	**(1.3)**	**-**	**5.6**	**(4.0)**	**-**
Income tax	(3.9)	(4.2)	*(7.1%)*	(11.0)	(7.1)	*54.9%*
Net profit/(loss) for the period	**0.7**	**(5.5)**	**-**	**(5.4)**	**(11.1)**	***(51.4%)***
Attributable to:						
Equity holders of the parent	0.4	(5.1)	-	(7.8)	(12.3)	*(36.6%)*
Non - controlling interest	0.3	(0.4)	-	2.4	1.2	*100.0%*
EBIT margin (EBIT/Sales)	*2.4%*	*(0.4%)*	*2.8pp*	*1.8%*	*0.3%*	*1.5pp*

in PLN million	2Q 2017	2Q 2016	*% change*	1H 2017	1H 2016	*% change yoy*
EBITDA	**31.4**	**22.9**	***37.1%***	**60.3**	**50.9**	***18.5%***
EBITDA margin (EBITDA/Sales)	*11.1%*	*7.7%*	*3.4pp*	*10.3%*	*8.7%*	*1.6pp*

(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.

2.1. Financial results presented according to major segments of the Agora Group for the first half of 2017 [1]

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. 10

in PLN million	Movies and Books	Press	Outdoor	Internet	Radio	Print	Reconciling positions (3)	Total (consoli-dated) 1H 2017
Total sales (1)	**205.8**	**117.5**	**80.5**	**79.3**	**53.7**	**62.6**	**(15.7)**	**583.7**
% share	35.3%	20.1%	13.8%	13.6%	9.2%	10.7%	(2.7%)	100.0%
Operating cost net (1)	**(187.1)**	**(113.0)**	**(62.7)**	**(72.4)**	**(48.6)**	**(66.3)**	**(23.3)**	**(573.4)**
EBIT	**18.7**	**4.5**	**17.8**	**6.9**	**5.1**	**(3.7)**	**(39.0)**	**10.3**
Finance cost, net								(1.0)
Share of results of equity accounted investees								(3.7)
Income tax								(11.0)
Net loss for the period								**(5.4)**
Attributable to:								
Equity holders of the parent								(7.8)
Non-controlling interest								2.4
EBITDA	**35.0**	**5.4**	**26.3**	**9.2**	**6.8**	**7.1**	**(29.5)**	**60.3**
CAPEX (2)	(5.6)	(0.4)	(6.3)	(2.0)	(0.9)	(1.1)	(2.6)	(18.9)

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

(2) based on invoices booked in the period;

(3) reconciling positions show data not included in particular segments, i.a.: other revenues and costs of Agora's supporting divisions (centralized IT, administrative, finance and HR functions, etc.), 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.

2.2. Finance cost, net

Net financial activities of the Group for the first half of 2017 were influenced mainly by interest from bank deposits and costs of commissions and interest on bank loans and finance lease liabilities. In the first half of 2016, finance costs were additionally influenced by the effect of the remeasurement of previously held equity interest in the subsidiary GoldenLine Sp. z o.o. at the date of obtaining control over the company.

3. BALANCE SHEET OF THE AGORA GROUP

Tab. 11

in PLN million	30-06-2017	31-03-2017	*% change to 31-03-2017*	31-12-2016	*% change to 31-12-2016*	30-06-2016
Non-current assets	**1,094.5**	**1,115.1**	**(1.8%)**	**1,139.5**	**(3.9%)**	**1,154.5**
share in balance sheet total	*74.9%*	*73.2%*	*1.7pp*	*72.6%*	*2.3 pp*	*73.3%*
Current assets	**367.3**	**407.8**	**(9.9%)**	**429.9**	**(14.6%)**	**420.1**
share in balance sheet total	*25.1%*	*26.8%*	*(1.7pp)*	*27.4%*	*(2.3 pp)*	*26.7%*
TOTAL ASSETS	**1,461.8**	**1,522.9**	**(4.0%)**	**1,569.4**	**(6.9%)**	**1,574.6**
Equity holders of the parent	**1,092.9**	**1,088.9**	**0.4%**	**1,097.1**	**(0.4%)**	**1,101.2**
share in balance sheet total	*74.8%*	*71.5%*	*3.3pp*	*69.9%*	*4.9 pp*	*69.9%*
Non-controlling interest	**17.3**	**22.2**	**(22.1%)**	**20.2**	**(14.4%)**	**18.4**
share in balance sheet total	*1.2%*	*1.5%*	*(0.3pp)*	*1.3%*	*(0.1pp)*	*1.2%*
Non-current liabilities and provisions	**127.7**	**123.7**	**3.2%**	**128.4**	**(0.5%)**	**139.6**
share in balance sheet total	*8.7%*	*8.1%*	*0.6pp*	*8.2%*	*0.5 pp*	*8.9%*
Current liabilities and provisions	**223.9**	**288.1**	**(22.3%)**	**323.7**	**(30.8%)**	**315.4**
share in balance sheet total	*15.3%*	*18.9%*	*(3.6pp)*	*20.6%*	*(5.3 pp)*	*20.0%*
TOTAL LIABILITIES AND EQUITY	**1,461.8**	**1,522.9**	**(4.0%)**	**1,569.4**	**(6.9%)**	**1,574.6**

3.1. Non-current assets

The decrease in non-current assets, versus 31 March 2017 and 31 December 2016, resulted mainly from depreciation and amortisation charges of property, plant and equipment and intangible assets, which were, to some extent, compensated by new investments.

3.2. Current assets

The decrease in current assets, versus 31 March 2017 and 31 December 2016, results mainly from the decrease in accounts receivable and short-term securities, which were, to some extent, compensated by an increase in cash and cash equivalents.

3.3. Non-current liabilities and provisions

The increase in non-current liabilities and provisions, versus 31 March 2017, stems mainly from the increase in long-term loans.

In comparison to 31 December 2016 the total amount of non-current liabilities and provisions has not changed significantly. An increase in deferred tax liabilities and bank loans was compensated by lower finance lease liabilities.

3.4. Current liabilities and provisions

The decrease in current liabilities and provisions, versus 31 March 2017 and 31 December 2016, stems mainly from lower balance of accounts payable, tax liabilities and liabilities related to purchase of property, plant and equipment. Additionally, there was a decrease in financial liabilities related to bank loans and cash pooling as well as lower balance of accruals and provisions (as a result of the use of the provision for group lay-offs).

4. CASH FLOW STATEMENT OF THE AGORA GROUP

Tab. 12

in PLN million	**2Q 2017**	**2Q 2016**	*% change yoy*	**1H 2017**	**1H 2016**	*% change yoy*
Net cash from operating activities	(6.6)	1.7	-	24.2	10.5	*130.5%*
Net cash from investment activities	58.1	(33.0)	-	37.2	(14.5)	-
Net cash from financing activities	(22.4)	21.7	-	(35.2)	2.9	-
Total movement of cash and cash equivalents	**29.1**	**(9.6)**	**-**	**26.2**	**(1.1)**	**-**
Cash and cash equivalents at the end of period	**76.4**	**30.1**	***153.8%***	**76.4**	**30.1**	***153.8%***

As at 30 June 2017, the Group had PLN 100.0 million in cash and short-term monetary assets, which comprised cash and cash equivalents in the amount of PLN 76.4 million and PLN 23.6 million invested in short-term securities. Additionally, as at 30 June 2017 the Group had cash receivables of PLN 21.6 million deposited by AMS S.A. as cash collateral securing the bank guarantees granted in relation to performance of the concession contract for the construction and modernisation of bus/tram shelters in Warsaw (out of which PLN 10.8 million is presented within long-term receivables).

In the first half of 2017, Agora S.A. has not been engaged in any currency options or any other derivatives used for speculative purposes.

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

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

4.1. Operating activities

The increase in net inflows from operating activities, in the first half of 2017, stems mainly from the higher result from the main operating activities of the Group and lower net outflows from changes in the working capital of the Group.

4.2. Investment activities

Net inflows from investing activities, in the first half of 2017, result mainly from the net proceeds from disposal of short-term securities and sales of property, plant and equipment, which were to some extent compensated by expenditures on property, plant and equipment and intangibles.

4.3. Financing activities

Net outflows from financing activities, in the first half of 2017, result mainly from net outflows from bank loans and repayments of finance lease and cash pooling liabilities.

5. SELECTED FINANCIAL RATIOS [5]

Tab.13

	2Q 2017	2Q 2016	*% change yoy*	1H 2017	1H 2016 (2)	*% change yoy*
Profitability ratios						
Net profit margin	0.1%	(1.7%)	*1.8pp*	(1.3%)	(2.1%)	*0.8pp*
Gross profit margin	30.6%	30.4%	*0.2pp*	29.5%	29.1%	*0.4pp*
Return on equity	0.1%	(1.8%)	*1.9pp*	(1.4%)	(2.2%)	*0.8pp*
Efficiency ratios						
Inventory turnover	13 days	13 days	-	13 days	13 days	-
Debtors days	55 days	61 days	*(9.8%)*	58 days	66 days	*(12.1%)*
Creditors days	42 days	40 days	*5.0%*	39 days	44 days	*(11.4%)*
Liquidity ratio						
Current ratio	1.6	1.3	*23.1%*	1.6	1.3	*23.1%*
Financing ratios						
Gearing ratio (1)	-	1.0%	-	-	1.0%	-
Interest cover	7.5	(1.7)	-	5.7	1.0	*470.0%*
Free cash flow interest cover	(19.7)	(21.3)	*7.5%*	(3.3)	(16.8)	*80.4%*

(1) as at 30 June 2017 the Group had net cash position.

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

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. MOVIES AND BOOKS [1]

The Movies and Books segment includes the pro-forma consolidated financials of Helios S.A., NEXT FILM Sp. z o.o., and Next Script Sp. z.o.o., which form the Helios group, and Agora's Publishing House. Since April 1, 2017, NEXT FILM Sp. z o.o. is responsible for all activities of the Agora Group in film business.

Tab. 14

in PLN million	**2Q 2017**	**2Q 2016**	***% change yoy***	**1H 2017**	**1H 2016**	***% change yoy***
Total sales, including :	**78.9**	**70.7**	***11.6%***	**205.8**	**169.1**	***21.7%***
Tickets sales	43.5	31.2	*39.4%*	108.1	89.2	*21.2%*
Concession sales	17.5	12.8	*36.7%*	39.7	32.4	*22.5%*
Advertising revenue (1)	5.6	5.3	*5.7%*	14.1	12.4	*13.7%*
Revenues from film activities (1), (2)	1.4	1.7	*(17.6%)*	21.5	3.6	*497.2%*
Revenues from Publishing House	8.3	16.6	*(50.0%)*	16.8	25.2	*(33.3%)*
Total operating cost, including:	**(80.5)**	**(76.5)**	***5.2%***	**(187.1)**	**(158.7)**	***17.9%***
External services (3)	(38.3)	(31.2)	*22.8%*	(96.4)	(73.8)	*30.6%*
Staff cost (3)	(12.2)	(8.6)	*41.9%*	(25.1)	(17.5)	*43.4%*
Raw materials, energy and consumables (3)	(7.8)	(6.2)	*25.8%*	(17.2)	(14.6)	*17.8%*
D&A (3)	(7.6)	(7.2)	*5.6%*	(15.9)	(14.9)	*6.7%*
Promotion and marketing (1), (3)	(4.4)	(6.6)	*(33.3%)*	(11.4)	(10.8)	*5.6%*
Costs related to Publishing House (4)	(8.1)	(16.2)	*(50.0%)*	(16.5)	(25.1)	*(34.3%)*
EBIT	**(1.6)**	**(5.8)**	***72.4%***	**18.7**	**10.4**	***79.8%***
EBIT margin	*(2.0%)*	*(8.2%)*	*6.2pp*	*9.1%*	*6.2%*	*2.9pp*
EBITDA (4)	**6.2**	**1.5**	***313.3%***	**35.0**	**25.6**	***36.7%***
EBITDA margin	*7.9%*	*2.1%*	*5.8pp*	*17.0%*	*15.1%*	*1.9pp*

(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 co-production and distribution of films;

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

(4) the amounts include D&A cost in Publishing House division, which in the first half of 2017 amounted to PLN 0.4 million and in the second quarter of 2017 to PLN 0.2 million (in the comparable periods of 2016 it amounted respectively to PLN 0.3 million and 0.1 million).

In the second quarter of 2017, the Movies and Books segment improved its operating result at the EBIT and EBITDA levels. EBITDA in the Movies and Books segment increased to PLN 6.2 million and the operating loss at the EBIT level decreased to PLN 1.6 million. When comparing the segment's yoy data, it is important to notice the significant impact of, among other things, revenue from the sale of the game *The Witcher 3: Wild Hunt* and its extensions on both the revenue and the operating result of the segment at the EBIT and EBITDA levels in 2016.

Due to the dynamic revenue growth in the first half of 2017, the Movies and Books segment recorded a higher yoy operating result at the EBIT and EBITDA levels. The operating result at the EBIT level for the segment increased by 79.8% yoy to PLN 18.7 million, with EBITDA growing by 36.7% yoy to PLN 35.0 million.

The dynamic revenue growth in the first half of 2017 was mainly the result of higher revenues from the Group's film business due to high popularity of the film productions released to cinemas by NEXT FILM in the first quarter of 2017 as well as a significant increase in cinema attendance.

1. REVENUE [3]

In the second quarter of 2017, revenue of the Movies and Books segment increased by 11.6% yoy and amounted to PLN 78.9 million.

During that period, dynamically growing cinema attendance contributed the most to the increase in the segment's revenue. The number of visitors to Helios cinemas amounted to over 2.3 million and increased by 35.0% yoy. This, combined with a higher average ticket price and higher concession sales, translated into a considerably higher revenue from ticket sales and concession sales, which amounted to PLN 43.5 million and PLN 17.5 million, respectively.

In the second quarter of 2017, the Movies and Books segment's total revenue from film co-production and distribution amounted to PLN 1.4 million, showing a yoy decrease. In the second quarter of 2017, NEXT FILM did not release new films for cinema distribution, but cinemas still showed films released to the big screen in previous periods. In the second quarter of 2017, the Movies and Books segment recorded revenue from co-production of the films released in earlier periods, mainly *Karbala* and *Sztuka Kochania*. *Historia Michaliny Wislockiej* due to their distribution in various channels.

In the second quarter of 2017, the revenue of Agora's Publishing House amounted to PLN 8.3 million and decreased by 50.0% yoy. In the second quarter of 2016, this revenue item was highly affected by the sales of the game *The Witcher 3: Wild Hunt* and its extensions, totalling PLN 6.9 million, as well as other projects, i.a: *Titanic, the Exhibition*.

In the second quarter of 2017, Agora's Publishing House issued 13 book publications, 7 music albums and 4 film publications. As a result, during the analysed period, the Publishing House sold approximately 0.3 million books and books with CDs/DVDs. One of the best-selling titles in the book publishing section was the reissue of *Sztuka Kochania* by Michalina Wislocka.

In the first half of 2017, the total sales of the Movies and Books segment increased by 21.7% yoy and amounted to PLN 205.8 million. Record-high inflows from the film business made a significant contribution to such revenue dynamics of the segment.

In the first half of 2017, the Movies and Books segment's total revenue from film co-production and distribution amounted to PLN 21.5 million, showing a considerable yoy increase. In the first half of 2017, NEXT FILM released the following Polish productions for cinema distribution: *Po prostu przyjazn*, *Sztuka Kochania. Historia Michaliny Wislockiej* and *Pokot*. These films attracted considerably more viewers to cinemas compared to those released by the company for cinema distribution in the first half of 2016. At the same time, cinemas screened films introduced to the big screen in earlier periods. In the first half of 2017, the Movies and Books segment recorded revenue from co-production of films – mainly *Sztuka Kochania*. *Historia Michaliny Wislockiej* (due to its distribution in cinemas and on DVD) and *Karbala* (due to its distribution in other channels).

During this time, the number of visitors to Helios cinemas amounted to over 5.9 million (up by 19.6% yoy). This, combined with a higher average ticket price and concession sales, translated into considerably higher revenue from ticket sales and concession sales. These items amounted to PLN 108.1 million and PLN 39.7 million, respectively.

In the first half of 2017, revenue of Agora's Publishing House amounted to PLN 16.8 million and decreased by 33.3% yoy. In 2016, the level of revenue was significantly and positively affected by proceeds from the sale of the game *The Witcher 3: Wild Hunt* and its extensions, as well as from other projects i.a.: *Titanic, the Exhibition*.

In the first half of 2017, Agora's Publishing House issued 27 new books, 13 music albums and 9 film publications. As a result, during the analysed period, the Publishing House sold approximately 0.7 million books and books with CDs/DVDs.

2. COST

In the second quarter of 2017, operating cost of the Movies and Books segment increased by 5.2% yoy and amounted to PLN 80.5 million.

The increase in the segment's operating costs in the second quarter of 2017 resulted from higher costs of external services (up by 22.8% yoy) associated mainly with higher costs of film copy purchase due to higher cinema

attendance in Helios cinemas. This translated into higher revenue from ticket sales. Higher rent costs for the Helios cinema network are a consequence of its expansion – in the second quarter of 2017 there were five more Helios cinemas than in the second quarter of 2016.

A decrease in promotion and marketing costs by 33.3% yoy to PLN 4.4 million was due, among other factors, to a yoy decline in activity in the area of film distribution.

There was also an increase in staff costs (up by 41.9% yoy), which were reported at PLN 12.2 million. This was mainly due to the increased minimum hourly wage and higher headcount due to a higher number of Helios network cinemas.

As a result of the expansion of the Helios cinema network and higher concession sales, a 25.8% yoy increase was recorded in the costs of raw materials, energy and consumables.

However, operating costs of Agora's Publishing House, which amounted to PLN 8.1 million, went down by 50.0% yoy. In the corresponding period of the previous year, the level of the Publishing House's operating costs was significantly affected by the settlement with the producer of the game *The Witcher 3: Wild Hunt* and its extensions.

In the first half of 2017, the operating costs of the Movies and Books segment increased by 17.9% yoy and amounted to PLN 187.1 million.

The increase in the segment's operating costs in the first half of 2017 resulted from higher costs of external services (up by 30.6% yoy) associated mainly with higher payments to film producers due to record-high operating results of Agora's film business and higher costs of film copy purchase due to higher cinema attendance in Helios cinemas. This translated into higher revenue from ticket sales. The costs of rent for the Helios network of cinemas also went up due to the network's expansion.

An increase in promotion and marketing costs by 5.6% yoy to PLN 11.4 million was due to higher yoy activity in the area of film distribution.

There was also an increase in staff costs (up by 43.4% yoy), which were reported at PLN 25.1 million. This was mainly due to the increased minimum hourly wage and a higher number of Helios network cinemas.

As a result of the expansion of the Helios cinema network and higher concession sales, a 17.8% yoy increase was recorded in the costs of materials and energy consumed and in the value of goods and materials sold.

However, operating costs of Agora's Publishing House, which amounted to PLN 16.5 million, went down by 34.3% yoy. In the corresponding period of the previous year, the level of the Publishing House's operating costs was significantly affected by the settlement with the producer of the game *The Witcher 3: Wild Hunt* and its extensions.

3. NEW INITIATIVES

In the first quarter of 2017, Agora premiered its own production: *Po prostu przyjazn*. In the same period, two films co-produced by Agora hit the big screen: *Sztuka Kochania. Historia Michaliny Wislockiej* and *Pokot*. All the films were distributed by NEXT FILM, a company of the Helios Group.

In the first quarter of 2017, Helios opened its 42nd cinema in Wołomin (in the Mazowieckie province). The network now has a total of 233 screens and more than 47 thousand seats and remains the largest cinema operator in Poland with respect to the number of facilities.

As of 1 April 2017, all of Agora Group's film-related undertakings have been consolidated under a single organisational structure, i.e. the NEXT FILM company. Previously, Agora's Special Projects division was responsible for film production and co-production and NEXT FILM was in charge of distribution.

The first half of 2017 was the best semester in the history of NEXT FILM Sp. z o.o. Films released to cinemas by the company attracted over 2.691 million viewers. As a result, the company became one of the five largest film distributors in Poland in that period.

IV.B. PRESS [1]

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

Tab. 15

in PLN million	**2Q 2017**	**2Q 2016**	***% change yoy***	**1H 2017**	**1H 2016**	***% change yoy***
Total sales, including:	**64.0**	**73.8**	***(13.3%)***	**117.5**	**135.7**	***(13.4%)***
Copy sales	29.5	31.7	*(6.9%)*	57.5	62.6	*(8.1%)*
incl. Gazeta Wyborcza	*24.3*	*25.8*	*(5.8%)*	*47.4*	*51.7*	*(8.3%)*
incl. Magazines	*2.8*	*4.0*	*(30.0%)*	*5.9*	*7.8*	*(24.4%)*
Advertising revenue (1), (2)	33.3	39.8	*(16.3%)*	57.9	69.7	*(16.9%)*
incl. Gazeta Wyborcza	*19.1*	*23.7*	*(19.4%)*	*33.8*	*41.2*	*(18.0%)*
incl. Magazines	*7.1*	*6.6*	*7.6%*	*12.2*	*11.7*	*4.3%*
incl. Metrocafe.pl (3)	-	*4.4*	-	-	*7.5*	-
Total operating cost, including (4):	**(58.5)**	**(71.0)**	***(17.6%)***	**(113.0)**	**(135.7)**	***(16.7%)***
Raw materials, energy, consumables and printing services	(15.2)	(20.7)	*(26.6%)*	(30.0)	*(39.2)*	*(23.5%)*
Staff cost	(26.8)	(27.8)	*(3.6%)*	(53.6)	*(56.3)*	*(4.8%)*
D&A	(0.4)	*(0.5)*	*(20.0%)*	(0.9)	*(1.0)*	*(10.0%)*
Promotion and marketing (1), (5)	(8.1)	*(12.6)*	*(35.7%)*	(14.4)	*(22.6)*	*(36.3%)*
EBIT	**5.5**	**2.8**	***96.4%***	**4.5**	**0,0**	**-**
EBIT margin	*8.6%*	*3.8%*	*4.8pp*	*3.8%*	*0,0%*	*3.8pp*
EBITDA	**5.9**	**3.3**	***78.8%***	**5.4**	**1.0**	***440.0%***
EBITDA margin	*9.2%*	*4.5%*	*4.7pp*	*4.6%*	*0.7%*	*3.9pp*

(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) the data include inflows from the sales of advertising on the websites: Wyborcza.pl, Wyborcza.biz, Wysokie obcasy.pl as well as on the local webistes. In 2016, the revenues from website advertising were partially allocated to Internet segment;

(3) On October 14, 2016 Agora ceased publication of the free daily Metrocafe.pl*;*

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

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

Both in the second quarter of 2017 and the first half of 2017, the segment's operating costs decreased significantly and the segment recorded a yoy increase in EBIT and EBITDA results *[1]*. This was mainly the effect of the restructuring process which the segment underwent in 2016, including changes to the product structure, collective redundancies, reductions in press title volumes and discontinuation of selected titles

1. REVENUE

In the second quarter of 2017, total revenue of the Press segment decreased by 13.3% yoy and amounted to PLN 64.0 million. This was caused, among other factors, by a 16.3% yoy decrease in advertising sales. This, in turn, stemmed mainly from lower sales of advertising services in *Gazeta Wyborcza* and the discontinuation of the *Metrocafe.pl* free daily (in mid-October 2016) and the *Pogoda na życie* monthly (at the end of 2016).

In the second quarter of 2017, the segment's revenue from copy sales also decreased and amounted to PLN 29.5 million. This was mainly due to reduced levels of copy sales of printed press. At the same time, the segment recorded higher revenue from special editions of the *Gazeta Wyborcza* magazines and digital subscriptions to content on Wyborcza.pl.

In the first half of 2017, total revenue of the Press segment decreased by 13.4% yoy and amounted to PLN 117.5 million. The decrease in the segment's revenue resulted mainly from lower advertising sales (down by 16.9% yoy). This stemmed mainly from lower sales of advertising services in *Gazeta Wyborcza* and the discontinuation of the *Metrocafe.pl* free daily (in mid-October 2016) and the *Pogoda na życie* monthly (at the end of 2016).

In the first half of 2017, the segment's revenue from copy sales also decreased and amounted to PLN 57.5 million. This was mainly due to reduced levels of copy sales of printed press and lower number of dual-priced editions of the *Gazeta Wyborcza* daily. In the first half of 2016, a total of 43 editions of the daily came out with special supplements and at a higher price, while in the first quarter of 2017, there were 25 such editions. At the same time, the segment recorded higher revenue from special editions of the *Gazeta Wyborcza* magazines and digital subscriptions of content on Wyborcza.pl.

1.1. Copy sales

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

In the second quarter of 2017, *Gazeta Wyborcza* maintained its leading position among the opinion-forming dailies. The average payable distribution of *Gazeta Wyborcza* amounted to 128 thousand copies and decreased by 20.2% yoy. In the analysed period, the revenue from copy sales of *Gazeta Wyborcza* decreased by 5.8% yoy. In the period under discussion, the weekly readership of *Gazeta Wyborcza* stood at 5.2% (1.5 million readers; CCS, weekly readership index), which placed it as the second daily among nationwide dailies.

In the first half of 2017, *Gazeta Wyborcza* maintained its leading position among the opinion-forming dailies. The average payable distribution of *Gazeta Wyborcza* amounted to 131 thousand copies and decreased by 20.9% yoy. In the analysed period, the revenue from copy sales of *Gazeta Wyborcza* decreased by 8.3% yoy. In the period under discussion, the weekly readership of *Gazeta Wyborcza* stood at 5.6% (1.7 million readers; CCS, weekly readership index), which placed it as the second daily among nationwide dailies.

1.1.2. Copy sales of Agora's magazines

In the second quarter of 2017 the dynamics of copy sales revenues of Agora's magazines was affected not only by negative market trends but also by the decision to cease e-editions of selected magazines and to cease publication *Pogoda na zycie* monthly (at the end of 2016). As a result in the second quarter of 2017, the revenues of the Magazines division from copy sales decreased by 30.0% yoy. The average number of copies sold by Agora's monthlies amounted to 219.0 thousand copies and decreased by 36.5% yoy.

In the first half of 2017, the revenues of the Magazines division decreased by 24.4% yoy. In this period, the average number of copies sold by Agora's monthlies amounted to 225.4 thousand copies and decreased by 31.9% yoy. This reflected the publisher's decision to partially pull out from the distribution of electronic editions as well as to discontinue the *Pogoda na zycie* monthly and the publication of selected special editions.

1.2. Advertising sales [3]

1.2.1. Advertising sales of Gazeta Wyborcza

In the second quarter of 2017, *Gazeta Wyborcza*'s net advertising revenue (including display advertising, classifieds and inserts) amounted to PLN 19.1 million (down by 19.4% yoy).

In the first half of 2017, *Gazeta Wyborcza*'s net advertising revenue (including display advertising, classifieds and inserts) amounted to PLN 33.8 million (down by 18.0% yoy).

In the second quarter of 2017, the ad spend in dailies in Poland decreased by almost 20.0% yoy. In the discussed period of time, *Gazeta Wyborcza*'s revenues from display advertising decreased by 21.5% yoy, and its estimated share in display ad spend in dailies decreased by ca 0.5pp yoy and amounted to almost 33.0%.

In the second quarter of 2017, *Gazeta Wyborcza*'s share in the national newspapers ad spend amounted to ca. 44.0% and increased by ca 1.5pp yoy. During this period of time, *Gazeta Wyborcza*'s share in Warsaw ad spend in dailies increased by over 20.0pp yoy. At the same time, *Gazeta Wyborcza*'s share in local dailies (excluding Warsaw) decreased by ca. 1.5pp yoy.

In the first half of 2017, the adspend in dailies in Poland decreased by over 17.0% yoy. *Gazeta Wyborcza*'s revenues from display advertising decreased by almost 20.0% yoy, and its estimated share in display ad spend in dailies decreased by over 1.0pp yoy and amounted to almost 32.5%.

In the first half of 2017, *Gazeta Wyborcza*'s share in the national newspapers ad spend amounted to almost 42.5% and was flat yoy. During this period of time, *Gazeta Wyborcza*'s share in Warsaw ad spend in newspapers increased by over 18.5pp yoy. In the analysed period, *Gazeta Wyborcza*'s share in local dailies (excluding Warsaw) decreased by over 1.5pp.

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

1.2.2. Advertising sales of Agora's magazines

In the second quarter of 2017, the advertising sales of the Agora's magazines increased by 7.6% yoy to PLN 7.1 million. At the same time, advertisers limited their expenditure in the magazines by almost 10.0% yoy. Agora had 3.7% share in the total national magazines ad spend (based on rate card data) *[7]* and 7.3% share in monthlies (based on rate card data) *[7]*.

In the first half of 2017, the advertising sales of the Agora's magazines increased by 4.3% yoy to PLN 12.2 million. At the same time, advertisers limited their expenditure in the magazines by ca 9.5% yoy. Agora had 3.8% share in the total national magazines ad spend (based on rate card data) *[7]* and 7.4% share in monthlies (based on rate card data) *[7]*.

The growth in advertising revenues of Agora's monthlies, both in the second quarter and in the first half of 2017, resulted from the dynamic revenue growth of online services created by the team of the Magazines division (lifestyle and interior design) and higher yoy revenues custom publishing offer. Additionally, the printed editions of monthlies: *Logo* and *Avanti* noted higher yoy advertising revenues.

2. COST

In the second quarter of 2017, the segment's operating costs decreased by 17.6% yoy and amounted to PLN 58.5 million. Major contributing factors included lower costs of materials, energy, printing goods and services due to lower printing volumes of the *Gazeta Wyborcza* daily and the discontinuation of selected press titles in 2016.

Additionally, promotion and marketing costs were lower for both the *Gazeta Wyborcza* daily and Agora's magazines.

This was accompanied by reduced staff costs, mainly as a result of collective redundancies in the segment in the fourth quarter of 2016.

In the first half of 2017, the segment's operating costs declined by 16.7% yoy and amounted to PLN 113 million. Major contributing factors were lower costs of materials, energy, printing goods and services due to lower printing volumes of the *Gazeta Wyborcza* daily and the decision to discontinue the publication of selected press titles in 2016.

Additionally, promotion and marketing costs were lower for both the *Gazeta Wyborcza* daily and Agora's magazines.

This was accompanied by reduced staff costs, mainly as a result of collective redundancies in the segment in the fourth quarter of 2016.

3. NEW INITIATIVES

In January 2017, the latest promotional campaign was launched for the Wyborcza.pl web portal – a digital version of the *Gazeta Wyborcza* daily – under the slogan *Swiat, ktorym zyjemy* (The World We Live In). The new refreshed version of the web portal offers high-quality original content developed by *Gazeta Wyborcza's* journalists, made available for viewing and reading in October 2016.

In the first half of 2017, the *Gazeta Wyborcza's* team prepared successful special editions of the *Psychologia Extra, Tylko Zdrowie Extra, Duży Format* and *Wysokie Obcasy – IT Girls* magazines. Moreover, a special edition of the *Ale Historia* magazine came out, devoted to the eminent diplomat Zbigniew Brzeziński.

In May 2017, the second edition of the European VR Congress took place at the Copernicus Science Centre in Warsaw. The event, organised by Agora, provides the biggest platform in Poland for sharing knowledge about the virtual reality technology.

Also in May 2017, the team of Wyborcza.pl prepared a new version of its application which allows users to customize contents and save selected articles for later, among other features.

In June 2017, *Co Jest Grane 24 Festival* took place – a city culture festival organised by the editorial team of *Co Jest Grane 24*. Among the artists performing at the Ujazdowski Castle Centre for Contemporary Art were Voo Voo, Lona and Webber, Sorry Boys, Laki Lan and Ten Typ Mes. The closing event of the festival was a special staging of the play *Danuta W.* with Krystyna Janda playing the leading role. It was a second edition of the festival for which tickets were sold.

IV.C. OUTDOOR (AMS GROUP)

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

Tab. 16

in PLN million	**2Q 2017**	**2Q 2016**	***% change yoy***	**1H 2017**	**1H 2016**	***% change yoy***
Total sales, including:	**45.2**	**45.7**	***(1.1%)***	**80.5**	**81.4**	***(1.1%)***
Advertising revenue (1)	44.5	45.1	*(1.3%)*	79.2	80.1	*(1.1%)*
Total operating cost, including:	**(33.1)**	**(35.0)**	***(5.4%)***	**(62.7)**	**(67.2)**	***(6.7%)***
Maintenance cost (1)	(13.5)	(14.9)	*(9.4%)*	(26.9)	(30.0)	*(10.3%)*
Execution of campaigns (1)	(6.7)	(6.9)	*(2.9%)*	(11.8)	(12.0)	*(1.7%)*
Staff cost	(5.3)	(5.9)	*(10.2%)*	(10.3)	(10.8)	*(4.6%)*
Promotion and marketing	(1.1)	(0.8)	*37.5%*	(2.0)	(2.2)	*(9.1%)*
D&A	(4.2)	(3.9)	*7.7%*	(8.5)	(7.8)	*9.0%*
EBIT	**12.1**	**10.7**	***13.1%***	**17.8**	**14.2**	***25.4%***
EBIT margin	*26.8%*	*23.4%*	*3.4pp*	*22.1%*	*17.4%*	*4.7pp*
EBITDA	**16.3**	**14.6**	***11.6%***	**26.3**	**22.0**	***19.5%***
EBITDA margin	*36.1%*	*31.9%*	*4.2pp*	*32.7%*	*27.0%*	*5.7pp*
Number of advertising spaces (2)	24,089	23,820	*1.1%*	24,089	23,820	*1.1%*

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

A reduction of operating costs in the second quarter of 2017 contributed to improved financial results of the Outdoor segment. The segment's operating EBIT result increased by 13.1% yoy and amounted to PLN 12.1 million. The segment also improved the result at the EBITDA level, and the EBITDA margin increased to 36.1%.

In the entire first half of 2017, as a result of operating costs having been reduced, the segment's operating result at the EBIT level rose to PLN 17.8 million and EBITDA margin went up by 5.7pp yoy to 32.7%.

1. REVENUE [8]

In the second quarter of 2017, outdoor advertising spending, as estimated by IGRZ (the Outdoor Advertising Chamber) was at the similar level as in the second quarter of 2016. In the first half of 2017, expenditure in the outdoor advertising market decreased by 0.5% yoy.

Both in the second quarter and in the first half of 2017, the dynamics of AMS advertising revenue was at the similar level as in the respective periods of 2016 (down by 1.3% yoy and down by 1.1% yoy, respectively). The level of AMS revenues was affected by the termination of cooperation with the Warsaw metro operator with regard to advertising media in metro cars, however at the same time the level of revenues form other advertising panels increased yoy.

In the second quarter of 2017, the estimated share of AMS in outdoor advertising expenditure amounted to over 35.0% and in the first half of 2017 – to nearly 36.5%. [8]

2. COST

AMS group recorded a year-on-year decrease in operating costs, both in the second quarter and in the entire first half of 2017, by 5.4% and 6.7%, respectively.

Reduced system maintenance costs (down by 9.4% yoy in the second quarter of 2017 and by 10.3% yoy in the first half of 2017) were mainly due to the termination of cooperation with the Warsaw metro operator with regard to advertising media in metro cars, as well as changes in the structure of the media portfolio.

The costs of executed campaigns decreased by 2.9% yoy in the second quarter of 2017 and by 1.7% yoy in the first half of 2017 as a result of a lower volume of poster printing services and a reduced number of completed projects involving non-standard advertising media.

The decrease in staff costs by 10.2% yoy in the second quarter and by 4.6% yoy in the first half of 2017 results from lower performance in terms of sales targets which, among other things, caused a decline in variable remuneration components. The creation of a provision for the Group's incentive schemes with a lower value that the provisions established in the corresponding periods of 2016 significantly influenced the amount of those costs.

An increase in promotion and marketing costs in the second quarter of 2017 by 37.5% yoy was triggered by higher total costs of non-profit/commercial campaigns, where the non-profit part is settled in the form of barter and charged to promotion and marketing costs. In the entire first half of 2017, marketing and promotion expenses decreased by 9.1% yoy due to a lower total value of completed joint non-profit/commercial campaigns.

Higher amortisation costs, both on the second quarter and the entire first half of 2017, are related to the performance of the contracts for the construction and use of bus/tram shelters in Warsaw, Krakow and Sosnowiec.

The operating result of the segment was also positively influenced by a profit earned on other operating activities following the sale of the media system for Warsaw metro cars in the first half of 2017 due to termination of the contract for its operation.

3. NEW INITIATIVES

In the first quarter of 2017, no construction work related to building new bus/tram shelters was carried out. Instead, AMS used that time to obtain relevant administrative permits. In the second quarter of 2017, the construction works were restarted. Currently, there are 1,469 bus/tram shelters on Warsaw's streets, of which 1,392 are now available to advertisers.

AMS prolonged the contract for the operation of 250 bus/tram shelters in Wroclaw for a further 3-year period. The project involves no additional capital expenditure.

AMS also continued to use Premium Citylight in innovative ways, e.g. in campaigns involving MP3 players for music labels and manufacturers of luxury products, who had not used that medium extensively before.

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

The Internet segment includes the pro-forma consolidated financials of Agora's Internet Department, Trader.com (Polska) Sp. z o.o., Yieldbird Sp. z o.o., Sport4People Sp. z o.o. (in 2016), Sir Local Sp. z o.o. (till March 31, 2017), GoldenLine Sp. z o.o. and Optimizers Sp. z o.o.

Tab. 17

in PLN million	**2Q 2017**	**2Q 2016**	***% change yoy***	**1H 2017**	**1H 2016**	***% change yoy***
Total sales , including	**41.0**	**43.5**	***(5.7%)***	**79.3**	**79.8**	***(0.6%)***
Display ad sales (1), (2)	33.6	35.7	*(5.9%)*	63.7	63.9	*(0.3%)*
Ad sales in verticals	3.5	2.7	*29.6%*	7.3	6.2	*17.7%*
Total operating cost, including	**(34.4)**	**(35.7)**	***(3.6%)***	**(72.4)**	**(70.2)**	***3.1%***
External services	(17.5)	(15.3)	*14.4%*	(34.1)	(29.2)	*16.8%*
Staff cost	(12.3)	(12.8)	*(3.9%)*	(25.9)	(26.1)	*(0.8%)*
D&A	(1.1)	(1.2)	*(8.3%)*	(2.3)	(2.5)	*(8.0%)*
Promotion and marketing (1)	(2.7)	(4.5)	*(40.0%)*	(8.3)	(8.2)	*1.2%*
EBIT	**6.6**	**7.8**	***(15.4%)***	**6.9**	**9.6**	***(28.1%)***
EBIT margin	*16.1%*	*17.9%*	*(1.8pp)*	*8.7%*	*12.0%*	*(3.3pp)*
EBITDA	**7.7**	**9.0**	***(14.4%)***	**9.2**	**12.1**	***(24.0%)***
EBITDA margin	*18.8%*	*20.7%*	*(1.9pp)*	*11.6%*	*15.2%*	*(3.6pp)*

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

(2) In 2016 the numbers included allocated inflows from the sales of advertising on the webistes: Wyborcza.pl, Wyborcza.biz, Wysokieobcasy.pl as well as on the local webistes. Since 2017 those revenues are not allocated to Internet segment.

In the second quarter of 2017, the Internet segment's EBIT amounted to PLN 6.6 million, with EBITDA amounting to PLN 7.7 million *[1]*. In the entire first half of 2017, the segment's EBIT amounted to PLN 6.9 million and decreased by 28.1% yoy. Significant impact on the segment's results in the second quarter and the first half of 2017 had: growing share of revenues from brokerage services and lower yoy revenues from other sources.

1. REVENUE

The Internet segment's total revenue decreased by 5.7% yoy to PLN 41.0 million in the second quarter of 2017. In the first half of 2017, the total revenue of the Internet segment decreased only by 0.6% and amounted to PLN 79.3 million. The decrease in the segment's total revenue was mainly due to lower advertising sales generated in the second quarter of 2017 by the Gazeta.pl web portals, as well as lower other revenue achieved in the entire first half of 2017.

The decrease in the Internet segment's revenue in the first half of 2017 was significantly reduced by growing revenues from online advertising generated by the Yieldbird network and affiliated networks, and by higher yoy revenues from online ads generated by Goldenline.

2. COST

In the second quarter of 2017, the Internet segment's operating costs went down by 3.6% yoy, and in the entire first half of 2017 they increased by 3.1% yoy to PLN 72.4 million. The increase in operating costs was largely driven by higher spending on external services, mainly lease costs of advertising space and marketing services.

In the second quarter of 2017, the cost of external services increased by 14.4% yoy, to PLN 17.5 million, and in the entire first half of 2017, the rate of increase in costs of external services was 16.8%. Higher rental costs of advertising space, including in the Yieldbird advertising network, the affiliate network and Trader.com (Polska) Sp. z o.o., were a major factor behind the increase in these costs. The cost increase was offset by higher revenues from ad sales and sales of listings in vortals. Apart from higher lease costs of advertising space, the Internet segment also recorded an increase in costs of other external services – mainly costs of marketing services in the Gazeta.pl portal.

In the second quarter of 2017, spending on marketing and promotion decreased by 40.0% yoy. In the entire first half of 2017, it increased by 1.2% yoy. The increase in this cost item was mainly associated with the advertising campaign for the Gazeta.pl portal and higher spending on promotion of the Goldenline.pl and Domiporta.pl ad portals.

Both in the second quarter and the first half of 2017, staff costs decreased by 3.9% yoy and 0.8% yoy, respectively. This resulted mainly from a lower headcount in Goldenline Sp. z o.o. and lower spending on civil law agreements in the Gazeta.pl portal.

3. IMPORTANT INFORMATION ON INTERNET ACTIVITIES

In June 2017, the reach of *Gazeta.pl group* websites among Polish Internet users stood at 55.9%, and the number of users reached 15.1 million. The total number of page views of *Gazeta.pl group* websites reached 697.7 million, with an average viewing time of 56 minutes per user *[6]*.

In June 2017, 10.3 million Internet users (reach of 38.0%) viewed the websites of Gazeta.pl group on mobile devices, which made Gazeta.pl group the seventh market player according to a survey by Gemius PBI. The number of mobile page views amounted to 385.0 million, and the share of mobile page views on the websites of Gazeta.pl group stood at 55.2% and was the highest among Polish horizontal portals *[6]*.

The websites of Gazeta.pl group are ranked among the top thematic market players. In accordance with data from Gemius PBI for June 2017, the websites of Gazeta.pl group are runners up in the Work category (Gazetapraca.pl, Goldenline.pl) and Communities – forums and discussion groups (Forum.gazeta.pl), while holding third place in Sports (Sport.pl), Children, family (Edziecko.pl), Diets, slimming, fitness (Myfitness.pl) and fifth place in Cuisine and cooking (Ugotuj.to, Haps.gazeta.pl).

4. NEW INITIATIVES

In the first quarter of 2017, the image campaign of the Gazeta.pl website was launched under the slogan *"Dzien dobry emocje"* [Hello emotions] to highlight the website's strongest point, i.e. engaging content shown in the right context. This is the first advertising campaign of this scale implemented by the Internet segment over the last 10 years.

At the same time, the editorial staff of Next.Gazeta.pl launched a new magazine format devoted to such topics as business and successful people – Next+.

In the second quarter of 2017, following the successful introduction of social video formats on cooking (haps!) and with smart DIY ideas (Myk!), Gazeta.pl launched Ach!, a format that presents tutorials on beauty. These are mobile videos showing simple ways to look great created by YouTube beauty gurus.

During the reporting period, Gazeta.pl launched Social Home Page, a daily advertising service that reaches Facebook users. The format servers as an additional channel for advertisers who want to reach the social platform's users via a special version of an article page displayed to users who go on to Gazeta.pl from Facebook. With a simple layout and a limited number of advertisements, the service ensures better exposure for large, dedicated advertising formats.

Agora is the first publisher in Poland to join the Facebook Audience Network. The network's advertisements are published on Gazeta.pl and Wyborcza.pl mobile pages, following the same targeting, measurement and display rules as those applicable to Facebook. Facebook Audience Network is an advertising network that enables advertisers to expand their campaign audience and reach Facebook users also outside the platform — via mobile apps and websites on various devices.

IV.E. RADIO

The Radio segment includes the pro-forma consolidated financials of Agora's Radio Department, all local radio stations and a super-regional radio TOK FM, which are parts of the Agora Group. These include: 23 Golden Hits (Zlote Przeboje) local radio stations, 4 local radio stations under the brand Rock Radio (since March 1, 2016; in 2015 and in January-February 2016 7 local radio stations broadcasted under the name Rock Radio), 7 local stations broadcasting under the brand Radio Pogoda (3 stations since June 12, 2015, 4 stations since July 31, 2015, 7 stations since March 1, 2016) and a super-regional news radio TOK FM broadcasting in 23 metropolitan areas (in July 2016 Radio TOK FM started broadcasting in Bydgoszcz and Rzeszow, and in July 2017 in Tarnowskie Gory).

Tab. 18

in PLN million	**2Q 2017**	**2Q 2016**	***% change yoy***	**1H 2017**	**1H 2016**	***% change yoy***
Total sales, including :	**27.9**	**29.6**	***(5.7%)***	**53.7**	**55.0**	***(2.4%)***
Radio advertising revenue (1), (2)	23.9	25.1	*(4.8%)*	44.9	47.0	*(4.5%)*
Total operating cost, including: (2)	**(23.1)**	**(24.3)**	***(4.9%)***	**(48.6)**	**(48.0)**	***1.3%***
External services	(10.2)	(11.1)	*(8.1%)*	(20.6)	(22.0)	*(6.4%)*
Staff cost	(7.6)	(7.9)	*(3.8%)*	(15.3)	(16.0)	*(4.4%)*
D&A	(0.8)	(0.7)	*14.3%*	(1.7)	(1.5)	*13.3%*
Promotion and marketing (2)	(2.6)	(2.8)	*(7.1%)*	(7.7)	(4.9)	*57.1%*
EBIT	**4.8**	**5.3**	***(9.4%)***	**5.1**	**7.0**	***(27.1%)***
EBIT margin	*17.2%*	*17.9%*	*(0.7pp)*	*9.5%*	*12.7%*	*(3.2pp)*
EBITDA	**5.6**	**6.0**	***(6.7%)***	**6.8**	**8.5**	***(20.0%)***
EBITDA margin	*20.1%*	*20.3%*	*(0.2pp)*	*12.7%*	*15.5%*	*(2.8pp)*

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

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

1. REVENUE [3]

In the second quarter of 2017, revenue of the Radio segment decreased by 5.7% yoy and amounted to PLN 27.9 million. The decrease in revenue resulted mainly from lower inflows from brokerage of airtime in third-party radio stations as well as barter transactions. In the reporting period, revenue from video production and from the sales brokerage service provided to Helios cinemas were also lower. However, there was an increase in revenues from selling airtime in the radio stations of Agora Radio Group.

In the second quarter of 2017, total radio advertising expenditure in Poland decreased by 0.5% yoy.

In the first half of 2017, revenue in the Radio segment declined by 2.4% yoy and amounted to PLN 53.7 million. The decrease in this item resulted mainly from lower inflows from brokerage of airtime in third-party radio stations as well as barter transactions. However, higher proceeds were recorded in the reporting period from the brokerage services provided for Helios cinemas and higher air time sales in the radio stations of Agora Radio Group.

In the first half of 2017, total radio advertising expenditure in Poland decreased by 2.0% yoy.

2. COST

In the second quarter of 2017, the segment's operating costs decreased by 4.9% yoy and amounted to PLN 23.1 million. This was caused mainly by reducing the costs of external services and staff costs.

The costs of external services declined by 8.1% yoy to PLN 10.2 million. The decrease in this item resulted mainly from lower costs of air time purchase in third-party radio stations in connection with the advertising brokerage service provided and lower marketing research costs. However, costs related to sale brokerage services for Helios cinemas, reported under external services, were higher. Apart from the advertising brokerage costs and the costs

related to the sales of advertising services in Helios cinemas, the external services item also includes rental and lease fees, costs of production services as well as operator fees.

Staff costs were reduced by 3.8% yoy in the second quarter of 2017, mainly due to lower costs of civil law agreements.

In the first half of 2017, the segment's operating costs increased by 1.3% year on year and amounted to PLN 48.6 million. This increase was mainly due to higher costs of promotion and marketing relating to expenditure incurred for the Radio Zlote Przeboje image campaign.

However, costs of external services, which amounted to PLN 20.6 million, went down by 6.4% yoy. The major contributing factors were lower costs of air time purchase in third-party radio stations in connection with the advertising brokerage services provided and lower costs of marketing research. However, in the discussed period, costs related with sales brokerage services for Helios cinemas, reported under external services, were higher. Apart from the advertising brokerage costs and the costs related to the sales of advertising services in Helios cinemas, the external services item also includes rental and lease fees, costs of production services as well as operator fees.

A decrease in staff costs as compared to the first half of 2016 is mainly related to lower costs of civil-law agreements.

3. AUDIENCE SHARES [9]

Tab. 19

% share in listening	2Q 2017	change in pp yoy	1H 2017	change in pp yoy
Group's music radio stations (Rock Radio, Zlote Przeboje and Radio Pogoda)	4.1%	0.1pp	4.0%	0.1pp
News talk radio station TOK FM	2.3%	0.5pp	2.3%	0.5pp

4. NEW INITIATIVES

In the first quarter of 2017, the Agora Radio Group launched an innovative application – Mikrofon TOK FM – which allows TOK FM Radio listeners to record their own audio commentary and send it to the radio station. The application, which was developed with support from the Google Digital News Initiative Innovation Fund, can be downloaded from Google Play and AppStore.

In the first half of 2017, Radio Zlote Przeboje launched another stage of its promotional campaign *Muzyka daje radosc* with Marcin Prokop as its lead character.

At the beginning of July 2017, a new Radio TOK FM station started broadcasting in Tarnowskie Gory.

IV.F. PRINT [1]

The Print segment includes the pro-forma financials of Agora's Print division and Agora Poligrafia Sp. z o.o.

Tab. 20

in PLN million	**2Q 2017**	**2Q 2016**	***% change yoy***	**1H 2017**	**1H 2016**	***% change yoy***
Total sales, including:	**32.9**	**41.6**	***(20.9%)***	**62.6**	**80.6**	***(22.3%)***
Printing services (1)	30.9	39.6	*(22.0%)*	58.9	76.6	*(23.1%)*
Total operating cost, including (2):	**(34.1)**	**(43.6)**	***(21.8%)***	**(66.3)**	**(83.6)**	***(20.7%)***
Raw materials, energy and production services	(21.5)	(28.6)	*(24.8%)*	(41.1)	(54.7)	*(24.9%)*
Staff cost	(5.3)	(5.5)	*(3.6%)*	(10.5)	(10.9)	*(3.7%)*
D&A	(5.4)	(5.8)	*(6.9%)*	(10.8)	(11.7)	*(7.7%)*
EBIT	**(1.2)**	**(2.0)**	***40.0%***	**(3.7)**	**(3.0)**	***(23.3%)***
EBIT margin	*(3.6%)*	*(4.8%)*	*1.2pp*	*(5.9%)*	*(3.7%)*	*(2.2pp)*
EBITDA	**4.2**	**3.8**	***10.5%***	**7.1**	**8.7**	***(18.4%)***
EBITDA margin	*12.8%*	*9.1%*	*3.7pp*	*11.3%*	*10.8%*	*0.5pp*

(1) revenues from services rendered for external customers;

(2) since 2017 the operating costs of the segment related to the production of Gazeta Wyborcza *are settled according to an agreed card rate, in contrary to previous years when it was settled 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 adjusted accordingly.*

In the second quarter of 2017, the Print segment improved its operating result at the EBITDA (up by 10.5% yoy, to the amount of PLN 4.2 million). However, in the first half of 2017, the EBITDA result was 18.4% yoy lower and amounted to PLN 7.1 million *[1].*

1. REVENUE

Both in the second quarter and the first half of 2017, revenue from the sale of printing services to external customers decreased to PLN 30.9 million and PLN 58.9 million, respectively.

In both periods, the decline resulted from a lower volume of orders for printing services, mainly in the heatset technology.

2. COST

The operating costs of the Print segment were lower, both in the second quarter and the first half of 2017. Their reduction by 21.8% yoy and 20.7% yoy, respectively, resulted mainly from a lower volume of orders, which translated into lower costs of production materials, and from a higher share of printing services involving customer-provided paper.

NOTES

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

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

In the Management Board opinion, EBITDA constitutes a useful supplementary financial indicator in assessing the performance of the Group and its operating segments. It should be taken into account, that EBIT and EBITDA are not measures determined by IFRS and have not a uniform standard of calculation. Accordingly, their calculation and presentation by the Group may differ from that applied by other companies.

EBIT and EBITDA of Press, Internet, Movies and Books as well as Print segments are calculated on the basis of cost directly attributable to the appropriate operating segment of the Agora Group and excludes allocations of all Company's overheads (such as: cost of Agora's Management Board and a majority of cost of the Company`s supporting divisions), which are included in reconciling positions.

Moreover, EBIT of particular operating segments does not include depreciation and amortisation recognised on consolidation as described in note 4 to the condensed semi-annual consolidated financial statements.

[2] the data on ticket sales in the cinemas comprising Helios group come from the accounting data of Helios reported in accordance with full calendar periods.

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

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

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

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

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

The Company would like to stress that one should bear in mind that these advertising market estimations may represent some margin of error due to significant discount pressure on the market and lack of reliable data on the average market discount rates. Once the Company has a more reliable market data in consecutive quarters, it may correct the ad spending estimations in particular media.

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

The data on dailies readership are based on PBC General, research carried out by MillwardBrown on a random, nationwide sample of Poles over 15 years of age. The CCS index was used (weekly readership index) - percentage of respondents reading at least one edition of the title within 7 days of the week preceding research. Size of the sample: nationwide PBC General for April-June 2017: N=4, 975; for January-June 2017: N = 9,989.

[5] Definition of ratios:

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

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

Return on equity = $\frac{\text{Net profit / (loss) attributable to equity holders of the parent}}{\text{(Equity attributable to equity holders of the parent at the beginning of the period + Equity attributable to equity holders of the parent at the end of the period) / 2 /(2 for semi-annual and 4 for quarterly results)}}$

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

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

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

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

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

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

Free cash flow interest cover = $\frac{\text{Free cash flow **}}{\text{Interest charge}}$

** from the second quarter of 2017 the numerator of the creditors days ratio includes accruals for uninvoiced costs and the denominator includes selling and administrative expenses, the comparative amounts of the ratio were restated accordingly;*

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

[6] Real users, page views and spent time on the basis of 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. in Gemius SA's Registry of Service Providers. Real users data of the Gazeta.pl group services are audited by Gemius SA.

Since May 2016 a new methodology of Gemius PBI research has been introduced and the data for previous audited periods is not comparable. According to the new methodology the data is presented jointly for PCs and mobile platforms, and the reach of websites is reported accordingly. The way of weighing data and the definitions of indices also changed.

The data for mobile platforms present the traffic through www, and since December 2016 include the users of mobile applications and the pageviews generated through mobile applications (Gazeta.pl LIVE, Sport.PL LIVE, Moje Dziecko, Moja Ciaza, Tuba.fm, application of Gazeta Wyborcza and Clou).

[7] Average paid circulation of monthlies is based on the Agora's own data. Rate card data on magazines obtained from Kantar Media monitoring; commercial brand advertising and sponsored articles, excluding specialized monthlies; accounted for 113 monthlies and 74 other magazines; in total 187 magazines for the period of April-June 2017 and 117 monthlies and 75 other magazines; in total 192 magazines for the period of January – June 2017.

[8] Source: report prepared by Izba Gospodarcza Reklamy Zewnetrznej (IGRZ) in cooperation with Starlink company.

[9] Audience market data referred herein are based on Radio Track surveys, carried out by MillwardBrown SMG/KRC (all places, all days and all quarter) in whole population and in the age group of 15+, from April to June (sample for 2016: 20,970; sample for 2017: 20,783) and from January to June (sample for 2016: 41,977; sample for 2017: 41,561).

[10] The data on cinema ticket sales are estimates of Helios group prepared on the basis of data received from Boxoffice.pl (based on reports submitted by distributors of film copies). Cinema ticket sales are reported for periods, which do not cover a calendar month, quarter or year. The number of tickets sold in the given period is calculated from the first Friday of a given month, quarter or year until the first Thursday of the next reporting month, quarter or year.

V. ADDITIONAL INFORMATION

V.A. INFORMATION CONCERNING SIGNIFICANT CONTRACT

- **Execution of the Credit Line Agreement between the Company and DNB Bank Polska S.A.**

In the current report of May 25, 2017, the Management Board of Agora S.A. informed that on May 25, 2017, the Company entered into a Credit Line Agreement ("Agreement") with DNB Bank Polska Spolka Akcyjna ("Bank").

On the basis of the signed Agreement, the Company is provided with the credit limit ("the Credit Limit") of up to PLN 135,000,000.00, divided into:

- non-renewable loan no. 1 of PLN 25,000,000.00 (for repayment of a multi-purpose credit limit in Bank Polska Kasa Opieki S.A. under Agreement No. 2014/137/DDF for Multi-Purpose Credit Limit of 28 May 2014 with later amendments; non-renewable loan no. 1 shall be repaid in 12 equal quarterly instalments. The first instalment shall be repaid on the first day of the calendar quarter following the 12 months after the date of use of the loan;
- overdraft no. 2 amounting up to PLN 35,000,000.00 that can be used to finance the working capital and other corporate purposes of the Company including cash pooling. Its term of use is 12 months after the date of signing the Agreement;
- overdraft no. 1 amounting up to PLN 75,000,000.00 that may be used to e.g. finance or refinance acquisitions, investment expenditure and the working capital. Its term of use is 12 months after the date of signing the Agreement. If the entire amount or part thereof is used within 12 months after the date of signing the Agreement, this amount may, upon the Company's request, be converted into non-renewable loan no. 2 amounting up to PLN 75,000,000.00. 12 months after the date of signing the Agreement, the total amount of used overdraft will be automatically converted by the Bank into non-renewable loan no. 2. Each tranche of the used non-renewable loan is repayable in 12 equal quarterly instalments. The first instalment will be repaid on the first day of the calendar quarter after the second anniversary of signing the Agreement.

In accordance with provisions of the Agreement, the Credit Limit will be secured e.g. with a declaration on voluntary submission to execution by the Company, with a contractual mortgage established for the benefit of the Bank on real estate located in Warsaw at 8/10 Czerska Street in respect of which the Company holds the right of perpetual usufruct and the ownership of the building located thereon, and with a transfer of rights from the insurance policy on the above-mentioned real estate.

Furthermore, during the credit period, the Company undertook to maintain certain financial parameters and financial ratios related to its activities at the level agreed upon with the Bank. At the same time, the Company agreed to transfer a substantial part of its transaction services to the Bank within the deadline specified in the Agreement.

The Credit Limit bears the WIBOR interest rate for either one-month or three-month deposits in PLN plus the Bank's margin. In the event of failure to repay all Bank's receivables or part thereof within the deadline specified in the Agreement, the Company will be charged interest at the base rate plus 3.85pp. There are no other provisions in the Agreement regarding contractual penalties.

At the same time, the Company and selected companies from its capital group entered into a cash pooling agreement with the Bank. In accordance with this agreement, the Company may use the sub-limit up to PLN 80,000,000.00 from the funds collected by other participants of the cash pooling system.

V.B. IMPORTANT EVENTS

Changes in the Management Board of the Company.

In the current report of February 17, 2017, the Management Board of Agora S.A. informed that on February 17, 2017, the Company received from the Member of the Management Board, Mr Robert Musial, statement of resignation from the position of the member of the Company's Management Board, effective February 28, 2017.

In the current report of March 1, 2017, the Management Board of Agora S.A. informed that pursuant to par. 28 section 3 of the Company's Statute, the Management Board of the Agora S.A. elected by way of co-option Ms. Agnieszka Sadowska, an additional member of Management Board. In the Management Board of Agora S.A., Ms. Sadowska shall supervise the Internet and the Print segments, Technology division, publication of Agora's magazines, BigData department and TV business. Pursuant to par. 28 section 3 of the Company's Statute the Management Board of Agora S.A. was obliged to place on the agenda of the closest Ordinary General Meeting of Company's Shareholders the item concerning confirmation of the election of Ms. Sadowska by way of co-option and to present relevant draft resolution.

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

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

The number of paid subscriptions of *Gazeta Wyborcza* increased by about 30% vs. the data recorded at the end of December 2015 (more than 77 thousand digital subscriptions).

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

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

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

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

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

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

General Meeting of Shareholders of Agora S.A.

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

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

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

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

- Agora - Holding Sp. z o.o.: 22,528,252 votes, i.e. 49.32% of votes at the Ordinary General Meeting and 34.77% of the total number of votes.

- Otwarty Fundusz Emerytalny PZU "Zlota Jesien": 7,800,000 votes, i.e. 17.07% of votes during the Ordinary General Meeting and 12.04% of the total number of votes.

- MDIF Media Holdings I, LL: 5,355,645 votes, i.e. 11.72% of votes during the Ordinary General Meeting and 8.27% of the total number of votes.

- Nationale-Nederlanden Otwarty Fundusz Emerytalny: 4,000,000 votes, i.e. 8.76% of votes during the Ordinary General Meeting and 6.17% of the total number of votes.

- Aegon Otwarty Fundusz Emerytalny: 3,556,548 votes, i.e. 7.79% of votes during the Ordinary General Meeting and 5.49% of the total number of votes.

V.C. CHANGES IN CAPITAL AFFILIATIONS OF THE ISSUER WITH OTHER ENTITIES

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

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

On April 13, 2017, the extraordinary general meeting of Joy Media Sp. z o.o., with its registered office in Warsaw, adopted a resolution to increase the share capital of the company from the amount of PLN 20,000 to the amount PLN 240,000, by issuing 4,400 new shares, each of the nominal value amounting to PLN 50 and their total nominal value amounting to PLN 220,000. As a result of this transaction, Next Film Sp. z o.o. held 4,800 shares in Joy Media Sp. z o.o., comprising 100% of the company's share capital and granting the right to 4,800 votes, comprising 100% votes during the Meeting. On April 25, 2017, the extraordinary general meeting of Joy Media Sp. z o.o., with its registered office in Warsaw, adopted another resolution to increase the share capital of the company from PLN

240,000 to PLN 320,000, by issuing 1,600 new shares, each of the nominal value amounting to PLN 50 and their total nominal value amounting to PLN 80,000. The newly issued shares were allocated to the two new shareholders, each receiving 800 shares. The above-mentioned change was registered by the District Court for the Capital City of Warsaw in Warsaw, XIII Economic Division of the National Court Register, on May 29, 2017. On the same day, the District Court for the Capital City of Warsaw in Warsaw, XIII Economic Division of the National Court Register, registered the amendment of the Statutes of Joy Media Sp. z o.o. that involved the change of the business name of the company into Next Script Sp. z o.o. Next Film Sp. z o.o. currently holds 4,800 shares in the share capital of Next Script Sp. z o.o., comprising 75% of the company's share capital and granting the right to 4,800 votes, comprising 75% votes during the Meeting.

On April 21, 2017, Agora S.A. signed an agreement to sell 2,110 shares in the share capital of Sir Local Sp. z o.o., with its registered office in Warsaw, each of the nominal value amounting to PLN 50 and their total nominal value amounting to PLN 105,500, to the benefit of the minority shareholder of this company, for the amount of PLN 10,000. The transfer of ownership to the shares occurred as of April 24, 2017. As of the date of publication of this report, Agora S.A. does not hold any shares in Sir Local Sp. z o.o., with its registered office in Warsaw.

On May 29, 2017, Agora TC Sp. z o.o. ("Acquiring Company"), PTA Sp. z o.o. ("Acquired Company 1") and TV Zone Sp. z o.o. ("Acquired Company 2") filed requests at the District Court for the Capital City of Warsaw in Warsaw, XIII Economic Division of the National Court Register, to change data in the Register of Entrepreneurs in respect of the acquisition under Art. 492 § 1 Point 1 of the Commercial Companies Code, by transferring all the assets of the Acquired Company 1 and of the Acquired Company 2 upon the Acquiring Company. On 30 June 2017, the District Court for the Capital City of Warsaw in Warsaw, XIII Economic Division of the National Court Register, registered the above-mentioned change.

On July 21, 2017, the extraordinary general meeting of shareholders of Next Film Sp. z o.o. ("Next Film") adopted the resolution increasing the share capital by issuing 500 new shares with nominal value of PLN 1,000 per share and total nominal value of PLN 500 thousand. The extraordinary general meeting of shareholders of Next Film decided to allocate newly issued shares to the sole shareholder of Next Film, i.e. Helios S.A. Helios S.A. will receive 500 newly issued shares in return for cash contribution in the amount of PLN 8,000 thousand, of which amount of PLN 500 thousand will be allocated to the share capital of Next Film, and amount of PLN 7,500 thousand will be recognized as agio and allocated to the reserve capital of Next Film. After the registration of the increase in the register of entrepreneurs in the National Court Register, the share capital of the company will amount to PLN 1,000 thousand and will be divided into 1,000 shares with nominal value of PLN 1,000 per share, of which Helios S.A. will hold 1,000 shares in the share capital of the company, representing 100% of the share capital and 100 % of votes at the general meeting of shareholders.

On August 9, 2017, the extraordinary general meeting of shareholders of Yieldbird Sp. z o.o. ("Yieldbird") adopted the resolution increasing the share capital by issuing 75 new shares with nominal value of PLN 50 per share and total nominal value of PLN 3,750. The extraordinary general meeting of shareholders of Yieldbird Sp. z o.o. decided to allocate newly issued shares to three minority shareholders of Yieldbird, in such a way that each of two shareholders receive 30 shares, and one shareholder receive 15 shares. After the registration of the increase in the register of entrepreneurs in the National Court Register, the share capital of the company will amount to PLN 47,550 and will be divided into 951 shares with nominal value of PLN 50 per share, of which Agora S.A. will hold 738 shares in the share capital of the company, representing 77.60% of the share capital and 77.60% of votes at the general meeting of shareholders.

Call for the repurchase of shares in a subsidiary

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

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

one ongoing squeeze-out procedure (pursuant to Article 418 of CCC), aiming at the acquisition by the two shareholders of Helios S.A., including Agora S.A., of the Shares held by the Minority Shareholder and other minority shareholders.

(i) Sell-out procedure

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

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

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

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

The final evaluation of Shares, which are subject to the sell-out procedure, will be calculated by an expert appointed by the registry court having the jurisdiction over the registered office of Helios S.A. Possibly change of price will effect change of sell-out price of shares.

As of the date of publication of this report an expert has not been appointed.

(ii) Squeeze-out procedure

The squeeze-out procedure, which entered into force on July 14, 2016, concerns 10 shares. The owner of the mentioned shares, didn't respond to a Company's call, announced in the Court and Commercial Gazette, directed at the minority shareholders holding the above mentioned shares, to lodge the share certificates with the Company within two weeks from the date of announcement of the call, under pain of invalidation thereof. In connection with the above, on April 7, 2017 the Management Board of Helios S.A. adopted a resolution on cancelling the aforementioned shares. The above information was published in the Court and Commercial Gazette on 8 May 2017.

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

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

V.D. ADDITIONAL INFORMATION

1. Description of the Capital Group

The description of the Group showing the entities subject to consolidation is presented in note 11 to the condensed semi-annual consolidated financial statements

2. Changes in ownership of shares or other rights to shares (options) by Management Board members since the date of publication of the last quarterly report

Tab. 21

a. shares	as of 11 August 2017	*decrease*	*increase*	as of 12 May 2017	*decrease*	*increase*	as of 31 March 2017
Bartosz Hojka	2,900	-	-	2,900	-	-	2,900
Tomasz Jagiello	0	-	-	0	-	-	0
Grzegorz Kossakowski	44,451	-	-	44,451	-	-	44,451
Robert Musial (1)	-	-	-	-	-	-	1,233
Agnieszka Sadowska (2)	0	-	-	0	-	-	0

(1) Robert Musial held the position of Management Board Member until 28 February 2017. The presented number of shares involves only the period when he held the position of the Company's Management Board Member;

(2) Agnieszka Sadowska has been Company's Management Board Member since 1 March 2017.

In the described periods, the members of the Management Board did not have any other rights to shares (e.g. options).

The members of the Management Board participate in the incentive plan described in the note 5 of the condensed semi-annual consolidated financial statements.

3. Changes in ownership of shares or other rights to shares (options) by Supervisory Board Members since the date of publication of the last quarterly report

Tab. 22

a. shares	as of 11 August 2017	*decrease*	*increase*	as of 12 May 2017	*decrease*	*increase*	as of 31 March 2017
Andrzej Szlezak	0	-	-	0	-	-	0
Wanda Rapaczynski	882,990	-	-	882,990	-	-	882,990
Tomasz Sielicki	33	-	-	33	-	-	33
Dariusz Formela	0	-	-	0	-	-	0
Anna Krynska-Godlewska	0	-	-	0	-	-	0
Andrzej Dobosz	0	-	-	0	-	-	0

In the described periods, the members of the Supervisory Board did not have any other rights to shares (e.g. options).

4. Shareholders entitled to exercise over 5% of total voting rights at the General Meeting of Agora S.A., either directly or through affiliates, as of the date of publication of the report for the first half of 2017

Data update is performed on the basis of the official notifications from shareholders entitled to over 5% of total voting rights at the General Meeting 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 the previous quarterly report (i.e. May 12, 2017), and as of the day of publication of this report, has not significantly changed.

Based on the above notifications, as of the date of provision of this report, the following shareholders were entitled to exercise over 5% of voting rights at the General Meeting of Shareholders of the Company:

Tab. 23

	No. of shares	*% of share capital*	no. of votes	*% of voting rights*
Agora-Holding Sp. z o.o. *(in accordance to the last notification of September 24,2015)*	5,401,852	11.33	22,528,252	34.77
Powszechne Towarzystwo Emerytalne PZU S.A. (Otwarty Fundusz Emerytalny PZU Złota Jesień and Dobrowolny Fundusz Emerytalny PZU) *(in accordance to the last notification of December 27, 2012)(1)*	7,594,611	15.93	7,594,611	11.72
including: Otwarty Fundusz Emerytalny PZU Zlota Jesien *(in accordance to the last notification of December 27, 2012)(1)*	7,585,661	15.91	7,585,661	11.71
Media Development Investment Fund, Inc. (MDIF Media Holdings I, LLC) *((in accordance to the last notification of June 6, 2016)*	5,350,000	11.22	5,350,000	8.26
Nationale – Nederlanden Powszechne Towarzystwo Emerytalne S.A. (Nationale – Nederlanden Otwarty Fundusz Emerytalny and Nationale Nederlanden Dobrowolny Fundusz Emerytalny) *(in accordance to the last notification of June 9, 2016)*	4,493,055	9.43	4,493,055	6.93
Aegon Powszechne Towarzystwo Emerytalne S.A. (Aegon Otwarty Fundusz Emerytalny) *(in accordance to the last notification of December 7, 2015)*	3,283,154	6.89	3,283,154	5.07

(1) number of shares according to shareholder's notification – as of December 27, 2012; shares in votes and share capital of Agora S.A. were calculated by the Company after the registration of a decrease in Company's share capital.

5. OTHER INFORMATION

The Management Board's statement of the possible realization of forecasts

The Management Board did not publish any forecasts of financial results and because of that this report does not present any Management Board's statement of the possible forecast execution.

Changes in contingences and court cases

Any changes in contingencies since the date of closing of the last financial year and information about court cases were described in notes 7 and 8 to the condensed semi-annual consolidated financial statements.

Related party transactions

Transactions with related parties with the Group are of routine nature and were described in note 10 to the condensed semi-annual consolidated financial statements.

6. THE DESCRIPTION OF BASIC HAZARDS AND RISK CONNECTED WITH THE UPCOMING MONTHS OF THE CURRENT FINANCIAL YEAR

Macroeconomic risk

Advertising revenues 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 the first half of 2017, advertisers spent over 1.0% yoy more on advertising. Advertisers decreased their expenditure in majority of media segments.

Seasonality of advertising spending

The Group advertising 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: press, outdoor advertising, radio stations, internet and cinemas. As a result of structural changes and media convergence particular media in the Agora Group's portfolio compete both with their business competitors and with television broadcasters - constituting almost half of the advertising market expenditure in the first half of 2017. The next largest segment of advertising market – Internet held 31.0% share in total ad spend. Ad expenditure in magazines and dailies constituted 5.5% and 2.0% share of total ad spend, respectively. Outdoor advertising held in the first half of 2017 5.5% of the advertising market share and radio ad spend constituted 7.0% of total ad expenditure. Cinema advertising in Poland constituted 1.5% of all advertising expenditure. Bearing in mind the dynamics of particular media and the current estimates of advertising market growth in 2017 there is a risk that the share of particular media in the advertising market will change. This may influence the Group's position and its revenues.

Additionally, as a result of the changes in media described above and consolidation on the advertising market the competition between media grows and it may influence Group's advertising revenues. Moreover, due to those changes and technological progress there is no certainty that the Group will be able to react to them in a proper time and manner, which may negatively influence the Group's position and financial results.

Advertising revenues depend also on the readership figures and shares in radio and television audience. Due to the process of structural changes in the media consumption, the 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. Internet becomes a fast-growing channel of press distribution. Publishers use either their own internet channels, or e-kiosks.

Press

Presently paid press segment 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. There is also a migration of classified ads from the press to the internet. The dynamics of the above mentioned processes may have a negative impact on dailies copy sales and the revenues of the Group. On February 4, 2014, the Group introduced system of paid access to the digital content of *Gazeta Wyborcza*. As at the

end of 2016, the number of subscriptions of content of Wyborcza.pl reached almost 100 thousand active subscriptions. The Company is now focusing on increasing average revenues from the subscriptions as well as increasing revenues from ads on Wyborcza.pl. Yet, it is difficult to estimate whether this is achievable, taking into consideration great Internet competition.

Due to the global changes taking place in the press market, especially those concerning the shrinking of press advertising, the Company decided in October 2016 to discontinue publishing *Metrocafe.pl*. This decision has an impact on the Company's revenues from the press activity in 2017.

- **Internet**

Polish Internet advertising market is highly competitive and the number of Internet users in Poland is not growing as fast as it used to. The Internet activity largely depends on technological development and the number of users. Maintaining strong position on the Internet market is made possible by investment in modern and innovative technological solutions. The development of this medium is also determined by the available infrastructure. In Poland, the state of broadband infrastructure development and its utilization is relatively low in comparison with most EU countries. The way of accessing the Internet is also changing, which can significantly influence the dynamics of the market. The number of mobile internet users is increasing. Changes in the way the Internet is used and the speed of connections can influence the dynamics of the growth of individual segments of the Internet advertising market. In this segment, the Group competes with local and international entities. In such a competitive market, there is no guarantee that the Group's position will remain unchanged. What is more, the Internet advertising market is undergoing major transformations. Advertising in search engines and social media is becoming increasingly popular. The main source of Internet revenue for the Group is graphic advertising. Programmatic, video, and mobile advertising are becoming increasingly important. Strong position in the rapidly changing Internet advertising market requires investment in advanced technology. There is no certainty that the Group will be able to compete in this area with large domestic and international financial players.

- **Responsibility for published content**

The Group's business is based in many aspects on publishing content of journalists, writers, publicists, and users of online forums. This may involve liability or co-responsibility of the publisher for the dissemination of illegal information, including infringing personal property. It is not possible to exclude situations in which the Group could inadvertently infringe such rights and, as a consequence, claims may be made against it, whereby it may be necessary to pay appropriate compensation.

- **Outdoor**

Outdoor advertising market in Poland is highly competitive. AMS S.A. competes with Polish companies, as well as big international concerns. Outdoor advertising market is of high legal risk due to the possible changes in the rules regarding the use of public space and introduction of new limitations in the centers of large urban areas, as well as rules on fees and tax rates related to this business activity. The factors mentioned above may have an impact on the Group’s result.

On 11 September 2015, the Act amending certain acts in connection with the strengthening of landscape protection tools came into force. Under its provisions, local governments have acquired the power to regulate the distribution of visual advertising and small architecture in the public space, and to charge relevant fees. It is difficult now to assess the impact and at what point the introduction of the new regulation will affect the results of the Agora Group. Up to the date of publication of this report, 3 local governments have introduced new collection rules under the aforementioned Act.

- **Cinema**

Helios group opens new cinemas in shopping and entertainment centres. Therefore, further development of the cinema network is dependent upon the construction of new shopping and entertainment galleries in Poland and ability to compete with other cinema operators for new space lease contracts. The pace of Polish infrastructure development and the situation on the Polish real estate market (i.e. cost of space rent) may influence the results of cinema operators.

Additionally, the available repertoire affects results of cinema business. Lack of interesting movies, abilities to promote movies or the quality of movies may negatively affect cinema admissions. Moreover, economic downturn

may translate into lower expenditure on entertainment which may result in lower revenues from ticket sales and willingness to buy food and beverages in cinema bars. Moreover, the cinema operators compete with other technologies of film screening, inter alia, in Internet.

- **Risks of running licensed business**

The Group has been running its activities in radio market for years and since 2014 it started to operate in TV market. Radio and TV operations are licensed activities in Poland. The license entries determine the scope and form of business during the time for which the license is granted. There is a risk that demand, from radio and TV audience, for a certain radio or TV format may decrease, while the Group will not be able to adjust to the market requirements due to the obligation to respect program entries stated in the license and the viewers' demand for a given television format.
In addition, there are ongoing consultations initiated by the National Council of Radio and Television (KRRiT) regarding conducting business in the licensed area. It is difficult to predict what their outcome will be and how will they affect the results and activities of the Company and the Group. In addition, there is a risk that any failure to comply with the concession or regulation, particularly in terms of program content or permanent cessation of broadcasting of the program, may result in sanctions by KRRiT. It is not possible to exclude the risk that KRRiT will refuse to grant concession after the period for which it was originally issued, or that the conditions of reissued concessions (or concession contracts) will be less favorable to the Group than those currently exercised.

- **Radio stations**

Polish radio ad market is highly competitive. Agora's radio stations compete with other radio broadcasters, with national reach, as well as other media – TV, press, internet and outdoor advertising. To maintain audience share it is important to have a demanded radio format. There is no certainty that the Group's current position in the radio audience market will remain 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. It must also be kept in mind that radio stations are increasingly competing for attention with other media, especially the Internet.

- **Television**

Due to the purchase of 41.04% stake in Stopklatka S.A. by Agora on March 12, 2014 r. the Company entered television market. Our television channel competes with existing television broadcasters and potential new market entrants. Among Stopklatka TV competitors there are larger broadcasters with better brand recognition and greater financial resources than us. Competitive for the channel is the Internet and the increasing popularity of VOD services and platforms for viewing video content directly on the web.
In 2015 The National Broadcasting Council granted a subsidiary company of Agora S.A. – Green Content sp. z o.o. a new license to broadcast a television programme via digital terrestrial platform in signal of eighth multiplex. The station was launched on the 2nd of December, 2016. There is no certainty that a new TV channel will gain popularity among audience at a highly competitive TV market. An additional difficulty is the need to adapt the antennas and receivers of some clients to the signal of eighth multiplex. Relevant audience share is a key indicator based on an analysis of the advertisers' budget allocation decisions. After the sale of part of shares of Green Content Sp. z o.o. in December 2016, the results of this activity are consolidated using the equity method.

- **Movie business**

Movie distribution and co-production is of project nature, which may cause the volatility of its results and lead to periodic distortions of the Group's results. The majority of outlays, especially those related to movie co-production, is incurred long before the revenues related to that field of operations occur. The impact of this activity on the Group's results depends also on the popularity of particular film productions.

- **Risk of claims for infringement of intellectual property rights**

The Group's business is largely based on the use of intellectual property rights and licensing agreements. The Group believes that it does not infringe on the intellectual property rights of third parties. However, it is not possible to exclude situations where the Group could inadvertently infringe such rights. As a result, claims could be made against the Group, which could result in the need to pay adequate compensation.

- **Risk of volatility of law regulations, especially those concerning the Group's activities**

Polish legal system is highly complicated and undergoes frequent and unpredictable changes. The Group activities may be impacted especially by changes in regulations related to the Group's operations. In particular, the activity of the Group may be influenced by changes in the law governing the activities performed, including introducing provisions of the so-called "cross-media distortion of entities in the media market", changes in the provisions of the Broadcasting Act and the implementing regulations of this Act, the Copyright and Related Rights Act, as well as amendments to the regulations governing the capital market activities in Poland. New regulations may potentially give rise to certain risks related to interpretation problems, lack of judicial practice, adverse interpretations accepted by the courts or public administration bodies.

In addition, tax regulations in Poland are characterized by high volatility. Possible changes in business taxation, both in terms of income tax, tax on goods and services and other taxes, may adversely affect the Group's business and performance. The Group is also exposed to the risk of a possible change in the interpretation of tax laws issued by tax authorities that affect its operating activities and financial results.

- **Impairment tests**

In line with the *International Financial Reporting Standards*, the Group runs impairment tests. In the past, some of the tests resulted in impairment losses, which were reflected in the income statement (unconsolidated or consolidated). There is no certainty that the tests run in the future will give positive effects.

- **Currency risk**

The Group's revenues are expressed in Polish zlotys. Part of the operating cost, connected mainly with cinema activities, the production materials and services and IT services, is related to the currency exchange rates. The volatility of currency exchange rates may have influence on the level of Group's operating cost and its financial results.

- **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 that the Group will be able to preserve all valuable employees.

- **Risk of receivables collection**

Still a large number of companies in Poland declares bankruptcy, including customers of the Agora Group. The financial difficulties of customers co-operating with different segments of the Agora Group may affect the Group's financial results. Additionally, there is no certainty, that in case of bankruptcy of its customers the Group will collect all of its receivables.

- **The risk of collective dispute**

On December 12, 2011 an Inter-union trade organization NSZZ Solidarność AGORA S.A i INFORADIO SP. Z O.O. ("OM") was created. The trade unions operate in Agora S.A., Inforadio Sp. z o.o., Agora Poligrafia Sp. z o.o., AMS S.A., Trader.com (Polska) Sp. z o.o. and Grupa Radiowa Agory Sp. z o.o. According to the law requirements the management 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.

VI. MANAGEMENT BOARD'S REPRESENTATIONS

1. REPRESENTATION CONCERNING ACCOUNTING POLICIES

Management Board of Agora confirms that, to the best knowledge, the condensed semi-annual unconsolidated and 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 and its Capital Group.

Management Discussion and Analysis of the Group shows true view of the achievements and 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 REVIEW OF THE CONDENSED SEMI-ANNUAL FINANCIAL STATEMENTS

Management Board of Agora confirms that the Company's auditor chosen for the review of semi-annual unconsolidated and consolidated financial statements has been elected according to applicable rules and that the company reviewing the Agora's accounts as well as certified auditors engaged in the review of this financial statements met objectives to present an objective and independent opinion on the review of the financial statements in accordance with legal regulations and professional rules.

Warsaw, August 11, 2017

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