

## **Resolution of Supervisory Board to adopt the evaluation of the situation of the Company in the year 2015**

With regard to the adoption by Agora S.A. („the Company”) Good practices of publicly traded companies quoted on Warsaw Stock Exchange in Warsaw S.A., resolved on the basis of § 29 of the Warsaw Stock Exchange S.A. by-laws, the Supervisory Board of the Company resolves as follows:

1. The Supervisory Board of the Company evaluated the Company's situation in 2015.

The Supervisory Board formulated its evaluation on the basis of the review of the Agora Group's ("the Group") affairs and the discussions with the Management Board which took place during the Supervisory Board meetings attended by the Management Board, as well as on daily basis. The Supervisory Board has also taken into consideration the review of the financial statements for the first half of 2015 and the financial year 2015 prepared by the Audit Committee, whose meetings were held with the participation of the representatives of the Company's auditor. Judging the market situation, the Supervisory Board takes into account all publicly available data on activities of other entities and therefore it should be remembered that the market data presented in this document and the judgment based on that data can be treated only as rough estimates.

The Supervisory Board is of the opinion that in 2015 the Management Board of the Company successfully continued the implementation of the midterm development plans of Agora Group for the forthcoming years. These plans had been introduced in 1Q2014 and they are aimed at growth of scale through revenue increase, while at the same time improving profitability.

Effective implementation of development initiatives, as well as improvement of the advertising market and a record breaking attendance in Polish cinemas, showed an increase of total revenue of the Group. What is important, most of the businesses other than press at the same time improved profitability.

As at the end of 2015, the Agora Group had PLN 117.0 million (in cash and in short-term monetary assets, of which PLN 31.2 million was in cash and cash equivalents and PLN 85.8 million in secure short-term securities). Additionally, the Group had deposited PLN 29.6 million by the subsidiary AMS S.A. as a cash collateral securing the bank guarantee issued in relation to the concession contract for construction and utilization of bus shelters in Warsaw (of which PLN 10.8 million is presented in the balance sheet as long-term receivables).

The Group's bank loan liabilities amounted to PLN 107.6 million (including bank liabilities of Helios group ('Helios') and finance lease liabilities in the amount of PLN 89.8 million). The amount of cash held by the Group (as of December 31, 2015) was also influenced by the execution of the second stage of share buyback program. The Company bought 771,960 of own shares by the purchase price of PLN 12.0 per one purchased share, outside of the regulated market. The acquisition of the shares was settled on April 24, 2015. The total expenses incurred in the performance and settlement amounted to PLN 9.2 million

Agora's subsidiaries executed large investment development projects. Helios cinemas opened four new cinema locations, whereas AMS in co-operation with the authorities of the Capital City of Warsaw put into operation more than half from 1,580 bus shelters planned.

- i. The year 2015 was difficult for all the parties present on the press market in the form of further decline of copy sales. *Gazeta Wyborcza* in its paper form maintained its position of the most popular opinion-forming daily in Poland, with the largest share in ad spend in Polish dailies. Rich double priced offers as well as digital subscription offer resulted in growth of copy sales of *Gazeta Wyborcza*.

Digital transformation of *Gazeta Wyborcza* is executed with success. As at the end of 2015, there were over 77 thousand paid subscriptions of the daily, which means the goal had been achieved better and earlier than originally planned.

The team of the Press segment (incl. *Gazeta Wyborcza* and the division of Magazines and Free Press) worked on the digitization of the magazine content and new mobile applications of all titles published by the Company. The Press segment introduced three new magazines in paper form and developed advertising offer.

- ii. In 2015 the cinema market in Poland had been still developing. Due to consistent investment policy, as at the end of 2015 Helios cinema network was the owner of 37 cinema locations with 206 cinema halls, total. As a result, Helios is the biggest cinema operator in Poland, as far as the number of cinema halls is concerned. Due to record high cinema attendance in Polish cinemas, the Movies and Books segment (incl. Helios SA, NEXT FILM Sp. z o.o. and the Special Projects division) significantly increased revenues from ticket sales and concession sales. What is more, co-operation with the producers of *Witcher 2: Wild Hunt* brought PLN 25,8 million additional revenues, which improved the results of the whole segment.

NEXT FILM, a Helios subsidiary which distributes films in cinemas, introduced the following films: *Ziarno prawdy*, *Disco Polo*, *Karbala*, *Obce niebo* and the foreign *The Finishers (De toutes nos forces)*. In result, the segment's operating result (both EBIT and EBITDA) was significantly improved.

- iii. The outdoor advertising market in 2015 was still stagnant. On the other hand, Agora's Outdoor segment (incl. AMS SA and Adpol Sp. z o.o.) improved its operating result due to the consistent execution of cost control policy in each quarter of last year. In 2015 the activity of the Outdoor segment concentrated on the execution of the Warsaw contract for bus shelters in Warsaw. As at the end of 2015, there were 895 bus shelter built, with almost 800 of them included in the AMS advertising offer. This significantly influenced the segment's operating result.

- iv. The past year yet again brought about a significant improvement of the Company's Internet businesses. Revenues and operating result were best in the history of the segment (comprising Internet division in gora S.A., Trader.com (Polska) Sp. z o.o., AdTaily Sp. z o.o., Sport4People Sp. z o.o. and Sir Local Sp. z o.o.). This was made possible by significantly higher revenues of the segment (growth by 18.4% yoy), which was mainly influenced by higher Internet ad sales in *Gazeta.pl* as well as via AdTaily internet advertising network, growth of ad sales for mobile devices and the development of video sales. In 2015 the Internet segment was actively developing mobile applications of *Gazeta.pl* and *Sport.pl*.

Agora Group's radio stations yet again noted a significant improvement of the result yoy. It was made possible by growth of revenues of the segment (comprising Radio division in Agora S.A., all local radio stations and superregional TOK FM radio station) to PLN 107.7 million. In 2015 the Radio segment added to its offer new activities of Tandem Media – sales of on-screen and off-screen in Helios cinemas. In the end of 2015 Radio Żłote Przeboje started broadcasting in

Jędrzejów near Kielce, and in Tarnów in 1Q/2Q2015. In August, 2015 Radio TOK FM started broadcasting in Białystok and Częstochowa. In November, 2015 National Broadcasting Council granted Radio TOK FM frequencies in Bydgoszcz and Rzeszów. On the 12th of June, 2015 Agora Radio Group started broadcasting Radio Pogoda in 3 cities: Kraków, Poznań and Opole. Radio Pogoda is the fourth radio brand in Agora's portfolio. At the beginning of July, 2015 Radio Pogoda was expanded by fourth frequency – in Warsaw. In January, 2016 National Broadcasting Council agreed to re-brand some of the Rock Radio stations to Radio Pogoda stations, thus giving 7 radio stations of the latter.

- v. In 2015, the Print segment (comprising Printing division in Agora S.A. and Agora Poligrafia Sp.z o.o.) significantly improved its operating result yoy due to limiting costs by 5.9%. Both EBIT and EBITDA increased significantly, to PLN 2,3 million and 18,1 million, respectively. [1]
- vi. Supervisory Board also appreciates the win in the competition for the television broadcast of universal lifestyle channel on MUX-8. This is another step to increase the Company's presence in the television market, which is consistent with the announced midterm development plan of the Company.

The Supervisory Board is pleased to see the effective implementation of the midterm development plan of the Agora Group. The initiatives implemented by the Board in 2015 yielded excellent results. The Group recorded not only increase of revenue, but also improved profitability. Given the market challenges the Group faced in 2015, as well as a variety of development initiatives aimed at diversifying sources of income and entering new markets, the Supervisory Board positively assesses the situation of the Company and the Agora Group.

## 2. Evaluation of the internal control system, risk management, compliance and the function of internal audit in Agora Group

The Supervisory Board, together with the Company's Management Board analysis the market situation and risk factors on the daily basis. New projects are scrutinized and evaluated. The Group maintains high liquidity and low level of debt, which limits the financial risk. In the case of regulation changes, the Group adjusts its operations accordingly.

Internal control and risk management systems currently operate in the Group. The main elements of the internal control system are parts of business processes of the Group and they include:

- procedures and by-laws regarding, inter alia: delegation of the rights and decision authorization, evaluation of the business projects, registration and processing of business transactions,
- reporting and transaction control of the processes and results of particular areas of the Group's activity,
- controls in the IT systems supporting execution of the business processes and monitoring activities of the system itself.

The executive personnel fulfills particular tasks arising from the internal control system and permanent supervision over its effectiveness as a part of managing selected segments of the Group.

Moreover, the Internal Audit department, supervised by the President of the Management Board, operates in the Company. Internal Audit Department formally identifies risks in the area of internal control and security and recommends the Management Board activities aimed at decreasing risks

when applicable. Supervisory Board regularly meets with the Internal Auditor of the Company and discusses reports about the current condition of the Company and agrees on agreed activities. In 2015, the Supervisory Board met six times with the Internal Auditor of the Company. The Supervisory Board agree with the Internal Auditor on the yearly agenda. The Supervisory Board is of the opinion that the information given by the Internal Auditor allows to understand the main areas of risk as well as to recommend ways in which those risks can be addressed.

The Internal Audit Department supports control of the system effectiveness through systematic research of selected areas of activity. This operation aims at identifying weaknesses of the system and operational risks. Risk management system includes internal control system and permanent, multistage supervision of the Management Board and executive personnel over particular business activities. Moreover, evaluation of the risk factors for the execution of the particular business goals arising from the strategy accepted by Management Board is undertaken, on the daily basis. Whenever there are identified risks, the Management Board and executive personnel implement changes to the procedures in force.

Based on the information submitted to the Supervisory Board and discussion with the Management Board and representatives of the Agora's Internal Audit Department, Supervisory Board is of the opinion that the internal control and risk management system has proved itself in the activities of the Company up to date.

There is no Compliance department present within the structure of the Company. This role is being fulfilled by a special team devoted to corporate cases in the Legal Department of the Company (under supervision of the Legal Director of Agora Group). The Supervisory Board is of positive opinion about the team's commitment and professional competence, especially in the face of rapidly changing legislative environment and the diversity of areas in which the businesses of Agora Group operate.

*[1] EBIT, EBITDA of Press, Print, Internet as well as Movies and Books 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 supporting divisions), which are included in matching positions.*